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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 29, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 20-F

(Mark One)

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

or

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2005

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to _________

or

[ ] SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER: 1-14362

(CHINESE CHARACTERS)
(Exact name of Registrant as specified in its charter)

GUANGSHEN RAILWAY COMPANY LIMITED
(Translation of Registrant's name into English)

PEOPLE'S REPUBLIC OF CHINA
(Jurisdiction of incorporation or organization)

NO. 1052 HEPING ROAD, SHENZHEN, PEOPLE'S REPUBLIC OF CHINA 518010
(Address of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<TABLE>
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TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH LISTED
<S>	<C>
American Depositary Shares, each representing 50 Class H ordinary shares	New York Stock Exchange, Inc.
Class H ordinary shares, nominal value RMB1.00 per share	The Stock Exchange of Hong Kong Limited

</TABLE>

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the Registrant's classes of capital or common stock as of December 31, 2005:

<TABLE>

<S>	<C>
Domestic shares, par value RMB1.00 per share....................	2,904,250,000
H shares, par value RMB1.00 per share...........................	1,431,300,000

</TABLE>

(including 2,748,400 H shares in the form of American Depositary Shares)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ___ No X

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ___ No X

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ___ Accelerated Filer X Non-Accelerated Filer ___

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ___ Item 18 X

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ___ No X

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FORWARD-LOOKING STATEMENTS

Certain information contained in this annual report are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. These forward-looking statements can be identified by the use of words or phrases such as "is expected to", "will", "is anticipated", "plan to", "estimate", "believe," "may," "intend," "should" or similar expressions, or the negative forms of these words, phrases or expressions, or by discussions of strategy. Such statements are subject to risks, uncertainties and other factors that could cause our actual results to differ materially from our historical results and those presently anticipated or projected. You are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date on which such statements were made. Among the factors that could cause our actual results in the future to differ materially from any opinions or statements expressed with respect to future periods include changes in the economic policies of the PRC government, an economic slowdown in the Pearl River Delta region and elsewhere in mainland China, increased competition from other means of transportation, delays in major development projects, a recurrence of the Severe Acute Respiratory Syndrome epidemic or other similar health epidemics or outbreaks, such as avian flu, in Hong Kong or China, foreign currency fluctuations and other factors beyond our control.

When considering such forward-looking statements, you should keep in mind the factors described in "Item 3E. Risk Factors" and other cautionary statements appearing in "ITEM 5. Operating and Financial Review and Prospects" of this annual report. Such risk factors and statements describe circumstances which could cause actual results to differ materially from those contained in any forward-looking statement.

CERTAIN TERMS AND CONVENTIONS

Solely for the convenience of the reader, this annual report contains translations of amounts from Renminbi into U.S. dollars and vice versa at the rate of RMB8.1 to US$1.00, which is rounded from 8.0702, which was the noon buying rate in the New York City for cable transfers in Renminbi per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York on December 30, 2005, except where we specify that a different rate has been used. You should not construe these translations as representations that the Renminbi amounts actually represent U.S. dollar amounts or could be converted into U.S. dollars at that rate or at all. See "Item 3A. Selected Consolidated Financial Data--Exchange Rate Information" for information regarding the noon buying rates for U.S. dollar/Renminbi conversions from January 1, 2001 through June 16, 2006.

We prepare and publish our consolidated financial statements in Renminbi.

Various amounts and percentages set out in this document have been rounded and, accordingly, may account for apparent discrepancies in the tables appearing herein.

Unless the context otherwise requires or otherwise specified:

- "China" or "PRC" means the People's Republic of China.

- "CEPA" means the Closer Economic Partnership Arrangement between Hong Kong and Chinese Mainland entered into on October 27, 2004.

- "GEDC" means Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company, a wholly owned subsidiary of our Parent Company.

- "GRGC" or "Parent Company" means Guangzhou Railway (Group) Company, our parent company.

- "Guangshen Railway", "Company", "we", "our" or "us" means Guangshen Railway Company Limited, a joint stock limited company incorporated in China with limited liability, and its subsidiaries on a consolidated basis.

- "Hong Kong" means the Hong Kong Special Administrative Region of the PRC.

- "Macau" means the Macau Special Administrative Region of the PRC.

- "MOR" means the Ministry of Railways.

- "Pearl River Delta" means the area in and adjacent to the southern part of Guangdong Province, PRC, surrounding the mouth of the Pearl River and its lower reaches.

- "restructuring" means the restructuring conducted in connection with our initial public offering in 1996 during which we succeeded to the railroad and certain other businesses of our predecessor company and certain assets and liabilities of our Parent Company.

- "ton" means metric ton; and one ton is approximately 2,205 pounds in weight.

- "Yangcheng Railway Enterprise Development Company", "Yangcheng Railway Company", "Yangcheng Company" or "Yangcheng" means Guangzhou Railway Group Yangcheng Railway Enterprise Development Company, a wholly owned subsidiary of our Parent Company.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

ITEM 3A. SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following selected consolidated data relating to our consolidated balance sheets as of December 31, 2004 and 2005, and our consolidated statements of income, changes in equity and cash flows for each of the years ended December 31, 2003, 2004 and 2005 are derived from and are qualified by reference to our audited consolidated financial statements included elsewhere in this annual report and should be read in conjunction with "ITEM 5. Operating and Financial Review and Prospects". The following selected consolidated data relating to our consolidated balance sheets as of December 31, 2001, 2002 and 2003, and our consolidated statements of income, changes in equity and cash flows for each of the years ended December 31, 2001 and 2002 are derived from our previously published audited consolidated financial statements that are not included in this annual report.

The audited consolidated financial statements from which the selected consolidated financial data set forth below have been derived were prepared in accordance with International Financial Reporting Standards, or IFRS, and the information set forth below under "Certain US GAAP Data" have been reconciled to generally accepted accounting principles in the United States, or US GAAP as it relates to the Company, which differ in some material respects from IFRS. For a discussion of the principal differences between IFRS and US GAAP, see "Item 5G. Additional Information-Principal Differences between IFRS and US GAAP" and Note 36 to our audited consolidated financial statements included elsewhere in this annual report.

<TABLE>
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	YEAR ENDED DECEMBER 31,					
	2001	2002	2003	2004	2005	2005
	RMB	RMB	RMB	RMB	RMB	US$ (1)
	(IN THOUSANDS EXCEPT FOR PER SHARE DATA)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
IFRS INCOME STATEMENT DATA:						
Revenues from railroad businesses						
- Passenger	1,471,895	1,903,782	1,790,204	2,259,671	2,511,156	310,019
- Freight	585,616	530,776	526,382	611,807	588,310	72,631
Subtotal	2,057,511	2,434,558	2,316,586	2,871,478	3,099,466	382,650
Revenues from other businesses	167,064	166,266	151,596	166,671	177,462	21,909
Total revenues	2,224,575	2,600,824	2,468,182	3,038,149	3,276,928	404,559
Railroad operating expenses	(1,524,854)	(1,809,215)	(1,755,855)	(2,241,821)	(2,375,781)	(293,306)
Other businesses operating expenses	(145,610)	(169,112)	(149,614)	(166,155)	(190,347)	(23,500)
Other income	78,660	43,495	47,341	48,193	48,505	5,988
Profit from operations	632,771	665,992	610,054	678,366	759,305	93,741
Profit attributable to shareholders of the Company	533,495	557,083	511,762	567,484	613,368	75,724
Net income from operations per share	0.15	0.15	0.14	0.16	0.18	0.02
Revenue from continuing operations per share	0.51	0.60	0.57	0.70	0.76	0.09
Earnings per share attributable to shareholders of the Company						
- Basic and diluted	0.12	0.13	0.12	0.13	0.14	0.017

</TABLE>

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	YEAR ENDED DECEMBER 31,					
	2001	2002	2003	2004	2005	2005
	RMB	RMB	RMB	RMB	RMB	US$ (1)
	(IN THOUSANDS EXCEPT FOR PER SHARE DATA)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Dividends declared per share.............	0.10	0.10	0.10	0.105	0.12	0.015
Earnings per ADS attributable to shareholders of the Company............	6.15	6.42	5.90	6.54	7.07	0.873
IFRS BALANCE SHEET DATA (AT YEAR END):						
Working capital (excluding due from and due to Parent Company).................	1,581,054	1,592,040	1,935,979	2,076,207	451.488	55,739
Due from Parent Company...................	29,499	39,374	--	--	15,636	1,930
Due to Parent Company.....................	--	--	37,230	24,617	--	--
Fixed assets..............................	7,031,040	6,798,280	6,952,878	6,973,279	7,391,507	912,532
Leasehold land payments...................	673,746	656,998	652,083	636,379	620,798	76,642
Total assets..............................	10,997,216	11,257,594	11,073,953	11,409,051	12,744,453	1,573,389
Equity attributable to shareholders of the Company................................	10,120,623	10,244,151	10,322,358	10,420,574	10,684,059	1,319,020
Share capital, issued and outstanding, RMB1.00 per value,						
domestic shares - 2,904,250,000........	2,904,250	2,904,250	2,904,250	2,904,250	2,904,250	358,549
H shares - 1,431,300,000...............	1,431,300	1,431,300	1,431,300	1,431,300	1,431,300	176,704
IFRS CASH FLOW STATEMENT DATA:						
Net cash provided by operating activities............................	886,016	1,157,177	798,449	1,236,579	1,380,147	170,389
Net cash (used in)/provided by investing activities...................	(430,425)	251,003	(375,469)	(1,000,639)	(820,915)	(101,348)
Net cash used in financing activities.....	(420,137)	(360,643)	(433,666)	(469,044)	(491,733)	(60,708)
Purchase of fixed assets and payment for construction-in-progress...........	551,508	553,337	339,208	310,179	1,588,374	196,096
Dividends paid to shareholders of the Company................................	419,957	356,490	433,561	455,009	476,904	58,877
OTHER IFRS DATA:						
Railroad transportation operating income..	609,295	663,035	606,889	676,682	769,093	94,950
Other businesses operating income/(loss)..	23,476	2,957	3,165	1,684	(9,788)	(1,209)
CERTAIN US GAAP DATA						
Profit from operation.....................	602,533	670,919	601,261	668,721	750,320	92,632
Net income................................	574,654	598,242	544,528	600,250	631,359	77,945
Earnings per share-Basic and diluted......	0.13	0.14	0.13	0.14	0.15	0.018
Earnings per ADS..........................	6.63	6.90	6.28	6.92	7.28	0.90
Equity....................................	9,092,358	9,257,045	9,368,018	9,499,000	9,807,483	1,210,801
Fixed assets..............................	5,821,317	5,636,979	5,830,125	5,889,074	6,346,822	783,558

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(1) Translation of amounts from Renminbi, or RMB, into United States dollars, or US$, for the convenience of the reader has been made at US$1.00 = RMB8.1, which is rounded from 8.0702, the noon buying rate in the New York City on December 30, 2005. No representation is made that the RMB amounts could have been, or could be, converted into US dollars at that rate on December 30, 2005 or on any other date.

We derive a majority of our revenue and incur most of our expenses in Renminbi. In addition, we maintain our books and records in Renminbi and our financial statements are prepared and expressed in Renminbi. Solely for the convenience of the reader, this annual report contains translations of certain Renminbi amounts into U.S. dollars and vice versa at RMB8.1 = US$1.00, which is rounded from 8.0702, the noon buying rate in the New York City on December 30, 2005. These translations should not be construed as representations that the Renminbi amounts could have been or could be converted into U.S. dollars at such rate or at all.

The noon buying rates for Renminbi in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York were RMB7.9995 = US$1.00 on

June 16, 2006.

The following table sets forth information concerning the noon buying rate in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York for the Renminbi, expressed in Renminbi per U.S. dollar, for the periods indicated:

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PERIOD	NOON BUYING RATE AVERAGE (1)	HIGH	LOW
	(RENMINBI PER U.S. DOLLAR)		
2001	8.2770	8.2786	8.2676
2002	8.2772	8.2800	8.2700
2003	8.2772	8.2800	8.2765
2004	8.2768	8.2774	8.2764
2005	8.1826	8.2765	8.0702
January 2006	8.0654	8.0702	8.0596
February 2006	8.0512	8.0616	8.0415
March 2006	8.0350	8.0505	8.0167
April 2006	8.0143	8.0248	8.0040
May 2006	8.0131	8.0300	8.0005
June 2006 (through June 16)	8.0092	8.0225	7.9985

</TABLE>

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(1) The average rate for a year means the average of the exchange rates on the last day of each month during a year. The average rate for a month means the average of the daily exchange rates during that month.

DIVIDENDS

At a meeting of the directors held on March 20, 2006, the directors proposed a final dividend of RMB0.12 per ordinary share for the year ended December 31, 2005, which was approved at our annual general meeting of shareholders held on May 11, 2006. This proposed dividend has not been reflected as a dividend payable in the Financial Statement, but instead as capital and reserves attributable to equity holders of the Company.

In accordance with our Articles of Association, dividends for our domestic shares will be paid in Renminbi while dividends for our H shares will be calculated in Renminbi and paid in Hong Kong dollars. The exchange rate was based on the average of the closing exchange rates for Renminbi to Hong Kong dollars as announced by the People's Bank of China during the calendar week preceding the date on which the dividend is to be distributed, which was June 9, 2006. Dividends paid on our H shares for the year ended December 31, 2005 were converted at a rate of HK$1.00 = RMB1.03287. Therefore, the final dividend we distributed for the year ended December 31, 2005 was converted into HK$0.11618.

ITEM 3B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

ITEM 3C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

ITEM 3D. RISK FACTORS

RISKS RELATING TO OUR BUSINESS

WE FACE INCREASING COMPETITION, WHICH MAY ADVERSELY AFFECT OUR BUSINESS GROWTH AND RESULTS OF OPERATIONS.

Our passenger and freight transportation businesses face intense competition from other means of transportation, such as road, air and water transportation. In our passenger transportation business, we compete with the bus and ferry services operating within Hong Kong, Guangzhou, Shenzhen and elsewhere in our service region. We compete for passengers with bus and ferry services in terms of price, comfort, reliability, convenience, service quality, frequency of service and safety. In our freight transportation business, we primarily compete with water, truck and air transportation services operating within our service region. We compete for freight business with truck operators, shipping companies and airline companies on the basis of price, reliability, capacity, convenience, service quality, and safety. In addition, as the PRC government lifts its restrictions and control over foreign investments in China following China's entry into the World Trade Organization, or the WTO, for example, by allowing foreign participation and investment in railway freight operations, we may lose the monopoly status we currently enjoy in our service territory. Furthermore, the completion of the Wuhan-Guangzhou express railway, which is under construction, and the proposed high-speed Guangzhou-Shenzhen-Hong Kong express railway, may further increase the competition we face. Increased competition against us may adversely affect our revenues and results of operations. "See Item 4B. Business Overview--Competition" for additional information regarding our competition.

ANY SIGNIFICANT DECREASE IN THE OVERALL LEVELS OF BUSINESS, INDUSTRIAL, MANUFACTURING AND TOURISM ACTIVITIES WITHIN THE PEARL RIVER DELTA REGION AND ELSEWHERE IN CHINA, WILL HAVE A MATERIAL ADVERSE EFFECT ON OUR REVENUES AND RESULTS OF OPERATIONS.

The volume of freight and the number of passengers we transport are affected by the overall levels of business, industrial, manufacturing and tourism activities within the Pearl River Delta region, which is our main service region, and elsewhere in China, which is in turn affected by many factors beyond our control, such as applicable policies and regulations of the PRC government, perceptions regarding the attractiveness of investing or operating a business within our service region, consumer confidence levels and interest rate levels. Any significant decrease in the overall levels of passenger travel or freight transportation, whether due to an economic slowdown or other reasons, such as a natural disaster or a recurrence of the SARS epidemic or outbreaks of avian flu or other similar health epidemics, will have a material adverse effect on our revenues and results of operations. Following China's accession to the WTO, the policy advantages that Shenzhen currently enjoys due to its status as a special economic zone may be phased out, and its economic growth rate may not be sustained in the long run. Other coastal regions and ports in China may develop at a faster pace and become more competitive than Shenzhen. As a result, part of the freight currently imported or exported through ports in Hong Kong, Shenzhen or Guangzhou may be shipped through other ports in China, which will adversely affect our freight transportation business.

CHANGES IN FREIGHT COMPOSITION IN OUR FREIGHT TRANSPORTATION BUSINESS MAY ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

Historically, our freight transportation revenue was derived mainly from the transportation of construction materials, coal, iron ore, oil, steel and chemicals, in which our railroad transportation services have an advantage over other means of transportation, such as road transportation services. With the economic and technological development and the restructuring of the industries structure in our service areas, commodities, such as advanced technological products, which tend to be compact, may choose to be shipped by road or air. We face significant competition in the transportation of such low-volume, high-value products. Changes in freight composition will affect the usage volume and pricing of our freight transportation services and may adversely affect our results of operations.

OUR RAILROADS CONNECT WITH THE RAILROADS OF OTHER OPERATORS AND ANY DISRUPTION IN THE OPERATION OF THOSE RAILROADS, OR OUR COOPERATION WITH OTHER OPERATORS, COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS AND OPERATIONS.

Our railroads are an integral part of the PRC national railway network. Our railroads connect with the Beijing-Guangzhou line in the north, the Shenzhen-Kowloon rail line in the south, the Guangzhou-Maoming rail line in the west, and the Guangzhou-Meizhou-Shantou rail line in the east, all of which are owned and operated by other operators. See "Item 4A. History and Development of the Company - Service Territory" for additional information. Our train services use these other railroads to carry passengers and freight to locations outside of our service territory. The performance of our domestic long distance trains services and our Hong Kong through trains depends on the smooth operation of these railroads and our cooperation with the operators of these railroads. Any disruption in the operation of these railroads, or our cooperation with any one of these railroad operators, for any reason could have a material adverse effect on our business and results of operations.

ANY MATERIAL ADVERSE CHANGE TO OUR PREFERENTIAL INCOME TAX STATUS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR RESULTS OF OPERATIONS.

As a company located in the Shenzhen Special Economic Zone, we enjoy a preferential income tax rate of 15%, rather than the 33% income tax rate generally applicable to domestic companies in the PRC. Any material adverse change to our preferential income tax status could have a material adverse effect on our results of operations.

ANY CHANGES IN OUR RIGHT TO OWN AND OPERATE OUR BUSINESS AND ASSETS, OUR RIGHT TO PROFIT AND OUR RIGHT OF ASSET DISPOSAL AS PREVIOUSLY GRANTED BY THE MOR AND THE STATE COUNCIL OF THE PRC MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS AND RESULTS OF OPERATIONS.

We were granted certain rights by the MOR and the State Council of the PRC, or the State Council, with respect to certain aspects of our railroad businesses and operations, and also received legal clarification and confirmation of our asset ownership, corporate powers and relationships with service providers and other entities in the national railway system, in connection with our restructuring. These rights include the right to own and operate our business and assets, the right to profit and the right of asset disposal. Although these rights were granted to us indefinitely, we cannot assure you that these rights will not be affected by future changes in PRC governmental policies or regulation or that other railway operators will not be granted similar rights within our service region. If another railway operator is granted similar rights within our service region, the level of competition we face will increase significantly.

WE ARE CONTROLLED BY GUANGZHOU RAILWAY (GROUP) COMPANY, WHICH HAS INTERESTS THAT MAY CONFLICT WITH THE BEST INTERESTS OF OUR OTHER SHAREHOLDERS.

Guangzhou Railway (Group) Company, or GRGC, owns approximately 67% of our issued share capital. This ownership percentage enables GRGC to elect our entire board of directors without the concurrence of any of our other shareholders. Accordingly, GRGC is in a position to: (1) control our policies, management and affairs; (2) subject to applicable PRC laws and regulations and provisions of our Articles of Association, determine the timing and amount of dividend payments and adopt amendments to certain of the provisions of our Articles of Association; and (3) otherwise determine the outcome of most corporate actions and, subject to the requirements of the HKSE Listing Rules, cause us to effect corporate transactions without the approval of minority shareholders.

GRGC's interests may sometimes conflict with those of some or all of our minority shareholders. We cannot assure you that GRGC, as the controlling shareholder, will always vote its shares in a way that benefits our minority shareholders. In addition to its relationship with us as our controlling shareholder, GRGC by itself or through its affiliates, such as Yang Cheng Railway Company, GEDC, and Guang Mei Shan Railway Co., Ltd., also provides us with certain services, for which we have limited alternative sources of supply. The interests of GRGC and its affiliates as providers of these services to us may conflict with our interests. We have entered into service agreements, and our transactions with GRGC and its affiliates have been conducted on open, fair and competitive commercial terms. However, we have only limited leverage in negotiating with GRGC and its affiliates over the specific terms of the agreements for the provision of these services as there are no alternate suppliers. See "Item 4B. Business Overview--Suppliers and Service Providers" and "Item 7B. Related Party Transactions" for additional information regarding the services provided to us by our Parent Company and its subsidiaries.

WE HAVE VERY LIMITED INSURANCE COVERAGE.

We do not maintain any insurance coverage against third party liabilities. In addition, we do not maintain any insurance coverage for most of our property, for business interruption or for environmental damage arising from accidents that occur in the course of our operations. As a result, we have to pay for financial and other losses, damages and liabilities, including those caused by natural disasters and other events beyond our control, out of our own funds, which could have a material adverse effect on our results of operations and financial condition.

WE COULD INCUR SIGNIFICANT COSTS FOR VIOLATIONS OF APPLICABLE ENVIRONMENTAL LAWS AND REGULATIONS.

Our railroad operations and real estate ownership are subject to extensive national and local environmental laws and regulations concerning, among other things, gaseous emissions, wastewater discharge, disposal of solid waste and noise control. Environmental liabilities may arise from claims asserted by adjacent landowners or other third parties. We may be required to incur significant expenses to remediate any violation of any violation of applicable environmental laws and regulations. As of December 31, 2005, we had not made any provision for such liabilities.

WE MAY ENCOUNTER DIFFICULTIES FOR COMPLIANCE WITH THE SARBANES-OXLEY ACT OF 2002.

The United States Securities and Exchange Commission, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company in the United States to include a management report on such company's internal controls over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal controls over financial reporting. In addition, an independent registered public accounting firm must attest to and report on management's assessment of the effectiveness of the company's internal controls over financial reporting. These requirements will first apply to our annual report on Form 20-F for the fiscal year ending December 31, 2006. In this report, our management may conclude that our internal controls over our financial reporting are not effective. Moreover, even if our management concludes that our internal controls over financial reporting are effective, our independent registered public accounting firm may still be unable to attest to our management's assessment or may issue a report that concludes that our internal controls over financial reporting are not effective. In preparation for the implementation of the requirements of Section 404, we are undertaking company-wide documentation of internal controls, performing the system and process evaluation and testing required and we have hired 404 compliance experts to advise us on issues relating to the 404 compliance, including KPMG. During the course of our evaluation, documentation and attestation, we may identify certain deficiencies that could adversely affect our ability to record, process, summarize and report financial data consistent with our management's assertions in our financial statements. Although we will formulate plans for remedial measures to make necessary improvements to address any deficiency found, we cannot assure you that we will be able to remedy the identified deficiencies in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. In addition, our current company-wide comprehensive organizational reform and our proposed acquisition of railway transportation-related assets between Guangzhou and Pingshi may also have an impact on our ability to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. We are also in the process of conducting further evaluation of our internal control over financial reporting and may identify other deficiencies that we may not be able to remedy by this deadline. If we fail to achieve and maintain the adequacy of our internal controls, we may not be able to conclude that we have effective internal controls, on an ongoing basis, over financial reporting in accordance with the Sarbanes-Oxley Act. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to help prevent fraud. As a result, our failure to achieve and maintain effective internal controls over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the trading prices of our ADSs or H Shares. Furthermore, we have already incurred considerable costs and spent significant management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act. We anticipate that we will continue to incur considerable costs and use significant resources for compliance with Section 404.

RISKS RELATING TO OUR PROPOSED ACQUISITION AND A SHARE ISSUE

On November 15, 2004, we entered into an assets purchase agreement, or the Acquisition Agreement, with Yangcheng Railway Company to acquire the railway transportation business between Guangzhou and Pingshi and related assets, or the Acquisition. In order to finance such Acquisition, we have applied to the relevant PRC authorities for approval to allot no more than 2.75 billion A shares to be listed in China, or the A Share Issue. The proposed amount of the issuance represents approximately 63.43% of our existing issued share capital and approximately 38.81% of our issued share capital as enlarged by the issuance of A shares. Upon completion of the A Share Issue, our Parent Company will own approximately 40.99% of our issued and outstanding common shares, all of which are A shares, while institutional and public shareholders will own approximately 59.01% of our issued and outstanding common shares, including A shares, H shares and ADSs. See "ITEM 5. Operating and Financial Review and Prospects--Overview--Proposed Issue of A Shares, Very Substantial Acquisition and Continuing Related Party Transactions" for additional information.

OUR PROPOSED ACQUISITION MAY NOT BE COMPLETED, AND A FAILURE TO COMPLETE THIS TRANSACTION MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS AND RESULTS OF OPERATIONS.

The proposed Acquisition is conditioned upon the fulfillment of the following conditions:

- the formal approvals of relevant authorities or bodies in relation to the A Share Issue having been obtained;

- the A Share Issue having been completed and an amount of not less than 65% of the consideration for the Acquisition having been raised;

- the approvals of relevant government bodies responsible for the supervision and management of state-owned assets in relation to Yangcheng Railway Company's proposal on disposal of its state-owned assets having been obtained; and

- the approval of the National Development and Reform Committee in relation to the price determination for passenger and freight railway transportation services between Guangzhou and Pingshi having been obtained.

Except for the second condition listed above, which can be waived by us, none of the above conditions can be waived. If the above conditions are not fulfilled by November 15, 2006, the Acquisition Agreement will lapse and no party to the Acquisition Agreement will have any liability thereunder. We cannot assure you that the relevant PRC authorities would approve our proposed A Share Issue or that we would be able to raise proceeds amounting to not less than 65% of the consideration for the Acquisition from such offering. Failure to complete the proposed Acquisition may have a material adverse effect on our business and operations.

WE CANNOT ASSURE YOU THAT THE PROPOSED ACQUISITION, IF CONSUMMATED, WILL BENEFIT OUR BUSINESS AND RESULTS OF OPERATIONS AS WE EXPECTED.

We cannot assure you that the proposed Acquisition, if consummated, will benefit our business and results of operations as we expect. Upon completion of the proposed Acquisition, our railway will be extended from 147 kilometers to 481.2 kilometers. The proposed Acquisition will result in greater administrative burdens and operating costs and, to the extent financed with debt, additional interest costs. We cannot assure you that we will be able to manage or integrate the acquired business successfully. The process of combining railway transportation business between Guangzhou and Pingshi into our operations may be disruptive to our business and may cause an interruption of, or a loss of momentum in, our business as a result of the following factors, among others:

- loss of key employees or customers of the acquired business;
- possible inconsistencies in standards, controls, procedures and policies between us and acquired business and the need to implement company-wide financial, accounting, information and other systems;
- failure to maintain the quality of services that we have historically provided;
- the need to coordinate geographically diverse organizations; and
- the diversion of management's attestation from our day-to-day business as a result of the need to deal with any disruptions and difficulties and the need to add management resources to do so.

In addition, in order to ensure the success of the acquisition, the Company will restructure and adapt its management (including the restructuring of both management structure and managerial personnel) to reflect the expanded operations. If we are unable to implement these restructuring and adaptation efforts on an efficient basis within a short period of time, there may be a discrepancy between the scope of our operations and our management resources. These disruptions, difficulties and discrepancies between management and operations, if they occur, may cause us to fail to realize the cost savings, revenue enhancement and other benefits that we currently expect to result from the acquisition and the integration and may cause material adverse short- and long-term effects on our operating results and financial conditions.

GRGC MAY LOSE ITS CONTROLLING SHAREHOLDER STATUS, WHICH MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS AND RESULTS OF OPERATIONS.

Upon completion of the proposed A Share Issue, GRGC's interests in our issued and outstanding common shares will decrease from 67% to no less than 41%. As a result, although we believe that GRGC will still be the largest shareholder of our Company after the A Share Issue, GRGC may lose its controlling shareholder status and may not be able to control our board of directors. Our current executive directors are all nominated by GRGC and appointed by our shareholders' meetings. Possible changes in our board of directors and related changes in our management may have a material adverse effect in our business and results of operations.

RISKS RELATING TO THE RAILWAY TRANSPORTATION INDUSTRY IN CHINA

EXTENSIVE GOVERNMENT REGULATION OF THE RAILWAY TRANSPORTATION INDUSTRY MAY LIMIT OUR FLEXIBILITY IN RESPONDING TO MARKET CONDITIONS, COMPETITION OR CHANGES IN OUR COST STRUCTURE.

We are subject to extensive PRC laws and regulations relating to the railway transportation industry. The MOR and other Chinese governmental authorities regulate pricing, speed, train routes, new railway construction projects, and foreign investment in the railway transportation industry. Any significant change in the relevant regulations of the PRC government is likely to have a material impact on our business and results of operations. In addition, our ability to respond to changes in our market conditions may be limited by those regulations set by the MOR and other Chinese governmental authorities.

RISKS RELATING TO THE PEOPLE'S REPUBLIC OF CHINA

Substantially all of our assets are located in China and substantially all of our revenue is derived from our operations in China. Accordingly, our results of operations and prospects are subject, to a significant extent, to the economic, political and legal developments in China.

CHINA'S ECONOMIC, POLITICAL AND SOCIAL CONDITIONS, AS WELL AS GOVERNMENT POLICIES, COULD AFFECT OUR BUSINESS.

As we are established, and operate substantially all of our businesses, in China, any changes in the political, economic and social conditions of the PRC or any changes in PRC governmental policies or regulations, including a change in the PRC government's economic or monetary policies or railway or other transportation regulations, may have a material adverse effect on our business and operations and our results of operations. The economic environment in the PRC differs significantly from the United States and many Western European countries in terms of its structure, stage of development, capital reinvestment, growth rate, level of government involvement, resource allocation, self-sufficiency, rate of inflation and balance of payments position. The PRC government's economic reform policies since 1978 has resulted in a gradual reduction in state planning in the allocation of resources, pricing and management of assets, and a shift towards the utilization of market forces. The PRC government is expected to continue its reforms, and many of its economic and monetary policies still need to be developed and refined. We cannot assure you that future changes in governmental policies or regulation will not have a material adverse effect on our business, operations or results of operations.

GOVERNMENT CONTROL OF CURRENCY CONVERSION MAY ADVERSELY AFFECT OUR OPERATIONS AND FINANCIAL RESULTS.

Our books and records are maintained and our financial statements are prepared and presented in Renminbi, which is not a freely convertible currency. All foreign exchange transactions involving Renminbi must be transacted through banks and other institutions authorized by the People's Bank of China, or PBOC. We receive substantially all of our revenues in Renminbi. We need to convert a portion of our revenues into other currencies to meet our foreign currency obligations, such as payment of dividends on our H shares and overseas equipment purchases. In addition, the existing foreign exchange limitations under PRC law could affect our ability to obtain foreign currencies through debt financing, or to obtain foreign currencies for capital expenditures or for distribution of dividends on our H shares.

FLUCTUATION OF THE RENMINBI COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The value of the Renminbi fluctuates and is subject to changes in market conditions as well as China's political and economic conditions. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates on the world financial markets. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately 2% appreciation of the Renminbi against the U.S. dollar. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar. We have certain US dollar-denominated assets and the appreciation of Renminbi could result in a decrease of the value of these assets. For further information on our foreign exchange risks and certain exchange rates, see "Item 3A. Selected Financial Data -- Exchange Rate Information" and "ITEM 11. Quantitative and Qualitative Disclosure About Market Risk -- Foreign Exchange Rate Risk." We cannot assure you that any future movements in the exchange rate of Renminbi against the United Sates dollar or other foreign currencies will not adversely affect our results of operations and financial condition.

THE PRC LEGAL SYSTEM HAS INHERENT UNCERTAINTIES THAT COULD LIMIT THE LEGAL PROTECTIONS AVAILABLE TO YOU.

As PRC laws and regulations dealing with business and economic matters are relatively new and still evolving, and because of the limited volume of published judicial interpretations and the non-binding nature of prior court decisions, the interpretation and enforcement of these law and regulations involve some uncertainty. In addition, because the PRC Company Law is different in certain important aspects from company laws in Hong Kong, United States and other common law countries and regions and because the PRC securities laws are still at an early state of development, you may not enjoy shareholder protections to which you may be entitled in Hong Kong, the United States or other jurisdictions.

WE FACE RISKS RELATED TO HEALTH EPIDEMICS AND OTHER OUTBREAKS.

Our business could be adversely affected by the effects of avian flu, SARS or another epidemic or outbreak. China reported a number of cases of SARS in April 2004. In 2005 and 2006, there have been reports on the occurrences of avian flu in various parts of China, including a few confirmed human cases. Any prolonged recurrence of avian flu, SARS or other adverse public health developments in China may have a material adverse effect on our business operations. These could include our ability to travel or ship products outside of China, as well as temporary closure of our business. Such closures or travel or shipment restrictions would severely disrupt our business operations and adversely affect our results of operations. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of avian flu, SARS or any other epidemic.

ITEM 4. INFORMATION ON THE COMPANY

ITEM 4A. HISTORY AND DEVELOPMENT OF THE COMPANY

OVERVIEW

We were established as a joint stock limited company under the Company Law of the PRC on March 6, 1996. Our legal name is (CHINESE CHARACTERS), and its English translation is Guangshen Railway Company Limited. Our registered office is located at No. 1052 Heping Road, Shenzhen, Guangdong Province, The People's Republic of China, 518010. Our telephone number is (86-755) 2558-7920 or 2558-8146 and our fax number is (86-755) 2559-1480.

We are mainly engaged in the railway passenger and freight transportation business between Guangzhou and Shenzhen and certain long-distance passenger transportation services. We also cooperate with Kowloon-Canton Railway Corporation or the KCR, in Hong Kong in operating the Hong Kong Through Train passenger service. We provide consolidated services relating to railway facilities and technology. We also engage in commercial trading and other businesses that are consistent with the overall business strategy.

We are a leading provider of passenger and freight transportation services on the Guangzhou-Shenzhen route. We operate the sole railroad, 147 kilometers long, between Guangzhou, the capital city of Guangdong Province, and Shenzhen, one of the original special economic zones of the PRC. The Guangzhou to Shenzhen railroad, which includes two high speed rail lines and one regular speed rail line, is an important component of the transportation infrastructure of southern China.

Our railroad is an integral part of the PRC national railroad system, with links to the other parts of the national railroad system as well as local railroad systems in southern China, including the Beijing-Guangzhou, Beijing-Jiujiang, Sanshui-Maoming, Pinghu-Nantou, Pinghu-Yantian, and Kowloon-Canton lines. Moreover, our railroad connects with the Huangpu and Xinsha ports in Guangzhou, and with the Yantian, Shekou, Chiwan and Mawan ports in Shenzhen. We are well equipped with various freight facilities and can effectively satisfy a wide range of different customer needs, including the transportation of whole and partial carload cargo, containers, special and regular cargo.

Our railroad system is currently one of the most modern railroads in the PRC. It is equipped with state-of-the-art equipment and facilities, including high-speed electric trains. Several aspects of our technical performance have reached or are approaching international standards. Ours is one of the few rail lines in the PRC that operate high-speed passenger trains with speeds up to 200 kilometers per hour.

BACKGROUND AND RESTRUCTURING

The railroad system between Guangzhou and Shenzhen was part of the original "Canton-Kowloon" railroad, which began operation in 1911. In 1949, following the founding of the PRC, the railroad was divided into two sections, with the first linking Guangzhou and Shenzhen, and the second, across the Hong Kong border and separately owned, linking Luohu and the Kowloon peninsula in Hong Kong. The Guangzhou to Shenzhen railroad has been operated since 1949 by a sub-division of the Guangzhou Railway Administration, a predecessor to our Parent Company.

In 1979, our predecessor, in conjunction with the KCR, was engaged in the joint operation of through train passenger services between Guangzhou and Hong Kong.

In 1984, to exploit the rapid growth in the Pearl River Delta, the Guangshen Railway Company, our predecessor, was formed pursuant to the approval of the State Council as a state-owned enterprise administered by the Guangzhou Railway Administration. At that time, Guangshen Railway Company had only a single-line railroad. Since then, large capital expenditures have been made to expand and upgrade its facilities and services. In 1987, a second line was completed. In 1991, Guangshen Railway Company began the construction of a semi-high-speed rail line and purchased high-speed locomotives and passenger coaches, which can provide passenger train services at speeds of more than 160 or more kilometers per hour. Our high-speed line was the first of its kind in China. Commercial operation of the high-speed trains commenced in December 1994.

We were established as a joint stock limited company on March 6, 1996 following the restructuring that was carried out to reorganize the railroad assets and related businesses of Guangshen Railway Company and certain of its subsidiaries. As part of the restructuring, 2,904,250,000 state legal person shares, par value RMB1.00 per share of Guangshen Railway were issued to our Parent Company, a state-owned enterprise under the MOR of the PRC. Under PRC law, these state legal person shares are deemed to be domestic shares which may be owned by or transferred to PRC entities or persons only.

We completed our initial public offering in May 1996. In this offering, we issued a total of 1,431,300,000 class H ordinary shares, par value RMB1.00 per share, or H shares. Our H shares are listed for trading on the Stock Exchange of Hong Kong Limited and our American depositary shares, or ADSs, each representing 50 H shares, are listed for trading on the New York Stock Exchange. As of December 31, 2005, approximately 67% of our issued and outstanding common shares were owned by our Parent Company, and the remaining 33% were owned by public shareholders. The Parent Company currently owns all of our issued and outstanding domestic shares. Our public shareholders own only H shares or ADSs, which may not be purchased or owned by domestic investors in the PRC.

GEDC, a state-owned enterprise established in the restructuring undertaken in connection with our initial public offering, assumed the operations and assets of the Guangshen Railway Company that were not transferred to us in the restructuring, such as employee housing, hospitals, schools and public security, and provides related services to us on a contractual basis since the 1996 restructuring. In the second half of 2004, all of the hospitals and schools originally vested in GEDC were transferred to the local government pursuant to applicable PRC policies. As a result, GEDC no longer provides any education and hospital services to us under the contractual arrangements made upon our restructuring.

Since April 1, 1996, we have been able to set our own prices for our high-speed train services and to charge a premium over average national prices for our other passenger and freight train services. See "Item 4B. Regulatory Overview - Pricing" for a more detailed description of our pricing scheme.

In March 2006, the Company conducted an organizational reform to streamline its organizations and improve efficiency. Through this reform, the Company restructured, and reallocated responsibilities of the Company's administrative and functional departments and made the following departments the functional departments under our general manager: the Business Administration Department, Finance Department, Security Supervisory Department, General Administrative Department, General Service Center and Diversified Business Management Center. Our frontline production and operational departments were generally not affected by this restructuring.

SERVICE TERRITORY

Our rail line traverses the Pearl River Delta, an area which benefited early from the PRC economic reform policies that began in late 1970s. Throughout the 1980s and early 1990s, the economy of the Pearl River Delta, fueled by foreign investments, grew rapidly. It is currently one of the most affluent and fastest growing areas in China.

As of December 31, 2005, there were 26 stations situated on our rail line, providing passenger and freight transportation services for cities, towns and ports situated between Guangzhou and Shenzhen in the Guangzhou-Shenzhen corridor and Hong Kong (which we service in conjunction with the KCR). In addition to our Hong Kong passenger through train services in conjunction with the KCR, we also allow Hong Kong-bound freight trains of KCR to use our Guangzhou-Shenzhen railroad.

The Guangzhou-Shenzhen railroad is an integral component of the PRC national railway network, and provides nationwide access to passenger and freight traffic from southern China to other regions of mainland China as described below:

Northbound. In Guangzhou, our rail line connects with the Beijing-Guangzhou line, which is one of the major trunk lines linking southern China with Beijing and northern China. Another trunk line connecting northern and southern China, the Beijing-Hong Kong rail line, includes the section of our line from Dongguan to Shenzhen.

Southbound. Our line connects at Shenzhen with the rail line owned by the KCR that runs to Kowloon, Hong Kong.

Westbound. Our line connects with the Guangzhou-Maoming rail line operated by Sanmao Railway Company, a joint venture railroad company of our Parent Company, the MOR and the Guangdong Provincial Railway Company that runs through the western part of Guangdong Province, connecting with other rail lines that continue on into the Guangxi Zhuang Autonomous Region, which provides access to southwestern China.

Eastbound. Our rail line intersects at Dongguan with the Guangzhou-Meizhou-Shantou rail line operated by Guangmeishan Railway Company, a company jointly established by our Parent Company, the Guangdong Provincial Railway Company and other public investors. A section of this line forms, along with our Dongguan to Shenzhen segment, a part of the Beijing-Hong Kong rail line, which terminates in Kowloon, Hong Kong.

At Pinghu, our rail line connects with two local port lines: one of them, Pingnan Railway, principally services three ports located in western Shenzhen -- Shekou, Chiwan and Mawan -- and the other, Pingyan Railway, services Yantian port, an international deepwater port located in eastern Shenzhen. At the Huangpu and Xiayuan stations in Guangzhou, our line connects with Huangpu port and Xinsha port. Our rail line also connects with certain industrial districts, commercial districts and the facilities of many of our customers through spur lines, which are rail lines running off the main line that are used and typically financed by a freight customer or a group of freight customers and maintained by us for a fee. We believe that the customers connected to these spur lines and customers with goods that must be shipped through these regional ports are likely to utilize our services on a long-term basis.

ITEM 4B. BUSINESS OVERVIEW

BUSINESS OPERATIONS

Our principal businesses are railroad passenger and freight transportation, which generated 94.6% of our total revenues and 101.3% of our total operating income in 2005.

In 2005, due to continuous and rapid growth in the PRC economy, the expansion of regional economic cooperation in the Pearl River Delta and its adjacent areas, the implementation of CEPA and the implementation of the "Relaxed Individual Travel" program for PRC tourists from the mainland to Hong Kong and Macau, demand for passenger and freight transportation services in our service region continued to increase, which provided us with excellent development opportunities.

In 2005, our total revenues were RMB3,276.9 million, representing an increase of 7.9% from RMB3,038.1 million in 2004. Our revenues from railroad passenger transportation service, freight transportation service and other businesses were RMB2,511.1 million, RMB588.3 million and RMB177.5 million respectively, accounting for approximately 76.6%, 18.0% and 5.4%, respectively, of our total revenues in 2005. In 2005, our profit attributable to shareholders was RMB613.4 million, representing an increase of 8.1% from RMB567.5 million in 2004.

The table below summarizes our railroad transportation revenues and volumes of traffic in each of the five years ended December 31, 2005:

<TABLE>
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	YEAR ENDED DECEMBER 31,				
	2001	2002	2003	2004	2005
<S>	<C>	<C>	<C>	<C>	<C>
PASSENGER TRANSPORTATION					
Total passenger revenues (RMB millions)........	1,471.90	1,903.78	1,790.20	2,259.67	2,511.16
Total passengers (millions)....................	38.84	39.78	37.86	46.01	49.06
Revenues per passenger (RMB)(1)................	37.90	47.86	47.28	49.11	51.19
Total passenger-kilometers (millions)..........	3,257.90	3,453.20	3,295.50	4,200.20	4,539.10
Revenues per passenger-kilometer (RMB)(2)......	0.45	0.55	0.54	0.54	0.55

</TABLE>

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	YEAR ENDED DECEMBER 31,				
	2001	2002	2003	2004	2005
<S>	<C>	<C>	<C>	<C>	<C>
FREIGHT TRANSPORTATION					
Total freight revenues (RMB millions)..........	585.62	530.78	526.38	611.81	588.31
Total freight tons (millions)..................	29.01	27.58	27.58	34.20	31.89
Revenues per ton (RMB)(3)......................	20.19	19.25	19.08	17.89	18.45
Total ton-kilometers (millions)................	2,082.50	1,926.00	1,978.90	2,489.50	2,294.80
Revenues per ton-kilometer (RMB)(4)............	0.28	0.28	0.27	0.25	0.26

</TABLE>

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(1) Revenues per passenger is calculated by dividing total passenger revenue by total passengers. Management believes that revenues per passenger is a useful measure for assessing the revenue levels of our passenger transportation business.

(2) Revenues per passenger-kilometer is calculated by dividing total passenger revenue by total passenger-kilometers. Management believes that revenues per passenger is a useful measure for assessing the revenue levels of our passenger transportation business

(3) Revenues per tons is calculated by dividing total freight revenue by total freight tons. Management believes that revenues per tons is a useful measure for assessing the revenue levels of our freight transportation business.

(4) Revenues per ton-kilometer is calculated by dividing total freight revenue by total ton-kilometers. Management believes that revenues per ton-kilometer is a useful measure for assessing the revenue levels of our freight transportation business.

On November 15, 2004, we entered into an asset purchase agreement with Yangcheng Railway Company to acquire the railway transportation business between Guangzhou and Pingshi and related assets. In order to finance such acquisition, we have applied to the relevant PRC authorities for approval to allot no more than 2.75 billion A shares to be listed in China. The proposed amount of the issuance represents approximately 63.43% of our existing issued share capital and approximately 38.81% of our issued share capital as enlarged by the issuance of A shares. Under PRC law, these A shares will be deemed to be domestic shares which may be owned by or transferred to PRC entities or persons only. Upon completion of the proposed issue of 2.75 billion A shares, our Parent Company will own approximately 40.99% of our issued and outstanding common shares, all of which are A shares, while institutional and public shareholders will own approximately 59.01% of our issued and outstanding common shares, including A shares, H shares and ADSs. See "ITEM 5. Operating and Financial Review and Prospects--Overview--Proposed Issue of A Shares, Very Substantial Acquisition and Continuing Connected Transactions" for additional information.

PASSENGER TRANSPORTATION

Passenger transportation is our largest business segment, and accounted for 76.6% of our total revenues, and 81.0% of our railroad transportation revenues, in 2005. Our passenger train services can be categorized as follows:

- intercity high-speed express trains and regular-speed passenger trains between Guangzhou and Shenzhen;

- through trains between Hong Kong and Guangzhou; and

- domestic long-distance trains.

As of December 31, 2005, we operated 122 pairs of passenger trains per day (each pair of trains meaning trains making one round-trip between two points) of which:

- 67 pairs were high-speed express passenger trains operating between Guangzhou and Shenzhen (ten of which are standby, which means that such trains will only operate during public holidays and peak periods);

- two pairs were regular-speed passenger trains operating between Guangzhou and Shenzhen;

- 13 pairs were Hong Kong through-trains (including 11 pair of Hong Kong through-trains, one pair of through-train between Zhaoqing and Kowloon, and one through train that operates on alternating days either on the Beijing-Kowloon line or the Shanghai-Kowloon line); and

- 40 pairs were domestic long-distance passenger trains (including three pairs of long-distance passenger trains operated by us between Shenzhen and Yueyang, between Shenzhen and Beijing and between Shenzhen and Shaoguan, respectively, and 37 pairs of domestic long-distance trains, operated by other operators but originating or terminating on, or passing through, our Guangzhou-Shenzhen railroad).

The table below sets out passenger revenues and volumes for our Hong Kong through trains and domestic trains in each of 2003, 2004 and 2005:

<TABLE>
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	PASSENGER REVENUES			PASSENGER VOLUME			REVENUE PER PASSENGER		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
	(RMB MILLIONS)			(MILLIONS)			(RMB MILLIONS)		
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Guangzhou-Shenzhen Trains........	913.4	1,152.5	1,219.8	16.0	20.3	21.5	57.0	56.9	56.7
Hong Kong through trains.........	322.4	436.9	457.7	2.0	2.9	3.1	160.0	151.2	149.3
Long-distance trains	554.4	670.3	833.7	19.8	22.9	24.5	28.0	29.3	34.1
Combined passenger operations....	1,790.2	2,259.7	2,511.2	37.9	46.1	49.1	47.3	49.1	51.2

</TABLE>

Guangzhou-Shenzhen Trains. In 2005, our passenger transportation services on the trains between Guangzhou and Shenzhen contributed most to our railroad passenger transportation revenues.

We divide our regular-speed train services and high-speed train services into different types based on the number of stops made by the train and the class of seating. Our train fares are determined on the basis of the types of services and the transportation distance.

The number of passengers traveling on our Guangzhou-Shenzhen trains increased by 5.9% from 20.3 million in 2004 to 21.5 million in 2005. The number of passengers traveling on our high-speed passenger trains between Guangzhou and Shenzhen increased by 7.1% from 19.7 million in 2004 to 21.1 million in 2005; while the number of passengers traveling on our regular-speed passenger trains between Guangzhou and Shenzhen decreased by 30.4% from 0.6 million in 2004 to 0.4 million in 2005. The revenues from our Guangzhou-Shenzhen trains increased by 5.8% from RMB1,152.5 million in 2004 to RMB1,219.8 million in 2005.

Through-Trains. We currently operate jointly with the KCR 11 pairs of high-speed through trains between Hong Kong and Guangzhou. We provide the trains and personnel for eight pairs of these train services, while KCR provide for three pairs. The through train services beyond Guangzhou to Foshan, Zhaoqing, Beijing and Shanghai are provided by Guangzhou Railway (Group) Company, Beijing Railway Administration and Shanghai Railway Administration. Revenues from these through trains on the Guangzhou-Hong Kong section are shared between KCR and us, in proportion to our track mileage for the through train services, with 81.2% accruing to us and 18.8% to KCR. In addition, we share all related costs with KCR at the same rate for the through train services.

Most of the passengers taking our Hong Kong through trains are from Hong Kong, Macau, Taiwan and foreign countries, and many are business travelers. As a result of the prices for our Hong Kong through train services, which are higher than the prices charged for our domestic train services, these through train services produce higher per-passenger revenues than our other passenger train services.

In 2005, approximately 3.1 million passengers traveled on the Hong Kong through trains, representing an increase of 6.1% from approximately 2.9 million in 2004. Our revenue from the operation of the Hong Kong through trains for 2005 was RMB457.7 million, representing a 4.8% increase from RMB436.9 million for 2004.

Domestic Long-distance Trains. As of December 31, 2005, we operated on a daily basis 40 pairs of domestic long-distance passenger trains on our rail line to cities in Guangdong, Hunan, Hubei, Jiangxi, Anhui, Jiangsu, Liaoning, Shanxi, Fujian, Heilongjiang, Jilin, Zhejiang, Hebei, Henan, Shandong Provinces and Guangxi Autonomous Region as well as cities to the north, such as Shanghai, Beijing and Tianjin. In 2005, the number of passengers traveling on our long-distance trains were 24.5 million, representing an increase of 7.1% from 22.9 million in 2004. Revenues from our long-distance trains increased by 24.4% from RMB670.2 million in 2004 to RMB833.7 million in 2005.

High-Speed Trains. As of December 31, 2005, we operated on average a total of 67 pairs of inter-city high-speed passenger trains between Guangzhou and Shenzhen daily (including 10 standby trains). Our high-speed trains are capable of running at 160 to 200 kilometers per hour, 33% to 67% faster than our regular-speed trains, which typically run at 120 kilometers per hour.

Our fleet of high-speed electric trains currently consists of one X-2000 high-speed passenger train, and eight leased, domestically-made "Blue Arrow" high-speed electric trains known as "Xin Shi Su,". The X-2000 train is an electric tilting train built in Sweden that can travel at speeds of up to 200 kilometers per hour.

MAJOR STATIONS. The following are the major train stations owned and operated by us as of December 31, 2005:

Guangzhou East Station. Our Guangzhou East Station services our train services between Guangzhou and Shenzhen and between Guangzhou and Hong Kong and provides a hub for long-distance trains to different locations within China. Our Guangzhou East Station is connected to Lines 1, 2 and 3 of the Guangzhou municipal subway. As of December 31, 2005, the Guangzhou East Station handled on a daily basis 12 pairs of Hong Kong through trains, 67 pairs of Guangzhou-Shenzhen trains, 13 pairs of long-distance passenger trains between the Guangzhou East Station and other locations in China, including Beijing, Shanghai, Jiujiang, Shantou, Hefei, Taiyuan, Nanchang, Yingtan, Harbin, Yichang, Qingdao, Xiamen, Shenyang and Xiamen, and 5 pairs of passenger trains passing through the Guangzhou East Station. In 2005, the number of passengers traveling from Guangdong East Station was 12.7 million, while the number of passengers arriving at Guangdong East Station was 11.3 million.

Dongguan Station. Our intermediate station at Dongguan is the point of connection between our line and the neighboring Dongguan-Meizhou-Shantou rail line, and is also the point where our line intersects with the Beijing-Hong Kong rail line. Dongguan Station, by connecting our rail line to the Beijing-Hong Kong line, also facilitates passenger service between Kowloon and Zhaoqing. As of December 31, 2005, this station handled on a daily basis the transfer service for eight pairs of domestic long-distance passenger trains, 28 pairs of Guangzhou-Shenzhen high-speed passenger trains and two pairs of Guangzhou-Shenzhen regular-speed trains. In 2005, the number of passengers traveling from Dongguan Station was 3.1 million, while the number of passengers arriving at Dongguan Station was 3.5 million.

Shenzhen Station. Our Shenzhen Station is located in the Shenzhen Special Economic Zone, close to the Luohu Station on the Guangzhou-Kowloon rail line and connected to Line 1 of Shenzhen's subway system. In 2002, we introduced China's first computerized ticket hall in our Shenzhen Station. As of December 31, 2005, our Shenzhen Station handled on a daily basis 66 pairs of Guangzhou-Shenzhen passenger trains (including nine backup pairs) and 21 pairs of domestic long-distance passenger trains between Shenzhen and other locations in China, including Beijing, Changsha, Shaoguan, Wuchang, Meizhou, Shantou, Maoming East, Zhengzhou, Fuzhou, Hankou, Shenyang, Huaihua, Jiujiang, Yueyang, Guilin, Ji'an, Shanghai and Taizhou. In 2005, the number of passengers traveling from Shenzhen Station was 14.1 million, while the number of passengers arriving at Shenzhen Station was 14.0 million.

FREIGHT TRANSPORTATION

Revenue from our freight transportation accounted for 18% of our total revenues and 19% of our railroad transportation revenues in 2005. Our principal market for freight is domestic long-haul freight, originating and/or terminating outside the Guangzhou-Shenzhen corridor.

The majority of the freight we transport is high-volume, medium- to long-distance freight received from and/or transferred to other rail lines. Only a small percentage of the freight we transport both originates and terminates in the Guangzhou-Shenzhen corridor. We classify our freight business into three categories:

BOWNE INTEGRATED TYPESETTING SYSTEM Site: BOWNE OF HONG KONG Phone: 852-2526-0688 Operator: BOM99999T Date: 29-JUN-2006 07:36:55.74
Name: GUANGSHEN RAILWAY CO Validation: Y Lines: 72 [E/O] CRC: 21346 BOM H00583 025.00.00.00 0/1
H00583.SUB, DocName: 20-F, Doc: 1, Page: 25
Description: FORM 20-F

- inbound freight, which is primarily freight bound for the Pearl River Delta region unloaded at freight stations and spur lines connected to ports on our rail line or in Hong Kong;

- outbound freight, which is primarily northbound freight loaded at our train stations and spur lines connected to ports on our rail line or in Hong Kong; and

- pass-through freight, which refers to freight that travels on our rail line, but which do not originate or terminate from our rail line.

The total tonnage of freight we transported in 2005 was 31.9 million tonnes, representing a decrease of 6.7% from 34.2 million tonnes in 2004. Revenues from freight transportation business in 2005 were RMB588.3 million, representing a decrease of 3.8% from RMB611.8 million in 2004. Our outbound freight revenues increased by 22.9% in 2005, while our inbound freight revenues decreased by 4.7% in 2004.

We serve a broad customer base and ship a wide range of goods in our freight transportation business. We are not dependent upon any particular customers or industries.

Freight Composition. We transport a broad range of goods, which can generally be classified as follows: construction materials, energy products, food products, chemicals, manufactured goods, containers and other goods. The majority of our inbound freight consists of raw materials and essential production inputs for manufacturing, industrial and construction activities, while the majority of our outbound freight consists of imported mineral ores as well as coal and goods produced or processed within our service territory, for customers throughout China and abroad.

The following table shows the composition of our freight volume by percentage for the three years ended December 31, 2005 (based on tons transported).

<TABLE>
<CAPTION>

	OUTBOUND FREIGHT			INBOUND (AND PASS-THROUGH) FREIGHT		
	2003	2004	2005	2003	2004	2005
	AS A PERCENTAGE OF TOTAL OUTBOUND FREIGHT			AS A PERCENTAGE OF TOTAL INBOUND (AND PASS-THROUGH) FREIGHT		
Construction materials.......	30%	23%	24.4%	37%	44%	37.8%
Energy products..............	43%	50%	50.6%	14%	12%	10.9%
Food products................	4%	5%	3.0%	21%	20%	19.9%
Chemicals....................	6%	4%	3.5%	9%	10%	9.9%
Manufactured goods...........	4%	2%	1.5%	3%	3%	3.1%
Containers...................	10%	12%	11.4%	8%	8%	10.1%
Other goods..................	3%	4%	5.6%	8%	3%	8.3%
Total........................	100%	100%	100%	100%	100%	100%

</TABLE>

Freight Yards, Container Yards and Warehouses. We own freight yards, container yards and warehouses, most of which are located at our Shenzhen North, Xiayuan, Huangpu, Zhangmutou, Dongguan, Shipai, Jishan, Pinghu South and Guangzhou East Stations. Of the freight yards that we own and operate, three handled freight exceeding 1.0 million tons in 2005. Our freight yard at Huangpu Station handled approximately 2.8 million tons, while Xiayuan Station handled approximately 7.4 million tons and Shenzhen North Station handled approximately 1.1 million tons, respectively, in 2005. In 2005, revenues from the operation of our warehouses (including loading and unloading charges) and miscellaneous items amounted to RMB141.0 million, which accounted for 24.0% of our freight revenues for the year.

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OTHER BUSINESSES

We engage in other businesses principally related to our railroad transportation business, including:

- sales of food, beverages, newspapers, magazines and other merchandise aboard our trains and in our stations;

- services in our stations, including operating restaurants, operating a travel agency and a hotel in our Shenzhen Station, providing kiosks and advertising boards in our stations for commercial advertising and leasing space to independent retailers; and

- other businesses, principally railroad-related construction.

Revenues from our other businesses in 2005 were RMB177.5 million, representing an increase of 6.5% from RMB166.7 million in 2004.

The table below sets out the revenues for our other businesses, by categories of activity, in each of 2003, 2004 and 2005:

<TABLE>
<CAPTION>

	REVENUES			AS A PERCENTAGE OF TOTAL REVENUES FROM OTHER BUSINESSES		
	2003	2004	2005	2003	2004	2005
	(RMB MILLIONS)					
On-board and station sales............	39.2	48.5	29.2	26%	29%	16.5%
Station services......................	41.6	45.2	39.4	28%	27%	22.1%
Tourism, advertising and others.......	70.8	73.0	108.9	46%	44%	61.4%
Total..............................	151.6	166.7	177.5	100%	100%	100%

</TABLE>

SEASONALITY OF OUR RAILWAY TRANSPORTATION BUSINESS

There is some seasonality in our businesses. The first quarter of each year typically contributes the highest portion of our annual revenues, mainly because it coincides with the Spring Festival holidays when the Chinese people customarily travel from all over the country back to their hometowns. In addition, the New Year holidays, the Labour Day holidays, summer holidays and the National Day holidays in China are also high travel seasons. During these holidays, we usually operate additional passenger trains to meet the increased transportation demand and increase the fares of our passenger trains.

SALES

PASSENGER TRANSPORTATION

Our passenger tickets are currently sold primarily at ticket counters located in our train stations. Additionally, our tickets are sold in Hong Kong and major cities in the Guangdong Province through ticket agents, travel agents and hotels, at our usual prices plus nominal commissions. Substantially all of our ticket sales are made in cash.

On January 1, 2001, the MOR implemented a new settlement method for passenger transportation. This settlement method stipulates that all revenues from passenger train services (including revenues generated from luggage and parcel services) are considered passenger transportation revenues and belongs to the railway administration that operates that train. The railway administration in turn pays other railway administrations fees for the use of their rail lines, hauling services, in-station passenger services, water supply, electricity for electric locomotives and contact wire use fees, etc. This change in settlement method did not have a material impact on our passenger transportation revenues.

The implementation of the settlement method in 2001 changed the settlement of our revenues from all of our long-distance passenger train services, other than the Beijing-Hong Kong and Shanghai-Hong Kong trains. Since the implementation of this settlement method in 2001, the railway administrations operating the long-distance train services affected by the new settlement method pay us the following fees: (1) revenues from ticket prices that are higher than the PRC national railway standards due to our special pricing standards; and (2) other fees including those for railroad line usage, in-station passenger service, haulage service, power supply for electric locomotives, usage fees of contact wires and water supply. The settlement method implemented in 2001 did not affect the settlement of our revenues from the passenger trains between Guangzhou and Shenzhen, between Beijing and Hong Kong, between Shanghai and Hong Kong, between Zhaoqing and Hong Kong and the Hong Kong through trains.

Hong Kong through train tickets are sold in Guangdong Province through our own ticket outlets, as well as through various hotels and travel agents. In Hong Kong, these tickets are sold exclusively by the KCR. As KCR's sales network for these tickets is relatively limited, KCR has engaged the China Travel Service (HK) Ltd., or CTS, as the primary agent for such sales on a non-exclusive basis. In 2003, we established an online ticket sales system with KCR for the Hong Kong through trains.

In 2005, we initiated passenger flows connection between long-distance trains in the Guangzhou area and Guangzhou-Shenzhen trains and succeeded in testing the IC Card Ticketing System.

FREIGHT TRANSPORTATION

Generally, we collect payment for our freight service directly from our customers. For inbound freight, we collect transportation fees incurred on our line from the receiving party prior to the release of the freight. For outbound freight, we collect the total transportation fees from the dispatching party, retain the portion allocated to us and remit the remainder to the other railroad operators on a monthly basis either directly or through a national settlement procedure administered by the MOR. These collection procedures also apply to freight transported to or from Hong Kong. Substantially all payments for inbound and outbound freight are settled in cash.

For pass-through freight, payments are collected at the originating stations, and allocated portions for the use of our rail line are remitted to us through the national settlement procedure administered by the MOR. We generally receive such funds within a month after the service is provided.

Freight customers in the Guangzhou-Shenzhen area deal directly with us or use shipping agents. In general, freight cars must be booked as part of the national ordering process which requires the booking to be made approximately one month in advance. As a practical matter, we have been able to meet demands for outbound freight transportation services on a shorter notice.

In January 2005, the MOR modified the settlement method on the income from railway freight transportation. Pursuant to the new settlement methods, starting from January 1, 2005, all freight transportation fees relating to post parcels and luggage, containers and special goods shall be collected by Zhongtie Parcels Courier Company Limited, Zhongtie Container Transportation Company Limited and Zhongtie Special Goods Transportation Company Limited, or collectively the Professional Transportation Companies. The Professional Transportation Companies shall pay railway usage fees to relevant railway administration and companies, including us. Prior to January 1, 2005, we charged freight transportation fees for these post parcels and luggage based on the categories of goods and distance of transportation; while after January 1, 2005, we collect railway usage fees from the Professional Transportation Companies. In order to make itemized revenue from freight match freight volume, and remain comparable with previous years, these railway usage fees have been recorded, as appropriate as revenues generated from freight dispatch, as well as freight reception and transit, based on the freight dispatched or received and transited. The modifications in the settlement method have not had a material effect on our revenues from freight transportation in 2005.

COMPETITION

We are the sole railway service provider on the Guangzhou-Shenzhen corridor; therefore, we do not face any direct competition from other railway service providers within our service territory. However, in areas where our railroad connects with lines of other railway companies, such as in the Guangzhou area, where our railroad connects with the Beijing-Guangzhou Line, and in the Dongguan area, where our railroad connects with the Guangzhou-Meizhou-Shantou Line, we face competition from the railway companies operating in these areas. We also face competition from the providers of a variety of other means of transportation within our service region.

With respect to passenger transportation, we face competition from bus services, which are available between Guangzhou and Hong Kong and between Guangzhou and Shenzhen. Bus fares are lower than the fares for our high-speed passenger train services. Furthermore, buses can offer added convenience to passengers by departing from or arriving at locations outside their central terminals, such as hotels. However, train services generally offer greater speed, safety and reliability than bus services. In addition, since the implementation of our "As-Frequent-As-Buses" Train Project in October 2001, our high-speed train services and through train services have enabled us to compete more effectively with bus operators in terms of speed and frequency. We also compete to a lesser extent with commercial air and sea hovercraft passenger transportation services operating between Guangzhou and Hong Kong.

With respect to freight transportation, we face significant competition from truck transportation in the medium- and short-distance freight transportation market as the expressway and highway networks in our service region and neighboring areas have increasingly improved. By comparison, in the long-distance freight transportation market, we offer many advantages compared to truck transportation due to the higher cost of truck transportation, susceptibility of truck transportation to traffic conditions and a scarcity of heavy duty trucks. Our freight transportation also competes with water transportation. Although water transportation is competitive in terms of price, we believe that water transportation subjects goods to greater risks of loss and damage due to the multiple handling processes required. In addition, our freight transportation is more competitive in terms of speed compared to water transportation. As air freight is very expensive and attracts a different group of customers, we consider that we do not face significant competition from air freight. A very significant portion of the long-distance freight in China is still transported by rail.

EQUIPMENT, TRACKS AND MAINTENANCE

As of December 31, 2005, we owned 12 diesel high-speed locomotives, five high-speed electric locomotives, 18 shunting locomotives, one high-speed electric passenger train, 84 semi-high-speed passenger coaches, 41 regular-speed passenger coaches and 112 long-distance express passenger train coaches. We also leased eight "Blue Arrow" high-speed electric train-sets from Guangzhou Zhongche Railway Rolling Stock Sales and Services Company Limited, or Guangzhou Zhongche.

The freight cars we use are all leased from the MOR, to which we pay uniform rental fees and depreciation fees based on the national standards set by the MOR. The amounts of such usage fees and depreciation charges we paid to the MOR in 2003, 2004 and 2005 were approximately RMB58.9 million, RMB65.5 million and RMB50.8 million, respectively.

From September 2000, we began to lease eight "Blue Arrow" high-speed electric train-sets from Guangzhou Zhongche to facilitate the development of our "As-Frequent-As-Buses" Train Project. We paid the lessor RMB104.2 million, RMB103.2 million and RMB99.6 million in 2003, 2004 and 2005, respectively, under the lease. Lease agreements for different train-sets will expire from June 2006 to December 2006. We entered into an agreement for the purchase of twenty sets of Electric Multiple Units trains (EMUs) on August 9, 2005 with Bombardier Sifang Power (Qingdao) Transportation Ltd and Bombardier Sweden Transportation Ltd. These 20 sets of EMUs will be used in the operation of the Guangzhou-Shenzhen high-speed passenger trains and Hong Kong Through Trains. Each EMU has the speed of 200 km/h and we believe that the introduction of EMUs will strengthen our capability to deliver "safety, speed, comfort and quality" in transport services and increase our efficiency and competitiveness. Given that the EMUs will not be delivered to us until the second half of 2007, we renewed the lease agreement for another year with Zhongche in June 2006.

Our repair and maintenance facility, located near our Shipai passenger vehicle maintenance facility near Guangzhou East Station, services the high-speed passenger coaches and locomotives we own or lease. This facility currently performs general maintenance and routine repairs on our equipment. Major repairs and overhauls are performed by manufacturers or qualified railway administrations or plants.

We believe that our existing tracks and equipment meet the needs of our current business and operations. Most of the rails and ties on our main lines have been installed within the last eight years, and are maintained and upgraded on an ongoing basis as required. In 2003, we replaced a whole section of steel rail amounting to 38 kilometers, 29 sets of wooden moveable center switches with 23 sets of cement moveable center switches, 1,042 meters of separate steel bars and 1,926 pieces of separate wooden crossties to sustain safety and stability of our railway. In 2004, we replaced 77 kilometers of worn-out tracks and upgraded 88 kilometers of electrified catenary network. In addition to that, we upgraded some power projects in the Shenzhen North Station to accommodate changes to our train routes and speed acceleration projects. In 2005, we replaced 23,203 pieces of various types of ties, 2.45 kilometers of high-speed wire rod rail, 566 pieces of mainline rails and receiving and dispatching rail, 344 sets of receiving and dispatching center switches and 1.56 kilometers of signal cable. In addition, we also screened certain ballast beds.

We continued our construction of the fourth line between Guangzhou and Shenzhen in 2005 and expect to complete it by the end of 2007. The completion of the construction will allow the high-speed passenger trains and regular speed passenger and freight trains to run on separate lines, thus improving the transportation capacity of high-speed passenger trains, domestic long-distance trains and freight trains.

SUPPLIERS AND SERVICE PROVIDERS

We purchase our coaches and locomotives, as well as most other railway equipment, directly from China Northern Locomotive & Rolling Stock Industry (Group) Corporation, China Southern Locomotive & Rolling Stock Industry (Group) Corporation and China Railway Materials and Supplies Corporation, all of which are also state-owned enterprises. We may also purchase equipment from foreign vendors or other domestic suppliers. We are not materially dependent upon any overseas suppliers.

We lease a portion of the locomotives and rolling stock that are used in our transportation operations from our Parent Company and its subsidiaries, who also provide services for these locomotives and rolling stock under contracts which stipulate fees based on a cost plus profit formula. The profit portion is fixed for a 10-year term of the relevant contract at 8% of costs. Costs include all actual costs related to providing and servicing the locomotives and rolling stock. Because such costs are affected by inflation, we are subject to inflationary risks in connection with our payment obligations under these contracts. Our Parent Company and some of its subsidiaries, such as Yangcheng Railway Company and Guangmeishan Railway Company, have similar agreements with us to provide services and assistance with respect to our railroad operations. In addition, GEDC provides public security and housing for our employees and their families under a contract and in exchange for fee payments. In the second half of 2004, all of the hospitals and schools originally vested in GEDC were transferred to the local government pursuant to applicable PRC policies. As a result, GEDC no longer provides any education and hospital services to us under the contractual arrangements made upon our restructuring. In 2005, the total amount of these payments we made to our Parent Company and its subsidiaries accounted for 3.64% of our railroad business operating costs for the year. See " Item 7B. Related Party Transactions."

Under the Rules Governing the Listing of Securities on the Hong Kong Exchange, or the HKSE Listing Rules, transactions between us and our connected persons constitute connected transactions and such transactions are normally subject to reporting, announcement and/or shareholders' approval unless otherwise waived by the Stock Exchange of Hong Kong. Under certain waivers granted by the Stock Exchange of Hong Kong in connection with our original listing of H shares in May 1996, our independent non-executive directors review and certify annually that these contracts are entered into on normal commercial terms that are fair and reasonable to us. The above transactions are exempted from the strict compliance of the requirements under the HKSE Listing Rules in relation to connected transactions, subject to certain conditions set forth in the waiver letter issued by the Stock Exchange of Hong Kong. On January 13, 2006, we entered into a provisional comprehensive services agreement with our parent company and a comprehensive services agreement with GEDC, both of which became effective on March 3, 2006 after being approved by our shareholders' general meeting.

The electricity we use, including electricity used for our lines, is supplied through various entities under the jurisdiction of the Guangdong provincial power bureau on normal commercial terms. In 2004 and 2005, we paid approximately RMB106.9 million and RMB125.5 million, respectively, in electricity charges.

Our five largest customers accounted for less than 30% of our revenue and our five largest suppliers accounted for less than 30% of our purchases in 2005.

REGULATORY OVERVIEW

As a joint stock limited company with publicly traded shares, we are subject to regulation by the PRC securities regulatory authorities with respect to our compliance with PRC securities laws and regulations. We are also subject to industry regulation by the MOR within the overall framework of the PRC national railway system.

NATIONAL RAILWAY SYSTEM

Railroads in the PRC fall largely into three categories: state-owned railroads, jointly owned railroads and local railroads. State-owned railroads are invested by the central government of the PRC and are managed directly by the MOR. The state-owned railway system comprises over 70% of all rail lines, including all trunk lines. Jointly owned railroads are jointly invested and operated by the central government of the PRC, the local government and other foreign or domestic investors. Local railroads consist of regional lines usually within provincial or municipal boundaries that have been constructed under the sponsorship of local governments

BOWNE INTEGRATED TYPESETTING SYSTEM Site: BOWNE OF HONG KONG Phone: 852-2526-0688 Operator: BOM99999T Date: 29-JUN-2006 07:36:55.74
Name: GUANGSHEN RAILWAY CO Validation: Y Lines: 62 [E/O] CRC: 24186 BOM H00583 032.00.00.00 0/1
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Description: FORM 20-F

or local enterprises to serve local needs. The state-owned railway system operates as a nationwide integrated system under the supervision and management of the MOR. Although the MOR does not operate other railroads, it provides guidance, coordination, supervision and assistance with respect to industry matters to such other railroads. The MOR's responsibilities include the centralized coordination of train routing and scheduling nationwide, planning of freight shipments and freight car allocations, overseeing equipment standardization and maintenance requirements, and financial oversight and revenue clearing throughout the national railway system.

Prior to March 18, 2005, the MOR divided the national railway system into 15 regions, each overseen and operated by a separate railway administration, or group companies. Ten of these 15 administrations were further subdivided on a geographical basis into 41 railway sub-administrations, or general companies. On March 18, 2005, the MOR issued a notice under which all general companies were dissolved and three new group companies were established. As a result, the number of group companies increased to 18. Group companies are directly responsible for passenger and freight transportation as well as the coordination and supervision of operations carried out by train stations.

TRANSPORT OPERATIONS

The transport operations of the PRC national railway system are organized under the centralized control and management of the MOR. In order to promote efficient utilization of the railroad network nationwide, the MOR directly manages and coordinates traffic flow on national trunk lines and through any connection points, where two rail lines operated by different companies connect to each other, in the system. Based on route capacity, available equipment and national priorities, the MOR allocates to the 18 group companies authority to make routings on trunk lines, allocates numbers and types of freight cars to the group companies and specifies requirements to dispatch empty freight cars to designated locations in order to facilitate freight car circulation within the national railway system. Within the allocations set by the MOR, each group companies and administration manages and coordinates traffic within its own jurisdiction.

Our passenger and freight operations that involve long-distance routing beyond our own lines, such as the routing of freight trains to Shanghai, are conducted, in general, pursuant to quota allocations from our Parent Company based on the quota allocations our Parent Company received from the MOR. The plans and schedules for our passenger and freight services that are conducted solely on our own lines are determined by ourselves; while our passenger and freight services that run beyond our own lines are subject to overall planning and scheduling of our Parent Company and/ or the MOR.

Since March 1996, the MOR and our Parent Company have accorded us substantially greater latitude in our transportation operations. In particular, we were granted sufficient autonomy over passenger services on our own line, including autonomy over speed, frequency and train car mix. Pursuant to this authority, we have implemented a strategy of scheduling more high-speed trains, running shorter passenger trains more frequently, and adjusting the train schedules on our line to meet consumer demand. On October 21, 2004, we successfully launched our "As-Frequent-As-Buses" Train Project, which provides intercity express train services. As of December 31, 2005, the total number of intercity express trains running daily between Guangzhou and Shenzhen increased from 64 pairs in 2004 to 67 pairs including ten standby trains. We currently have 40 pairs of long-distance trains and 13 pairs of through trains.

Where our service runs beyond our own line, clearance by and coordination with our Parent Company is necessary. To the extent that we operate long-distance services beyond our Parent Company's jurisdiction, they are subject to coordination and clearance by the MOR. In addition, in order to enable our Parent Company and the MOR to allocate freight cars and control traffic going through connection points, we are required to provide our Parent Company with prior written notice, on a monthly basis, of the number and types of freight cars we will require, as well as the number of our freight trains that will go through particular connection points. Furthermore, we must still carry out special shipping tasks, such as emergency aid and military and diplomatic transport, as directed by the MOR or our Parent Company. Revenues from military and diplomatic transport generally account for less than 1% of our total transportation revenues. Emergency aid transport is required only during periods of rare natural disasters declared by the PRC government, and is provided free of charge.

PRICING

In general, the MOR is responsible for preparing a proposal for the baseline pricing standards for the nationwide railway system with respect to freight and passenger transportation. Such proposed pricing standards will take effect after being approved by and/or filed with relevant PRC government authorities.

Pursuant to relevant approvals from the MOR and other relevant PRC government authorities, we have broad discretion to adjust and determine our service price. With respect to our freight transportation services within our own lines, we may set our prices within a range between 50% to 150% of national price levels. With respect to our passenger transportation services, we may set the prices for our regular speed Guangzhou-Shenzhen trains within a range between 25% to 225% of national price levels, and may freely determine the prices for our high-speed express trains between Guangzhou and Shenzhen. In addition, we set the prices for our Hong Kong through trains in consultation with KCR, our business partner and the prices for our Hong Kong through trains are higher than the prices charges for our domestic train services.

ENVIRONMENTAL PROTECTION

We believe that we are in material compliance with all applicable PRC national and local environmental protection laws and regulations. We have not been fined or cited for any activities that have caused environmental damages. We have six wastewater treatment facilities used for purposes of treating wastewater generated from cleaning of special cargo freight cars, locomotives, coaches and from residential use. We pay regular fees to local authorities for the discharge of waste substances. In 2005, our environmental protection-related expenses were approximately RMB1.7 million as compared to RMB0.5 million in 2004.

INSURANCE

Pursuant to applicable PRC regulations, we are liable for the compensation to passengers for body injury arising from accidents to the limit of RMB60,000/person, including transportation business liability compensation amounting to RMB40,000/person. With respect to loss of or damage to baggage, parcels and freight, our customers may elect to purchase insurance administered by the Ministry of Railways for up to their declared value. Passengers who do not elect to purchase insurance in respect of their baggage and/or parcels may nevertheless recover up to RMB15 for each kilogram of damaged baggage and/or parcels. Similarly, freight transport customers who elect not to purchase insurance may recover up to RMB2,000 for each ton of damaged freight if insured by weight.

We do not currently maintain any insurance coverage with third party carriers against third party liabilities. Consistent with what we believe to be the customary practice among railway operators in the PRC, we do not maintain insurance coverage for our property and facilities (other than for our automobiles), for business interruption or for environmental damage arising from accidents on our property or relating to our operations. As a result, in the event of an accident or other event causing loss, destruction or damage to our property or facilities, causing interruption to our normal operations or causing liability for environmental damage or clean-up, we will have to cover losses and damages out of our own pockets.

We maintain retirement insurances and medical insurances for our employees in accordance with applicable insurance laws and regulations in Guangzhou and Shenzhen, as applicable. In addition, we have taken out work-related personal injury insurance policies and child-bearing insurance for our employees.

ITEM 4C. ORGANIZATIONAL STRUCTURE

The following table lists the significant subsidiaries of Guangshen Railway Company Limited as of December 31, 2005:

<TABLE>
<CAPTION>

NAME	COUNTRY OF INCORPORATION	PERCENTAGE OF INTEREST HELD BY GUANGSHEN RAILWAY
<S>	<C>	<C>
DIRECTLY HELD BY THE COMPANY		
Guangzhou East Station Dongqun Trade and Commerce Service Company	PRC	100%
Shenzhen Fu Yuan Enterprise Development Company	PRC	100%
Shenzhen Guangshen Railway Civil Engineering Company(1)	PRC	100%
Shenzhen Guangshen Railway Travel Service Ltd.	PRC	100%
Shenzhen Jian Kai Trade Company(2)	PRC	100%
Shenzhen Jing Ming Industrial & Commercial Company Limited	PRC	100%
Shenzhen Railway Station Travel Service Company(3)	PRC	75%
Shenzhen Longgang Pinghu Qun Yi Railway Store Loading and Unloading Company	PRC	55%
Dongguan Changsheng Enterprise Company	PRC	51%
Shenzhen Railway Station Passenger Services Company Limited	PRC	100%
INDIRECTLY HELD BY THE COMPANY		
Shenzhen Nantie Construction Supervision Company	PRC	100%
Shenzhen Guangshen Railway Economic and Trade Enterprise Company	PRC	100%
Shenzhen Railway Property Management Company Limited	PRC	100%
Shenzhen Yuezheng Enterprise Company Limited	PRC	100%
Shenzhen Road Multi-modal Transportation Company Limited	PRC	60%

</TABLE>

----

(1) We entered into a share transfer agreement with Guangzhou Railway Economic and Technological Development General Company on June 13, 2006, pursuant to which, we transferred a portion of the equity interest in Shenzhen Guangshen Railway Civil Engineering Company held by us and one of our subsidiaries (Shenzhen Fu Yuan Enterprise Development Company) to Guangzhou Railway Economic and Technological Development General Company, a related party. Following the completion of such transfer, we hold 49% of the equity interest in Shenzhen Guangshen Railway Civil Engineering Company.

(2) A public announcement was made that the subsidiary had to be put under liquidation on May 20, 2005 and the formal liquidation process also commenced on that date. As at December 31, 2005, the relevant legal procedures had not been completed but the directors consider that the impact of the liquidation process did not bear any material impact on the Financial Statements as a whole.

(3) A Sino-foreign co-operative joint venture.

ITEM 4D. PROPERTY, PLANT AND EQUIPMENT

We occupy a total area of approximately 11.84 million square meters.

We own all of the buildings and facilities on our premises in Guangdong Province. We have freely transferable land use rights for terms ranging from 36.5 to 50 years, terminating between 2031 and 2045, in respect of the land upon which our buildings, facilities and rail line are located. Pursuant to relevant PRC regulations currently in effect, these land use rights are renewable at the end of their terms upon execution of relevant documentation and payment of applicable fees.

As at 31 December 2005, land use right certificates ("Land Certificates") of certain parcels of land of the Company with an aggregate area of approximately 3,450,962 square meters had not been obtained. After consultation made with the Company's legal counsel, the directors consider that there is no legal restriction for the Company to apply for and obtain the Land Certificates and it should not lead to any significant adverse impact on the operations of the Company. Accordingly, no provision for impairment was considered necessary.

In addition, as of 31 December 2005, ownership certificates of certain buildings ("Building Ownership Certificates") of the Company with an aggregate carrying value of approximately RMB1,297,947,000 had not been obtained by the Company. After consultation made with the Company's legal counsel, the directors of the Company consider that there is no legal restriction for the Company to apply for and obtain the Building Ownership Certificates and it should not lead to any significant adverse impact on the operations of the Company. Accordingly, no provision for fixed assets impairment was considered necessary.

Railroad operators typically require substantial land use rights for track, freight and maintenance yards, stations and related facilities. The availability of convenient rail transportation generally enhances the value of land along a rail line. We have not engaged and do not have any current plans to engage in commercial development of any of our land use rights for use other than in connection with our existing businesses. We do not at present intend to contribute capital to engage in any land development projects in the future. However, we may contribute land use rights not otherwise being fully utilized by us for equity stakes in these projects if we believe these opportunities are economically viable. Any development projects will require approval from PRC government authorities responsible for regulating land development.

We have 26 train stations, of which the Guangzhou East Station is the largest, occupying an area of 402,400 square meters.

BOWNE INTEGRATED TYPESETTING SYSTEM Site: BOWNE OF HONG KONG Phone: 852-2526-0688 Operator: BOM99999T Date: 29-JUN-2006 07:36:55.74
Name: GUANGSHEN RAILWAY CO Validation: Y Lines: 13 CRC: 30948
[E/O] BOM H00583 036.00.00.00 0/1
H00583.SUB, DocName: 20-F, Doc: 1, Page: 36
Description: FORM 20-F

For additional information regarding our property, plant and equipment, see "Item 4B. Business Overview-Equipment and Track Maintenance" and Notes 6 and 8 to our audited consolidated financial statements included elsewhere in this annual report.

ITEM 4A. UNRESOLVED STAFF COMMENTS

We do not have any unresolved Staff comments that are required to be disclosed under this item.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

This discussion and analysis should be read in conjunction with our consolidated financial statements contained elsewhere in this annual report. The revenues provided in this part are set out the deduction of business tax. Our audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards, which differ in certain material respects from United States Generally Accepted Accounting Principles. For a discussion of the differences that affect Guangshen Railway, see Note 36 to our audited consolidated financial statements.

OVERVIEW

Our principal businesses are railroad passenger and freight transportation between Guangzhou and Shenzhen and certain long-distance passenger transportation services. We also operate the Hong Kong through trains under a cooperative arrangement with the KCR in Hong Kong. Our key strategic focus in recent years has been the provision of high-speed passenger train services in the Guangzhou-Shenzhen corridor. In addition to our core railroad transportation business, we also engage in other businesses that complement our core businesses, including on-board and station sales, restaurant services, as well as advertising and tourism.

For the year ended December 31, 2005, our total revenues were RMB3,276.9 million, profit attributable to shareholders was RMB613.4 million, and earnings per share were RMB0.14. Railroad business revenues accounted for 93.9%, 94.5% and 94.6% of our total revenues in 2003, 2004 and 2005, respectively.

Passenger transportation business is our most important business. In 2005, we continued to enhance the operation of the Guangzhou-Shenzhen high speed passenger trains and The Canton-Kowloon through trains, improve our transportation capacity, increase the operation of standby trains during holidays, increase the frequency of stopping at intermediary stations, initiate passenger flows connection between long-distance trains in the Guangzhou area and Guangzhou-Shenzhen trains and refurbish our passenger stations for the convenience of passengers to attract more passengers. In 2005, the total number of passengers was 49.1 million, representing an increase of 6.7% from 2004; passenger transportation revenues were RMB2,511.2 million, representing an increase of 11.1% from 2004.

We transported a total of 31.9 million tonnes of freight in 2005, representing a decrease of 6.7% from 2004. Freight transportation revenues in 2005 were RMB588.3 million, representing a decrease of 3.8% compared to 2004. The decrease was mainly due to the severe competition from other means of transportation and the centralized upward adjustments of railway freight tariffs.

Revenues from our other businesses were RMB177.5 million in 2005, representing an increase of 6.5% from 2004.

In 2005, pursuant to the amendments to the HKSE listing rules, we established a remuneration committee with a majority of the member of the committee being independent non-executive directors. Pursuant to the implementation of the new Company Law in China on January 1, 2006, we amended certain articles of our Articles of Association.

PROPOSED ISSUE OF A SHARES, VERY SUBSTANTIAL ACQUISITION AND CONTINUING RELATED PARTY TRANSACTIONS

On November 15, 2004, we entered into the Acquisition Agreement with Yangcheng Railway Company for the acquisition by us of the railway transportation business between Guangzhou and Pingshi, a city on the border between Guangdong Province and Hunan Province, currently operated by Yangcheng Railway Company and the assets and liabilities relating to such business. The consideration of the Acquisition will be approximately RMB10.3 billion. In order to finance the Acquisition, we intend to issue and allot up to 2.75 billion A shares and use the proceeds from the A Share Issue to pay the consideration of the Acquisition. We have submitted relevant application documents to relevant authorities for approval of the A Share Issue. Pursuant to the HKSE Listing Rules, the Acquisition constitutes a very substantial acquisition. As Yangcheng Railway Company is a wholly owned subsidiary of our Parent Company, the Acquisition also constitutes a related party transaction. In anticipation of the A Share Issue and the Acquisition, we entered into various agreements with each of Yangcheng Railway Company and our Parent Company in respect of certain continuing related party transactions. Such agreements will take effect upon the completion of the Acquisition and will thereafter replace all existing related party transaction agreements relating to the same categories of transactions.

We made an announcement in respect of the above matters on November 15, 2004 and also sent a circular to our shareholders on December 5, 2004. The circular contained details relating to the A Share Issue, the proposed amendments to the Articles of Association, the Acquisition and the continuing related party transactions, a letter from our independent board committee to our independent shareholders containing their recommendation, and a letter from our independent financial adviser to our independent board committee and our independent shareholders containing its advice, etc. We held our domestic shareholders' class meeting, H shares shareholders' class meeting and extraordinary general meeting on December 30, 2004 to approve related matters. Such approval was further renewed for one year at our extraordinary shareholders' meeting held on January 20, 2006.

The Acquisition Agreement is conditioned upon the fulfillment of, among other things, the following conditions:

1. the formal approvals of relevant authorities or bodies in relation to the A Share Issue having been obtained;

2. the A Share Issue having been completed and an amount of not less than 65% of the consideration of the Acquisition having been raised;

3. the approvals of relevant government bodies responsible for the supervision and management of state-owned assets in relation to Yangcheng Railway Company's proposal on disposal of its state-owned assets having been obtained; and

4. the approval of the National Development and Reform Committee in relation to the price determination for passenger and freight railway transportation services between Guangzhou and Pingshi having been obtained.

Save for the condition numbered 2 above, which can be waived by us, none of the above conditions can be waived. If the above conditions are not fulfilled within two years from the date of signing of the Acquisition Agreement, November 15, 2004, the Acquisition Agreement will lapse and no party will have any liability thereunder. In the event that any party rescinds the Acquisition Agreement for whatever reason after the A Share Issue has been completed, we will retain the proceeds from the A Share Issue as general working capital.

We submitted our application proposal relating to the A Share Issue to the China Securities Regulatory Commission, or CSRC, but it is difficult to estimate whether or when the A Share Issue will be completed as it is subject to the market conditions and policies of the CSRC.

ITEM 5A. RESULTS OF OPERATIONS

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Economic Development in the Pearl River Delta Region and the PRC. We are mainly engaged in railway passenger transportation services on the trains between Guangzhou and Shenzhen, certain long-distance trains and Hong Kong through trains. Our results of operations relating to passenger transportation are influenced by the economic development in the Pearl River Delta region. The level of economic activities in the Pearl River Delta region, including the economic cooperation among Hong Kong, Macau and mainland China, affects the number of business people traveling in this region. In addition, the average income levels of residents in this region and elsewhere in the PRC affects the number of the tourists departing from or arriving at our train stations. The majority of the freight we transport is large-volume, medium- to long-distance freight received from and/or transferred to other railway lines. Economic development in the PRC, including but not limited to the Pearl River Delta region, determines the market demand for such goods as coal, iron ore, steel and therefore indirectly affects the market demand of freight train transportation service.

Competitive Pressure from other Means of Transportation. Sales for our passenger transportation services are also affected by the competitive pressure from other means of transportation, such as the automobile, bus, ferry and airplane services. For example, the fast growth in the number of privately owned vehicles and a higher penetration of bus services affect the number of train passengers traveling short distances; and any significant decrease in the air transportation prices affects the number of train passengers traveling long distances. Our sales of the freight transportation services are also affected by the competition from other means of transportation, such as water, truck and freight air transportation services.

PRC Policies. We enjoy certain preferential policies granted by the PRC government. For example, as a company located in the Shenzhen Special Economic Zone, we enjoy a preferential income tax rate of 15%, rather than the 33% income tax rate generally applicable to domestic companies in the PRC. In addition, we are allowed to be more flexible in making the price for both the passenger transportation and the freight transportation as compared to other domestic railroad operators. Material changes in the policies of the PRC government that affect such preferential treatments will impact our results of operations.

REVENUES

In 2005, our total revenues were RMB3,276.9 million, representing an increase of 7.9% from RMB3,038.1 million in 2004. Revenues from our passenger transportation service, our freight transportation service and our other businesses accounted for 76.6%, 18.0% and 5.4%, respectively, of our total revenues in 2005. Revenues from our passenger transportation service and our freight transportation service accounted for 81.0% and 19.0%, respectively, of our revenues from our railroad transportation businesses in 2005.

Passenger transportation service. Passenger transportation remains our most important business. As of December 31, 2005, we operated 122 pairs of passenger trains daily, representing an increase of five pairs from the number in operation as of December 31, 2004. There were 67 pairs of high-speed passenger trains between Guangzhou and Shenzhen, representing an increase of three pair compared to 2004; two pairs of regular-speed passenger trains between Guangzhou and Shenzhen; 13 pairs of Hong Kong Through Trains and 40 pairs of long-distance passenger trains, an increase of two pairs compared to 2004.

In 2005, our total number of passengers was 49.1 million, representing an increase of 6.6% from 46.0 million in 2004. Our revenue from passenger transportation was RMB2,511.2 million, representing an increase of 11.1% from RMB2,259.7 million in 2004.

The following table sets forth our revenues from passenger transportation and the number of our passengers for the three years ended December 31, 2005:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,			CHANGE IN 2005 FROM
	2003	2004	2005	2004
<S>	<C>	<C>	<C>	<C>
Revenue from passenger transportation (RMB thousands)............	1,790,204	2,259,671	2,511,156	11.1%
Total passengers (thousands)..................	37,861	46,012	49,058	6.6%
Revenue per passenger (RMB)...................	47.28	49.11	51.19	4.2%
Total passenger-kilometers (millions).........	3,295.50	4,200.2	4,539.10	8.1%
Revenue per passenger-kilometer (RMB).........	0.54	0.54	0.55	1.9%

</TABLE>

In 2005, we made the following adjustments to the prices of our passenger transportation services: (1) during the Spring Festival, we adjusted the passenger fares of different classes of our long-distance domestic train services; and (2) during the New Year holidays, the Spring Festival holidays, the Labor Day holidays and the National Day holidays, we increased the fares of our high-speed passenger trains and regular-speed passenger trains between Guangzhou and Shenzhen by RMB5 per trip journey.

Freight transportation. The total tonnage of freight transported by us in 2005 was 31.9 million tonnes, representing a decrease of 6.7% from 34.2 million tonnes in 2004. In 2005, in order to attract more freight resources, we continued to offer price discounts for freight transportation of steel, coal, corn, beverage, container, rice and plastic as in 2004. Our revenues from freight transportation business were RMB588.3 million, representing a decrease of 3.8% from RMB611.8 million in 2004.

- In 2005, our outbound freight tonnage was 8.46 million tonnes, representing an increase of 2.7% from 8.24 million tonnes in 2004. Our outbound freight revenues were RMB139.3 million, representing an increase of 22.9% from RMB113.4 million in 2004. The increase in outbound freight tonnages in 2005 was mainly due to (i) the continuing increase in demand for imported raw materials such as coal and ore owing to the continuous and rapid economic growth in mainland China; (ii) the centralized upward adjustments of railway freight tariffs implemented since April 2005 had exerted positive influence on the increase in outbound freight revenue; and (iii) in order to enhance competitiveness, the Company endeavored to maintain the current sources of freight and explore for new freight through providing preferential tariffs, improving service quality and strengthening relations with consignors.

- In 2005, our inbound and pass-through freight tonnages were 23.43 million tonnes, representing a decrease of 9.7% from 25.96 million tonnes in 2004. Our inbound and pass-through freight revenues were RMB308.0 million in 2005, representing a decrease of 4.7% from RMB323.1 million in 2004. The decrease in inbound and pass-through freight tonnages was mainly due to (i) the progressive improvement of road, water and air transportation networks of mainland China, bringing fiercer competition to railway freight transportation market; (ii) the centralized upward adjustments of railway freight tariffs implemented nationwide since April 2005 had led to the transfer of part of the freight sources to other means of transport.

- In 2005, our revenues from storage, loading and unloading and other miscellaneous items were RMB141.0 million, representing a decrease of 19.6% from RMB175.3 million in 2004. The decrease was mainly due to the decline in inbound and pass-through freight volume.

The following table sets forth our revenues from freight transportation and the volumes of commodities we shipped for the three years ended December 31, 2005:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 2003	2004	2005	CHANGE IN 2005 FROM 2004
<S>	<C>	<C>	<C>	<C>
Revenue from freight transportation (RMB thousands)............................	526,382	611,807	588,310	(3.8%)
Total freight tons (thousands of tons)........	27,584	34,199	31,893	(6.7%)
-Revenues from outbound freight transportation	88,042	113,421	139,340	22.9%
-Revenues from inbound and pass-through transportation	267,844	323,108	307,962	(4.7%)
-Revenues from storage, loading and unloading and other miscellaneous items	170,496	175,278	141,008	(19.6%)
Revenue per ton (RMB).........................	19.08	17.89	18.45	3.1%
-Outbound freight tonnage	6,466	8,241	8,460	2.7%
-Inbound and pass-through freight tonnage	21,118	25,958	23,433	(9.7%)
Total ton-kilometers (millions)...............	1,978.9	2,489.5	2,294.8	(7.8%)
Revenue per ton-kilometer (RMB)...............	0.27	0.25	0.26	4.0%

</TABLE>

In 2005, we made the following adjustments to the prices of our freight transportation services: (i) in accordance with the slight increase in the national price levels for railway freight transportation, we increased the prices of our freight transportation services slightly; and (ii) we offered certain price discounts to some categories of freight to maintain existing business and attract new freight business.

Other Businesses. Our other businesses mainly consist of sales of goods and food, advertising and tourism services on board and in stations. Revenues from other businesses in 2005 were RMB177.5 million, representing an increase of 6.5% from RMB166.7 million in 2004.

The table below sets forth a breakdown of our revenues from the different categories of other businesses for the three years ended December 31, 2005:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	2003	2004	2005
	(RMB THOUSANDS)		
<S>	<C>	<C>	<C>
On-board and station sales............	39,217	48,496	29,172
Station services......................	41,610	45,206	39,430
Tourism, advertising and others.......	70,769	72,969	108,860
Total..............................	151,596	166,671	177,462

</TABLE>

OPERATING EXPENSES

In 2005, our total operating expenses were RMB2,566.1 million, representing an increase of 6.6% from RMB2,408.0 million in 2004. The following table sets forth, as a percentage of our railroad revenues, the principal operating expenses associated with our railroad businesses for 2003, 2004 and 2005:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	2003	2004	2005
<S>	<C>	<C>	<C>
Railroad businesses revenues (RMB millions)................	2,316.6	2,871.5	3,099.5
Labor and benefits...	15%	17%	17%
Equipment leases and services..............................	19%	16%	16%
Materials and supplies.....................................	10%	9%	9%
Repair costs, excluding materials and supplies.............	4%	8%	8%
Depreciation (and amortization of leasehold land payments)..	13%	12%	11%
General and administrative expenses........................	6%	7%	6%
Fee for social services....................................	3%	3%	3%
Others...	5%	4%	4%
Operating expenses ratio(1)................................	75%	78%	77%
Railroad businesses operating margin.......................	25%	22%	23%

</TABLE>

----

(1) Total railroad operating expenses as a percentage of railroad businesses revenues.

Railway Operating Expenses. Our total railway operating expenses increased by 6.0% from RMB2,241.8 million in 2004 to RMB2,375.8 million in 2005. The following sets forth a breakdown of these changes by line item:

- Business tax. Our business tax in 2005 was RMB86.6 million, representing an increase of 3.4% from RMB83.7 million in 2004. The increase was mainly due to the increase in revenues of the Company.

- Labor and benefits. In 2005, our labor and benefits expenses amounted to RMB518.6 million, representing an increase of 5.3% from RMB492.6 million in 2004. The increase was mainly due to (i) the implementation of the performance based salary policy; steady increase of operating results in 2005 resulted in the overall increase in employees' salaries and benefits; (ii) the increase in the number of trains in operation during the year, and the corresponding increase in the number of related operation staff and workload.

- Materials and supplies. Our materials and supplies expenses consist mainly of fuel, water and electricity expenses. In 2005, our materials and supplies expenses amounted to RMB283.9 million, representing an increase of 15.6% from RMB245.5 million in 2004. The increase was mainly due to: (i) the increased consumption of materials and supplies resulted from the increased number of trains in operation during the year; (ii) the increase in the consumption of materials arisen from the increased investment in flood-control and maintenance of railway line to ensure the safety thereof: (iii) the ongoing increase in the prices of oil and electricity because of short supply, which led to the increase of related costs of the Company.

- Depreciation. Our depreciation expenses of fixed assets decreased by 2.7% from RMB334.5 million in 2004 to RMB325.6 million in 2005, mainly due to the disposal of some useless assets during the year, some of which had come to the end of their service life during the year.

- Repair. Our repair expenses increased by 21.6% from RMB216.3 million in 2004 to RMB263.0 million in 2005, primarily due to (i) the increased number of locomotives and vehicles that underwent overhaul, leading to the increase in repair expenses on related equipment; (ii) the refurbishment of houses and structures to provide better service to passenger and to improve the living and working environment of the employees, which caused an increase in the repair expenses; (iii) the increase in the expenses on the repair and maintenance of facilities such as rail lines and electrical equipment to satisfy the requirement for transportation safety as a result of increased transportation volume.

- Equipment leases and services. Our expenses on equipment leases and services mainly consist of railway line usage fees, train hauling fees and train leasing fees paid to other railway administrations. In 2005, our expenses relating to equipment leases and services amounted to RMB507.6 million, representing an increase of 12.3% from RMB452.2 million in 2004. This was mainly due to (i) the operation of Shenzhen-Shaoguan long-distance trains since May 2005, which led to the increase in the corresponding railway usage fees; and (ii) the relatively large increase in the number of temporary passenger trains in operation during the Spring Festival holidays and the Golden Week holidays in 2005, which led to the increase of related equipment leases and services fees.

- Social services. Our social services fees in 2005 were RMB78.2 million, representing a decrease of 7.6% from RMB84.6 million in 2004. The reason for the decrease was mainly as follows: the segmentation reform of principal and subordinate businesses of the railway industry implemented in 2004, as a result of which, the hospitals and schools that used to provide medical and education services to the Company were transferred to local authorities, thus the Company had to pay a certain amount of subsidies in accordance with the government policies, while in 2005, the Company was not required to pay such fees.

- General and administrative. Our general and administration expenses decreased by 1% from RMB190.3 million in 2004 to RMB188.4 million in 2005. This was mainly due to the decrease in the provision for impairment this year.

PROFIT FROM OPERATIONS

Our profit from operations increased by 11.9% from RMB678.4 million in 2004 to RMB759.3 million in 2005 due to the increase in our total revenues.

TAXATION

As we are registered and established in the Shenzhen Special Economic Zone, our railroad businesses are subject to income tax at a rate of 15%. According to relevant tax regulations, our other businesses and our subsidiaries are subject to income tax at the rate of either 15% or 33%, depending on the location of incorporation. Our income tax expense was RMB104.2 million in 2005, representing an effective tax rate of 14.5% and an increase of RMB5.8 million compared to RMB98.4 million in 2004.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Our consolidated net profit increased by 8.1% from RMB567.5 million in 2004 to RMB613.4 million in 2005.

YEAR ENDED DECEMBER 31, 2004 COMPARED WITH YEAR ENDED DECEMBER 31, 2003

REVENUES

In 2004, our total revenues were RMB3,038.1 million, representing an increase of 23.1% from RMB2,468.2 million in 2003. Revenues from our passenger transportation service, our freight transportation service and our other businesses accounted for 74.4%, 20.1% and 5.5% of our total revenues in 2004 respectively. Revenues from our passenger transportation service and our freight transportation service accounted for 78.7% and 21.3%, respectively, of our revenues from our railroad transportation businesses in 2004.

Passenger transportation service. Due to the impact from the SARS epidemic, our revenues from passenger transportation declined during the first half of 2003. We operated more trains and increased the frequency of stopping at intermediary stations to attract more passengers following the end of the SARS epidemic. We also worked on the integrated refurbishment of our passenger stations, such as Guangzhou East Station, Shenzhen Station and Dongguan Station, to improve our public image. Furthermore, we expanded our ticket network by opening more ticket offices at Guangzhou Station and other stations along the Guangzhou-Shenzhen route. We also made slight adjustments to our fares during peak periods and took other steps to improve our service quality and enhance our market efforts. In 2004, the total number of our passengers was 46.0 million, representing an increase of 21.4% when compared to that of 2003; our passenger transportation revenues were RMB2,259.7 million, representing an increase of 26.2% from that of 2003.

Freight transportation. During 2004, we transported a total of 34.2 million tonnes of freight, representing an increase of 6.6 million tonnes when compared to that of 2003. We believe that this increase resulted from our marketing efforts in our freight transportation business and our relationships with ports, mines and other corporates, which enabled us to maintain existing large volume freight and capture new freight transportation business. Our freight transportation revenues in 2004 were RMB611.8 million, representing an increase of 16.2% when compared to that of 2003.

- Our outbound freight revenues increased by 28.8% from RMB88.04 million in 2003 to RMB113.4 million in 2004. The increase in outbound freight tonnages in 2004 was mainly due to (i) the economic growth in mainland China which increased the demand for energy and raw materials, such as coal, ore and petroleum imports, etc, and in turn led to greater demand for freight transportation services; (ii) the severe crackdown on oversize and overloaded trucks on highways by the PRC government in 2004, and the implementation of the Road Traffic Safety Law, which led to an increase in the costs of road transportation; as a result, part of the freight previously transported by road shifted to railway transportation; (iii) the operation of additional container trains from Dongguan to Kowloon and the "5 fixed" (fixed locations, fixed line, fixed time, fixed price and fixed schedule) freight trains, from Pinghu South to Chengdu East and other locations led to a significant increase in the number of containers transported by us; and (iv) the end of the SARS epidemic, which adversely affected the freight transportation business in 2003.

- Our inbound and pass-through freight revenues increased by 20.6% from RMB267.8 million in 2003 to RMB323.1 million in 2004. This increase was mainly due to (i) the rapid economic growth in the PRC, including the Pearl River Delta region, which created great demand for raw materials, such as steel and cement; (ii) the recovery of the Hong Kong economy, and the increased volume of Chinese exports, which led to a large increase in the demand for freight transportation; and (iii) the Chinese government's crackdown on oversize and overloaded trucks on highways, which led to a shift of part of truck freight to railway transportation.

- Our revenues from storage, loading and unloading and other miscellaneous freight services increased by 2.8% from RMB170.5 million in 2003 to RMB175.3 million in 2004. The increase was mainly due to the significant increase in the total tonnage of freight we transported, which offset the effects of certain downward adjustments of fares for some of our customers and some categories of freight, which we implemented to attract more business.

Other Businesses. Our other businesses mainly consist of sales of goods and food, advertising and tourism services on board our trains and in our stations. Our revenues from other businesses in 2004 were RMB166.7 million, representing an increase of 9.9% from RMB151.6 million in 2003. Such increase was mainly due to the increase in passenger volume, which in turn increased revenues from sales of goods, food and beverages in our train stations and on board our trains.

OPERATING EXPENSES

In 2004, our total operating expenses were RMB2,408.0 million, representing an increase of 26.4% from RMB1,905.5 million in 2003.

Railway Operating Expenses. Our total railway operating expenses increased by 27.7% from RMB1,755.9 million in 2003 to RMB2,241.8 million in 2004, due to the following:

- Business Tax. Our business tax in 2004 was RMB83.7 million, representing an increase of 76.0% from RMB47.6 million in 2003. The increase was mainly due to the substantial increase in revenues from passenger and freight transportation in 2004. In addition, we were granted an exemption from business tax on our revenue from passenger transportation between May 1, 2003 and September 30, 2003 due to a special measure implemented by the PRC government in 2003 as a result of the SARS epidemic, which significantly reduced our business tax in 2003.

- Labor and benefits. In 2004, our labor and benefits expenses amounted to RMB492.6 million, representing an increase of 41.7% from RMB347.6 million in 2003. The increase was mainly due to the increase in our passenger and freight volume, which led to a corresponding increase in the number of our employees, and related salaries and welfare expenses. Our employees' salaries and welfare expenses were lower than usual in 2003 due to the decrease in the number of employees and the average salary of our employees resulted from the impact of the SARS epidemic.

- Materials and supplies. Our materials and supplies expenses consist mainly of fuel, water and electricity expenses. In 2004, our material and supplies expenses amounted to RMB245.5 million, representing an increase of 13.2% from RMB217.0 million in 2003. The increase was mainly due to: (i) increases in the prices of oil and electricity, which increased the costs of the fuels and electricity used by our locomotives and vehicles; and (ii) increased consumption of materials and supplies due to the operation of additional high-speed passenger trains between Guangzhou and Shenzhen, the Hong Kong through trains and additional passenger trains during the Spring Festival.

- Depreciation. In 2004, depreciation expenses relating to our fixed assets were RMB334.5 million, representing an increase of 15.3% from RMB290.0 million in 2003. This increase was mainly due to an increase in our fixed assets.

- Repair. In 2004, our repair expenses were RMB216.3 million, representing an increase of 141.3% from RMB89.6 million in 2003. This increase was primarily due to (i) the replacement of worn-out high-speed rails; (ii) an increase in the number of trains and vehicles that needed overhaul; and (iii) the further refurbishment of our Guangzhou East Station, our Shenzhen Station and a number of passenger stations along our line.

- Equipment leases and services. Our expenses on equipment leases and services mainly consist of railway line usage fees, train hauling fees and train leasing fees paid to other railway administrations. In 2004, our expenses on equipment leases and services were RMB452.2 million, representing an increase of 3.3% from RMB437.7 million in 2003. This increase was mainly due to the operation of additional high-speed passenger trains and Hong Kong through trains, and the operation of additional long-distance passenger trains during peak travel seasons, such as the Spring Festival holidays and Golden Week holidays, which resulted in an increase in railway line usage fees and train hauling fees. Leasing fees paid by us to the MOR for transportation trucks also increased due to the increase in the volume of freight we transported.

- Social services. These fees relate to services provided to our employees, including health care and education and to services relating to passenger safety and security. In 2004, our fees for social services were RMB84.6 million, representing an increase of 35.3% from RMB62.6 million in 2003. The increase was mainly due to the subsidies amounting to RMB12.2 million which was paid to GEDC pursuant to relevant PRC government policies when the hospitals and schools owned and operated by GEDC were transferred to local government in the second half of 2004. As a result, GEDC no longer provides any education and hospital services to us under the contractual arrangements made upon our restructuring.

- General and administrative. Our general and administration expenses were RMB190.3 million in 2004, representing an increase of 41.3% from RMB134.7 million in 2003. This was mainly due to: (i) the payment of medical insurance fees for all of our employees, and a one-time payment of medical insurance premium for our retired employees, in accordance with certain government policies implemented to reform the medical insurance system in the PRC; and (ii) an increase in our provision for bad debt associated with our deposit held by Zeng Cheng City Li Cheng Credit Cooperative, or Li Cheng, which was overdue and not recovered.

- Other expenses. Our other expenses in 2004 were RMB126.3 million, representing an increase of 11.4% from RMB113.4 million in 2003. This was mainly due to an increase in communication services fees and various surcharges for production.

PROFIT FROM OPERATIONS

Our profit from operations increased by 11.2% from RMB610.1 million in 2003 to RMB678.4 million in 2004 due to the increase in our total revenues.

TAXATION

Our income tax expense was RMB98.4 million in 2004, representing an effective tax rate of 14.8% (compared to 15.4% in 2003) and an increase of RMB5.0 million compared to RMB93.4 in 2003.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Our consolidated net profit increased by 10.9% from RMB511.8 million in 2003 to RMB567.5 million in 2004.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our audited consolidated financial statements have been prepared in accordance with IFRS. Our principal accounting policies are set out in Note 2 to our audited consolidated financial statements. IFRS requires that we adopt the accounting policies and estimation techniques that are most appropriate in the circumstances for the purpose of giving a true and fair view of our results and financial condition. We based our estimates and judgments on historical experience and on various other assumptions we deem reasonable under relevant circumstances. However, different policies, estimation techniques and assumptions in critical areas could lead to materially different results, in particular, with respect to fixed assets, receivables, provision and impairments discussed in the following paragraphs.

FIXED ASSETS

The railway industry is capital intensive. Under IFRS, fixed assets are initially recorded at cost less accumulated depreciation and impairment loss. Cost represents the purchase price of the asset and other costs incurred to bring the asset into existing use, and subsequent to the initial recognition, fixed assets are stated at cost or valuation less accumulated depreciation and impairment losses. Independent valuations, on a market value basis or depreciated replacement cost basis when there is no evidence of market value for such an item, are performed at least every five years or sooner if considered necessary by the directors. In the intervening years, the directors review the carrying values of the fixed assets and an adjustment is made where there has been a material change. Repairs and maintenance are charged to our income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

Estimation of the useful lives of assets that are long-lived as well as their salvage value requires significant management judgments. Depreciation is calculated using the straight-line method to write off the cost or revalued amount, after taking into account the estimated residual value of not more than 4% of cost, of each asset over its estimated useful life.

Our management reassessed the estimated useful lives and depreciation rates of fixed assets periodically. The assessment was based on the experience and maintenance program established by our management and engineering personnel, current operations and potential changes in technology, personnel, estimated salvage value of the assets, and industry regulations. The estimated useful lives of our fixed assets are as follows:

Buildings	25 to 40 years
Leasehold improvements	over the lease terms
Track, bridges and service roads	55 to 100 years
Locomotives and rolling stock	20 years
Communications and signaling systems	8 to 20 years
Other machinery and equipment	7 to 25 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

RECEIVABLES

Receivables are carried at original invoice amount less the provision made for impairment of these receivables. A provision for impairment of receivables is established when there is an objective evidence that we will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

Other receivables are also assessed for collectibility when the circumstances indicate that we might not be able to collect all amounts due according to the original terms of receivables.

IMPAIRMENT

If circumstances indicate that the net book value of an asset or investment may not be recoverable, this asset may be considered "impaired", and an impairment loss may be recognized in accordance with IFRS 36 "Impairment of Assets". We review the carrying amounts of long-lived assets periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. We test these assets for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the estimated recoverable amount. The amount of impairment loss is the difference between the carrying amount of the asset before the reduction and the estimated recoverable amount. The recoverable amount is the greater of the estimated net selling price and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for our assets are often not readily available. In determining the value in use, we discount cash flows that we expect the asset to generate to their present value. Determining cash flows that we expect an asset to generate requires significant judgment relating to the expected level of sales volume, selling prices and the amount of operating costs.

CONTINGENCY

An accrual for a loss contingency is established if information available prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred or an asset has been impaired. Judgment is necessary in assessing the likelihood that a pending claim will succeed or a liability will arise. The estimates of whether an accrual is necessary have been developed in consultation with outside counsel, based upon an analysis of potential results.

ACCOUNTING TREATMENT REGARDING THE DIFFERENCES BETWEEN THE SELLING PRICES AND COSTS OF EMPLOYEES' HOUSING

We had constructed and purchased new residential properties for our employees in the past to improve their living conditions. Under a housing benefit scheme implemented by the PRC government, we sold these residential properties to our employees at a price approved by the PRC government. For the purpose of preparing our consolidated financial statements for the year ended December 31, 2005, we estimated that our losses from the sales of completed staff quarters and the sales of premises under construction for which future services could be reasonably estimated was approximately RMB226.4 million. Such losses were amortized on a straight line basis over the estimated remaining average service period of our employees (15 years) from the time of such sales. During the year ended December 31, 2005, the amortization charged as deferred labour costs to our consolidated income statement was RMB15.1 million and the accumulated amortization amounted to RMB90.5 million.

As of December 31, 2005, unamortized deferred losses, which were recorded as deferred staff costs on our balance sheet, were RMB135.8 million.

ITEM 5B. LIQUIDITY AND CAPITAL RESOURCES

Our principal source of capital has been cash flow from operations, and our principal uses of capital are to fund capital expenditures, investment and payment of taxes and dividends.

We generated approximately RMB1,380.1 million of net cash flow from operating activities in 2005. Substantially all of our revenues were received in cash, with accounts receivable arising primarily from long-distance passenger train services provided and pass-through freight transactions originating from other railway companies whose lines connect to our railroad. Similarly, some accounts payable arise from payments for railroad transportation services that we collect on behalf of other railroad companies and should pay to these companies. Accounts receivable and payable were generally settled either quarterly or monthly between us and the other railroad companies. Most of our revenues generated from other businesses were received in cash. We also have accounts payable associated with the purchase of materials and supplies in our other businesses.

In 2005, other than operating expenses, our cash outflow mainly related to the following:

- capital expenditures of approximately RMB1,588.4 million as described below, representing an increase of 412.1% from RMB310.2 million in 2004; and

- payment of dividends of approximately RMB476.9 million.

Our capital expenditures for 2005 consisted primarily of the following projects:

1. building the fourth railway line between Guangzhou and Shenzhen and the ancillary facilities;

2. purchasing additional locomotives;

3. upgrading and expanding Guangzhou East Station;

4. building the computerized ticketing system for our "As-Frequent-As-Buses" Train Project between Guangzhou and Shenzhen;

5. second phase comprehensive upgrading of Shenzhen Station; and

6. upgrading station rooms at Shilong Station.

Funds not required for immediate use are kept in short and medium-term investments and bank deposits. We had short term deposits of approximately RMB766.1 million and cash equivalents of RMB1,112.1 million as of December 31, 2005.

As of December 31, 2005, the Company had an overdue time deposit in the amount of approximately RMB31.4 million placed with Zengcheng Licheng Urban Credit Cooperative. The Company had initiated legal proceedings and obtained a judgment in its favour regarding the unpaid time deposit. However, as the judgment debtor was undergoing restructuring, the court ordered a stay of execution of the judgment obtained by the Company. The said overdue time deposit accounts for approximately 0.3% of the net assets and 1.27% of the total current assets of the Company and has no material impact on the capital usage and operations of the Company. The Company had presented the gross outstanding balance in other receivables and full provision had been made for impairment in prior years, based on a best estimate of the collectibility made by the directors according to the current circumstances and expectations.

Except for such overdue time deposit, we have no other overdue time deposit that has not been repaid. We have not encountered any difficulty in withdrawing deposits. We have placed most of our deposits with other state-owned commercial banks in the PRC and the Railway Deposit-taking Centre.

As of December 31, 2005, we did not have any bank loans or guarantees outstanding or any trust deposits placed with any financial institutions in the PRC.

CASH FLOW

Our cash and cash equivalents in 2005 increased by approximately RMB67.5 million over 2004. The table below sets forth certain items in our consolidated cash flow statements for 2004 and 2005, and the percentage change in these items from 2004 to 2005.

<TABLE>
<CAPTION>

<S>	YEAR ENDED DECEMBER 31, 2004 <C>	2005 <C>	CHANGE FROM 2004 <C>
	(RMB THOUSANDS)		
Net cash generated from operating activities	1,236,579	1,380,147	11.6%
Net cash from/(used in) investing activities	(1,000,639)	(820,915)	(18.0%)
Net cash (used in) financing activities	(469,044)	(491,733)	4.8%
Net increase/(decrease) of cash and cash equivalents	(233,104)	67,499	129.0%

</TABLE>

Our principal source of capital was revenues generated from operating activities. In 2005, the net cash inflow from our operations was RMB1,380.1 million, representing an increase of RMB143.5 million from RMB1,236.6 million in 2004. The increase in net cash inflow from our operating activities was mainly due to the increase in revenues from our passenger and freight transportation businesses.

Our working capital was mainly used for capital expenditures, operating expenses and payment of taxes and dividends and temporary cash investments. In 2005, our expenses for the purchase of fixed assets and payments for construction-in-progress were RMB1,588.4 million. In addition, we paid RMB90.7 million for income taxes and approximately RMB476.9 million for dividends.

We believe that we have sufficient working capital and available credit facilities to meet our current operational and development requirements.

ITEM 5C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES, ETC.

We do not generally conduct our own research and development with respect to major capital projects. In the past, in connection with our high-speed train and electrification projects, our predecessor relied upon the engineering and technical services of various research and design institutes under the MOR. More recently, we conduct limited research and development activities in connection with the implementation of automated ticket sales, including the development of related computer software.

We do not anticipate a significant need for research and development services in the foreseeable future, and do not expect to require any such services in connection with our other businesses. To the extent that these services are needed, we expect to contract outside service providers to satisfy this need. In connection with major engineering and construction projects, as well as major equipment acquisitions, we intend to conduct technical research and feasibility studies with relevant engineering service organizations, so as to ensure the cost-effectiveness of our capital expenditures.

ITEM 5D. TREND INFORMATION

The Pearl River Delta has been one of China’s fastest growing economic regions. We believe that various factors, including the increasing economic cooperation within the Pearl River Delta region and its adjacent areas, the "Relaxed Individual Travel" program, the perfection of the Shenzhen Subway system and the opening of Disneyland in Hong Kong in 2005, will continue to increase passenger travel and freight transportation within our service region. We expect the PRC government's current economic, import and export, foreign investment and infrastructure policies to generate additional demand for transportation services in our service areas. These policies and measures may have both positive and negative effects on our business development. They are expected to promote economic growth and create new demand for our transportation services. At the same time, however, with the improvement of highway and waterway transportation facilities, we anticipate additional competition. In addition, the economic measures PRC government implemented to manage the growth of the PRC economy may have an impact on our business and results of operations in 2006. Due to the SARS epidemic, we experienced a significant decrease in passenger traffic in the first half of 2003. A similar outbreak of SARS or other epidemic in the future is likely to have a material adverse effect on our results of operations and financial condition.

We believe that while the PRC government is in the progress of lessening restrictions on foreign investment following China's entry into the WTO, the opening up of domestic railway transportation will be gradual and we expect competition from foreign and domestic railway to be limited in the short term. However, China's entry into the WTO may increase other Chinese coastal cities' significance in trading. As a result, part of the freight currently transferred through ports in Hong Kong and Shenzhen may be diverted to other ports in the PRC, which will adversely affect our railway freight business. In addition, as the PRC government lifts control over foreign investments, including allowing foreign participation in railway construction, our railway monopoly position in our service region may be challenged by foreign strategic investment. We believe that we are prepared for the challenges as well as the opportunities that have arisen or will arise with China's accession to the WTO.

ITEM 5E. OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

ITEM 5F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations, capital commitments and operating lease commitments as of December 31, 2005 for the periods indicated.

CONTRACTUAL OBLIGATIONS PAYMENTS DUE BY PERIOD

<TABLE>
<CAPTION>

	PAYMENT DUE BY PERIOD (RMB IN THOUSANDS)		
CONTRACTUAL OBLIGATIONS	TOTAL	2006	2007 AND THEREAFTER
<S>	<C>	<C>	<C>
Long-Term Debt Obligations	--	--	--
Capital Expenditure Obligation	3,331,311	3,331,311	--
Capital (Finance) Lease Obligations	--	--	--
Operating Lease Obligations	75,375	75,375	
Other Long-Term Liabilities Reflected on the Company's Balance Sheet under IFRS	--	--	--
Total	3,406,686	3,406,686	

</TABLE>

Based on the current progresses of our new projects, we estimate that our capital expenditures for 2006 will amount to approximately RMB3.3 billion, which consists primarily of the following projects:

1. building the fourth railway line between Guangzhou and Shenzhen Line and the ancillary facilities;

2. purchasing additional locomotives;

3. building ancillary facilities for the computerized ticketing system for our "As-Frequent-As-Buses" Train Project between Guangzhou and Shenzhen;

4. building western station rooms at Shenzhen Station and the ancillary transportation facilities;

5. upgrading and expanding Guangzhou East Station; and

6. building a Technical Support and Maintenance Depot for Passenger Vehicles at Shenzhen North Station.

In addition, as mentioned in "ITEM 5. Operating and Financial Review and Prospects -- Overview -- Proposed Issue of A Shares, Very Substantial Acquisition and Continuing Related Party Transactions", we entered into the Acquisition Agreement with Yangcheng Railway Company for the acquisition of the railway transportation business between Guangzhou and Pingshi, currently operated by Yangcheng Railway Company and the assets and liabilities relating to such business. The consideration of the Acquisition will be approximately RMB10.3 billion.

We may be unable to obtain sufficient financing to fund our substantial capital requirements, which could limit our growth potential. Our actual capital requirements may be greater than the estimate set forth above. We may not be able to obtain sufficient funds on commercially acceptable terms. If adequate capital is not available, our planned capital expenditure and business prospects could be adversely affected.

ITEM 5G. ADDITIONAL INFORMATION

PRINCIPAL DIFFERENCES BETWEEN IFRS AND US GAAP

Our audited consolidated financial statements conform to IFRS, which differ in certain respects from those prepared under US GAAP. Differences between IFRS and US GAAP as it related to the Company, which have a significant effect on our consolidated net profit and consolidated net assets is set out below:

REVALUATION OF FIXED ASSETS

In connection with the restructuring undertaken for our initial public offering, we revalued our fixed assets on March 6, 1996 and we recorded a revaluation surplus of fixed assets amounting to approximately RMB1.5 billion. We carried out a further revaluation as of September 30, 2002, which did not result in a material difference from the carrying amounts and no revaluation surplus or deficit was recorded. See Note 6 to our audited consolidated financial statements included elsewhere in this annual report.

Under IFRS, revaluation of fixed assets is permitted and depreciation is based on the revalued amount. Additional depreciation arising from the revaluation surplus was approximately RMB38.5 million for the year ended December 31, 2005, the same amount as in 2004.

Under US GAAP, fixed assets are required to be stated at their original cost. Hence, no additional depreciation from revaluation will be recognized under US GAAP. However, a deferred tax asset related to the revaluation surplus amounting to approximately RMB223.8 million was created under US GAAP with a corresponding increase in equity since the revaluation resulted in a higher tax base which will be realized through additional depreciation for PRC tax purposes.

The effects on our consolidated net profit resulting from the significant differences between IFRS and US GAAP are summarized below:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,			
	2003	2004	2005	2005
<S>	RMB IN THOUSANDS <C>	RMB IN THOUSANDS <C>	RMB IN THOUSANDS <C>	US$(1) IN THOUSANDS <C>
CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS UNDER IFRS	511,762	567,484	613,368	75,724
Reversal of cumulative and current year depreciation charges arising from the revaluation surplus on fixed assets	38,548	38,548	36,397	4,493
Reversal of loss on disposed of track assets attributable to the revaluation surplus recognized	--	--	3,123	386
Adjustment to deferred tax asset relating to reversal of temporary differences	(5,782)	(5,782)	(5,928)	(732)
Adjustment to deferred acquisition and shares issuance costs	--	--	(15,601)	(1,926)
CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS UNDER US GAAP	544,528	600,250	631,359	77,945
EARNINGS PER SHARE UNDER US GAAP	RMB0.13	RMB0.14	RMB0.15	US$0.018
EARNINGS PER EQUIVALENT ADS UNDER US GAAP	RMB6.28	RMB6.92	RMB7.28	US$ 0.90

</TABLE>

The effects on our consolidated net assets resulting from the significant differences between IFRS and US GAAP are summarized below:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	2004	2005	2005
<S>	RMB IN THOUSANDS <C>	RMB IN THOUSANDS <C>	US$(1) IN THOUSANDS <C>
CONSOLIDATED NET ASSETS UNDER IFRS	10,472,186	10,732,816	1,325,039
Minority interest	(51,612)	(48,757)	(6,019)
EQUITY FOR SHAREHOLDERS UNDER IFRS	10,420,574	10,684,059	1,319,020
Impact of US GAAP adjustments:			
Reversal of the revaluation surplus on fixed assets upon group reorganization	(1,492,185)	(1,492,185)	(184,220)

</TABLE>

<PAGE> 56

<TABLE>

<S>	<C>	<C>	<C>
Reversal of cumulative and current year depreciation charges arising from the revaluation surplus on fixed assets	407,980	444,377	54,861
Reversal of loss on disposed of track assets attributable to the revaluation surplus recognized	--	3,123	386
Deferred tax assets arising from original temporary differences on accounting and tax bases of fixed assets	223,828	223,828	27,633
Adjustment to deferred tax asset relating to reversal of temporary differences	(61,197)	(67,125)	(8,287)
Adjustment to deferred acquisition and shares issuance costs	--	11,406	1,408
EQUITY FOR SHAREHOLDERS UNDER US GAAP	9,499,000	9,807,483	1,210,801

</TABLE>

In addition, reclassifications have been made for presentation of certain selected financial data in conformity with US GAAP requirements for the following items:

i. Profit from operations

<TABLE>
<CAPTION>

	2003	2004	2005	2005
	RMB IN THOUSANDS	RMB IN THOUSANDS	RMB IN THOUSANDS	US$(1) IN THOUSANDS
<S>	<C>	<C>	<C>	<C>
PROFIT FROM OPERATIONS UNDER IFRS	610,054	678,366	759,305	93,741
Add: Aggregate applicable GAAP adjustments to covert to US GAAP (as stated above)	38,548	38,548	39,520	4,879
Less: Other income, net	(47,341)	(48,193)	(48,505)	(5,988)
PROFIT FROM OPERATIONS UNDER US GAAP	601,261	668,721	750,320	92,632

</TABLE>

ii. Finance costs

<TABLE>
<CAPTION>

	2003	2004	2005	2005
	RMB IN THOUSANDS	RMB IN THOUSANDS	RMB IN THOUSANDS	US$(1) IN THOUSANDS
<S>	<C>	<C>	<C>	<C>
FINANCE COSTS UNDER IFRS	2,468	1,136	22,738	2,807
Less: interest income included in other income, net under IFRS	(29,755)	(42,384)	(53,409)	(6,594)
FINANCE INCOME, NET UNDER US GAAP	(27,287)	(41,248)	(30,671)	(3,787)

</TABLE>

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(1) Translated solely for the convenience of the reader into U.S. dollars at US$1.00 to RMB 8.1, which is rounded from 8.0702, the noon buying rate in the New York City on December 30, 2005.

There are no significant differences between IFRS and US GAAP that would affect the classification in the balance sheet and the income statement that would not also affect our net income or shareholders' equity.

RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2005, the FASB issued FAS 154, Accounting Changes and Error Corrections, a Replacement of APB Opinion No. 20 and FASB Statement No. 3. This statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. It carries forward without change the previous guidance for reporting the correction of an error and a change in accounting estimate. FAS154 is effective for accounting changes and corrections of errors made in fiscal years beginning after 15 December 2005. We does not believe adoption of FAS 154 will have a material effect on its financial position, cash flows or results of operations.

In December 2005, the FASB deliberated issues relating to the limited-scope, first phase of its project to reconsider the accounting for postretirement benefits, including pensions. The FASB decided that the objectives and scope of this phase include, among other items, recognizing the overfunded or underfunded status of defined benefit postretirement plans as an asset or a liability in the statement of financial position. The FASB expects to issue an Exposure Draft for the initial phase in the first quarter of 2006. In the second multi-year phase of the project, the FASB expects to comprehensively consider a variety of issues related to the accounting for postretirement benefits, including expense recognition, obligation measurement, and whether postretirement benefit trusts should be consolidated by the plan sponsor. We will review the proposed standards when they are available to determine the impact they may have on our consolidated financial statements.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

ITEM 6A. DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

All of our directors were duly elected at meetings of our shareholders. Except Mr. Yang Yiping and Mr. Cao Jianguo, who were elected at our extraordinary general meeting held on June 27, 2006, all of the other current directors were elected at our general shareholders' meeting held on May 12, 2005. The business address of each of our directors is No. 1052 Heping Road, Shenzhen, People's Republic of China 518010.

The table below sets forth the information relating to our directors as of June 27, 2006:

<TABLE>
<CAPTION>

NAME	AGE	POSITION	DATE FIRST ELECTED OR APPOINTED
Wu Junguang	57	Chairman of the Board of Directors	2003
Yang Yiping	56	Director and General Manager	2006
Cao Jianguo	47	Director	2006
Wu Houhui	57	Director	1999
Wen Weiming	44	Director	2003
Yang Jinzhong	54	Director	2005
Chang Loong Cheong	60	Independent Director	1996
Deborah Kong	46	Independent Director	1996
Wilton Chau Chi Wai	44	Independent Director	2004

</TABLE>

Wu Junguang, age 57, joined the Company in June 2003 and is the Chairman of the Board. Mr. Wu graduated from South China Normal University. Since 1964, he has served in various managerial positions in various railway departments. He had served as stationmaster of the Guangzhou Station, general manager of Yangcheng Railway Company and in other positions. He is currently chairman of the board of directors and general manager of the Parent Company.

Yang Yiping, age 56, joined the Company in April 2006. Mr. Yang graduated with a research degree in economics and management. He joined the railway department of the PRC in December 1970. He has more than 30 years of experience in the operation and management of railway transportation companies. Mr. Yang has served in various senior managerial positions in Guangzhou Railway (Group) Company, the controlling shareholder of the Company, and its subsidiaries.

Cao Jianguo, age 47, joined the Company in June 2006 and is a director of the Company. Mr. Cao is a college graduate majoring in railway transportation. Mr. Cao has been working for many years in the operation and organization of railway transportation. He once held various managerial positions such as the deputy general manager of Changsha Railway Company and chief of the transportation department of the Parent Company. Mr. Cao is currently the deputy general manager of the Company.

Wu Houhui, age 57, joined the Company in March 1999 and is a Director of the Company. He graduated from Dalian Railway College and is a senior economist. Mr. Wu served in various managerial positions in the Parent Company from 1984 to 2003. He is currently chief economist of the Parent Company.

Wen Weiming, age 44, joined the Company in June 2003 and is a Director of the Company. Mr. Wen graduated from the Workers University of Guangzhou Railway Bureau and the Party School of the CPC and is a senior accountant. He has many years of experience in the financial field. He had served as the director of the finance sub-section of Yangcheng Railway Company and the director of the finance department of the Parent Company. Mr. Wen is currently deputy chief accountant of the Parent Company.

Yang Jinzhong, age 54, joined the Company in August 2000 and is a Director and the Chairman of the Trade Union of the Company. Mr. Yang graduated from the Harbin Institute of Electrical Technology and is an engineer. He has more than 30 years of experience in the railway industry. He had served in various managerial positions in Wuhan Railway Sub-administration. From August 2000 to April 2005, Mr. Yang served as the stationmaster of the Shenzhen North Railway Station, the manager of the transportation department of the Company and the stationmaster of the Shenzhen Railway Station.

Chang Loong Cheong, age 60, joined the Company in March 1996 and is an independent non-executive Director of the Company. Mr. Chang holds a management certificate from the Hong Kong Management Association. He is also a director of Shanghai Xinhua Iron & Steel Company Limited and Orient International (Shanghai) Limited. Mr. Chang was a manager of Cathay Hotel in Lagos, Nigeria, a member of the senior management of Island Navigation Corporation International Limited in West Africa and Orient Overseas Container Line Limited, and was general manager and a director of Noble Ascent Company Limited.

Deborah Kong, age 46, joined the Company in March 1996 and is an independent non-executive Director of the Company. Ms. Kong is currently an executive director of Centennial

Resources Company Limited. Ms. Kong obtained a Bachelor of Arts degree from Sydney University and a Master Diploma in Finance from Macquarie University in Australia. She is a member of the People's Political Consultative Standing Committee of Shandong Province in the PRC.

Wilton Chau Chi Wai, age 44, joined the Company in June 2004 and is an independent non-executive Director of the Company. Mr. Chau obtained a bachelor's degree in applied mathematics from the University of Hong Kong, a Bachelor of Laws degree from the University of Wolverhampton and a Master of Business Administration degree from the University of Wales. Mr. Chau is a fellow member of the Association of Chartered Certified Accountants, a member of Singapore Institute of Arbitrators and a council member of Hong Kong Biotechnology Association. Since 1987, Mr. Chau has served in senior positions in various financial institutes overseeing investment and development in railway, road and airport infrastructure projects. Mr. Chau is currently chairman of Qleap Venture Limited.

SUPERVISORS

The table below sets forth the information relating to our supervisors as of June 27, 2006:

<TABLE>
<CAPTION>

NAME	AGE	POSITION	DATE FIRST ELECTED OR APPOINTED
<S>	<C>	<C>	<C>
Yao Muming	52	Supervisor	1999
Chen Ruixing	44	Supervisor	2006
Li Jin	48	Supervisor	2006
Li Zhiming	45	Supervisor	2005
Chen Yunzhong	53	Supervisor	2001
Wang Jianping	42	Supervisor	2005
Lu Ximei	50	Supervisor	2005

</TABLE>

Yao Muming, age 52, joined the Company in April 1997 and is the Chairman of the Supervisory Committee of the Company. Mr. Yao graduated from South China Normal University and was deputy director of the Guangzhou and Zhuhai Animal and Plant Quarantine Bureau. From 1997 to 2003, he was a member of the senior management of the Company. Since July 2003, Mr. Yao has been a member of the senior management of the Parent Company.

Chen Ruixing, age 44, joined the Company in June 2006 and is a supervisor of the Company. Mr. Chen is a college graduate. Mr. Chen has extensive experience in the development and management of human resources for railway transportation. He once served as the vice section chief of Guangzhou passenger transportation section, and the chief of the cadre management department, the chief of the employment and salary branch department, the chief of the cadre management branch department of Yangcheng Railway Company. Mr. Chen is currently the chief of the human resources department of the Parent Company.

Li Jin, age 48, joined the Company in June 2006 and is a Supervisor of the Company. Ms. Li is an accountant. Ms. Li started her career in the railway business in September 1975 and has extensive experience in the financial accounting management and planning and investment management of railway transportation enterprises. She once held various managerial positions such as the general economist of Guangzhou passenger transportation section, and the chief of the financial branch department and the chief of the planning and statistics branch department of Yangcheng Railway Company. Ms. Li was appointed as the chief of the planning department of the Parent Company in January 2005.

Li Zhiming, age 44, joined the Company in May 2005 and is a Supervisor of the Company. Mr. Li graduated from the Party School of CPC, majoring in economics and management and is an accountant. Since 1981, Mr. Li had served in various managerial positions in Hengyang Railway Sub-administration and Changsha Railway Company. Since 2005, Mr. Li has been the chief of the audit department of the Parent Company.

Chen Yunzhong, age 53, joined the Company in May 2000 and is a Supervisor of the Company. Mr. Chen graduated from Guangzhou Railway Driver's School, Guangdong Jinan University and the Party School of the CPC. He was a member of the senior management of Hainan Railway Company. Mr. Chen is currently a member of the senior management of the Company.

Wang Jianping, age 42, joined the Company in July 2003 and is a Supervisor of the Company. Mr. Wang graduated from the Party School of CPC, majoring in Economics and Management. In 1983, Mr. Wang joined the railway departments and had served in various managerial positions in Guangzhou Railway Administration and the Parent Company since then. Before joining the Company, Mr. Wang was in the senior management of Guangzhou Railway Foreign Trade and Economic Development Company. Currently Mr. Wang is a member of the senior management of the Company.

Lu Ximei, age 50, joined the Company in May 1985 and is a Supervisor of the Company. Ms. Lu graduated from Changsha Railway Institute, majoring in railway transportation management. In 1972, Ms. Lu joined the railway departments and had served in various managerial positions in the Guangzhou Railway Sub-administration and Yangcheng Railway Company (April 1996 to January 1999). From May 1986 to April 1996, Ms. Lu participated in the passenger transportation operations of the Company. Since re-joining the Company in January 1999, she has been a director of the Canton-Kowloon passenger transportation department of the Company.

SENIOR MANAGEMENT

The table below sets forth information relating to our senior management as of June 27, 2006:

<TABLE>
<CAPTION>

NAME	AGE	POSITION	DATE FIRST ELECTED OR APPOINTED
Yang Yiping	56	General Manager	2006
Wu Weimin	48	Deputy General Manager	2004
Han Dong	44	Deputy General Manager	2004
Luo Jiancheng	33	General Manager Assistant	2006
Yao Xiaocong	52	Chief Accountant	1997
Guo Xiangdong	40	Company Secretary	2004

</TABLE>

Wu Weimin, age 48, joined the Company in January 2004 and is a Deputy General Manager of the Company. Mr. Wu graduated from the Guangdong Radio & TV University and is an engineer. Since 1984, he had served in various managerial positions in the material and equipment department, the planning and statistic department and the labour and wage department of Yangcheng Railway Company. He also served as an engineer of the material and equipment section and director of the planning and statistic sub-department of Yangcheng Railway Company. Mr. Wu was the director of the labour and wage sub-department and director of the social insurance centre of Yangcheng Railway Company before joining the Company.

Han Dong, age 44, joined the Company in May 2000 and is a Deputy General Manager of the Company. Mr. Han graduated from the Party School of the CPC, majoring in Economics and Management and is an engineer. Since 1985, Mr. Han had served in various managerial positions in the material and equipment department and the planning and statistic department, passenger and freight transportation marketing department of the railway department. Mr. Han was also a director of the passenger and freight management department and the equipment and property department of the Company.

Luo Jiancheng, age 33, joined the Company in January 2006 and is the General Manager Assistant. Mr. Luo graduated from Changsha Railway Institute, majoring in transportation management. From 1996 he had served in various managerial positions in the technical and transportation departments of Yangcheng Railway Company, the Parent Company and Sanmao Railway Company Ltd. Before joining the Company, Mr. Luo served as deputy director of the transportation department of the Parent Company.

Yao Xiaocong, age 52, is Chief Accountant of the Company. Mr. Yao graduated from the Party School of the CPC, majoring in economics and management. Since 1975, Mr. Yao has served in the financial accounting department in the railway departments and has more than 30 years of experience in financial accounting. Mr. Yao was a member of the senior management of the Company from June 1997 to January 2004. Mr. Yao was the Director of the accounting department of the Parent Company before joining the Company as the Chief Accountant in August 2004.

Guo Xiangdong, age 40, is Company Secretary and the Director of Secretariat of the Board. Mr. Guo graduated from Central China Normal University with a Bachelor of Laws degree and is an economist. He joined the Company in 1991 and had served as Deputy Section Chief, Deputy Director and Director of Secretariat of the Board. Mr. Guo has been Company Secretary of the Company since January 2004.

Mr. Wu Houhui is a director of Guangmeishan Railway Company, Sanmao Railway Company, Sanmao Railway Enterprise Development Company and Shichang Railway Company. Mr. Wen Weiming is a director of Guangmeishan Railway Company and Xinguangji Company and supervisor of Guangdong Railway Youth Travel Service Co., Ltd., Yuehai Railway Company and Guangzhou Tie Cheng Industrial Company. The lines operated by Guangmeishan Railway Company, Sanmao Railway Company and Shichang Railway Company are local railroads. Sanmao Railway Enterprise Development Company is a subsidiary of our Parent Company. Guangzhou Tiecheng Industrial Company is our joint venture partner. We are currently involved in certain litigation proceedings relating to this joint venture. See "Item 8A.7

Legal Proceedings" for additional information. We have business relationships relating to railroad transportation with Guangmeishan Railway Company and Sanmao Railway Company.

ITEM 6B. BOARD COMPENSATION

DIRECTORS AND SENIOR MANAGEMENT

Total remuneration of our directors, supervisors and senior officers during 2005 included wages and bonuses. Directors or supervisors who are also officers and employees of Guangshen Railway receive certain other benefits in kind from our Parent Company, GEDC or us, such as subsidized or free health care services, housing and transportation, as customarily provided by companies in the PRC to their employees.

The aggregate amount of cash remuneration paid by Guangshen Railway in 2005 to all individuals who are our directors, supervisors and senior officers was approximately RMB2.6 million, of which approximately RMB2.1 million was paid to directors and supervisors and approximately HK$0.4 million was paid to the three independent non-executive directors.

The aggregate amount of cash remuneration we paid during the year ended December 31, 2005 for pension and retirement benefits to all individuals who are currently our directors, supervisors and senior officers was approximately RMB0.2 million.

INTERESTS OF OUR DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT IN OUR SHARE CAPITAL

As of December 31, 2005, there was no record of interests or short positions (including the interests or short positions which were taken or deemed to have under the provisions of the Hong Kong Securities and Futures Ordinance) held by our directors or supervisors in our shares, debentures or other securities, or securities of any of our associated corporation (within the meaning of the Hong Kong Securities and Futures Ordinance) in the register required to be kept under section 352 of the Hong Kong Securities and Futures Ordinance. We had not received notification of any interests or short positions from any of our directors or supervisors required to be made to us and the Hong Kong Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the HKSE Listing Rules. We have not granted any of our directors or supervisors, or any of their respective spouses or children under the age of 18, any right to subscribe for any of our shares or debentures.

SERVICE CONTRACTS OF OUR DIRECTORS AND SUPERVISORS

Each of our directors and supervisors has entered into a service agreement with us. Save as disclosed, no other service contract has been entered into between any of our subsidiaries or us on one hand, and any of our directors or supervisors on the others, that cannot be terminated by us within one year without payment of compensation (other than statutory compensation).

CONTRACTS ENTERED INTO BY OUR DIRECTORS AND SUPERVISORS

None of our directors or supervisors had any direct or indirect material interests in any contract of significance subsisting during the year ended on December 31, 2005 or at December 31, 2005 to which we or any of our subsidiaries was a party.

REMUNERATION OF OUR DIRECTORS AND SUPERVISORS

The level of remuneration of our directors and supervisors was determined by reference to various factors, including the going rates of remuneration in Shenzhen, where we are located, and the job nature of each of our directors and supervisors. The remuneration and annual incentive of the Directors and the Supervisors will be considered and recommended by the Remuneration Committee and will be approved and authorized by the shareholders at general shareholders' meetings of the Company. No Director or Supervisor is involved in determining his own remuneration.

ITEM 6C. BOARD PRACTICES

BOARD OF DIRECTORS

In accordance with our currently valid Articles of Association, our board of directors comprises nine directors, one of whom is the chairman. Directors are appointed at our general shareholders' meeting through voting, and serve for terms of three years. Upon the expiration of the term of their office, they can serve consecutive terms if re-appointed at the general shareholders' meeting. The service contracts that we have entered into with our directors do not provide for any payment of compensation upon termination.

SUPERVISORY COMMITTEE

We have a supervisory committee consisting of five to seven supervisors. Supervisors serve a term of three years. Upon the expiration of their terms of office, they may be re-appointed to serve consecutive terms. The supervisory committee is presided over by a chairman who may be elected or removed with the consent of a majority or more of the members of the supervisory committee. The term of office of the chairman is three years, renewable upon re-election. Except for Mr. Chen Ruixing and Ms. Li Jin, who were elected at the extraordinary general meeting of shareholders on June 27, 2006, all of the other members of our supervisory committee were appointed at the general shareholders' meeting held on May 12, 2005 and consists of five representatives of the shareholders who may be elected or removed by our shareholders and two representatives of our employees who may be elected or removed by our employees. Members of our supervisory committee may also observe meetings of the board of directors. The current members of our supervisory committee are: Yao Muming, Chen Ruixing, Li Jin, Li Zhiming, Chen Yunzhong, Wang Jianping and Lu Ximei. The term of this supervisory committee will expire in 2008. Our supervisory committee held 3 meetings during the year ended December 31, 2005, at which resolutions concerning identified key issues were passed and notified to our board of directors. Our supervisors attended all meetings of our board of directors and other important meetings concerning our operation during the year ended December 31, 2005. Our supervisory committee had carefully reviewed the report of our directors, the financial report and proposed profit distribution presented by our board of directors at the annual general meeting of shareholders held on May 11, 2006.

Supervisors attend board meetings as non-voting members. The supervisory committee is accountable to the shareholders' general meeting and has the follow duties and responsibilities:

- to examine the Company's financial situation;

- to supervise the performance of duties of the directors, general manager, deputy general managers and other senior management; to propose the dismissal of directors, general manager, deputy general managers and other senior management who have violated any law, administrative regulations, the Articles of Association or resolutions of the shareholders' general meetings;

- to demand a director, general manager, deputy general manager or any other senior management to rectify such breach when the acts of such persons are harmful to the Company's interest;

- to propose the convening of shareholders' general meetings, and to convene and chair the shareholders' general meetings if the board of directors fails to perform this duty as stipulated in the Articles of Association;

- to propose motions to shareholders' general meetings;

- to initiate legal proceedings against any director, general manager, deputy general manager and other senior management in accordance with Article 152 of the Company Law.

Supervisors may attend meetings of the board of directors and question or give advice on the resolutions of the board of directors.

The supervisory committee may conduct investigation if they find the operation of the Company unusual; and may engage professionals such as lawyers, certified public accountants or practicing auditors to assist if necessary. All reasonable fees so incurred shall be borne by the Company.

AUDIT COMMITTEE

We have an audit committee consisting of three independent non-executive directors. The current members of our audit committee, appointed by the board of directors, are: Mr. Chang Loong Cheong, Ms. Deborah Kong and Mr. Wilton Chau Chi Wai. Mr. Chang, Ms. Kong and Mr. Chau are "independent directors" of our Company as defined in Section 303A.02 of the New York Stock Exchange's Listed Company Manual. The audit committee must convene at least four meetings each year, and may invite the executive directors, persons in charge of the financial and audit departments and our independent auditors. The audit committee must convene at least one meeting with the auditors each year without any executive directors present. The duties of our audit committee include:

- reviewing the reports prepared by the board of directors, the annual and interim reports on our results of operations, the annual financial report and public announcements of our results of operations;

- reviewing our financial reports and the reports prepared by our independent auditor and its supporting documents, including the review of our internal controls and disclosure controls and procedures, and to discuss with the auditor our annual audit plan and solutions to problems in the previous year;

- reviewing and approving the selection of and remuneration paid to our independent auditor; and

- reviewing audit matters specifically identified by the board of directors, and determining whether such projects are in compliance with industrial practices and market rules, and performing statutory duties and safeguarding our interests and the interests of our shareholders.

REMUNERATION COMMITTEE

We have a Remuneration Committee consisting of two executive Directors and three independent non-executive Directors, namely, Mr. Wu Junguang (Chairman), Mr. Yang Yiping, Mr. Wilton Chau Chi Wai, Mr. Chang Loong Cheong and Ms. Deborah Kong. The Remuneration Committee will meet at times as and when required to consider remuneration-related matters of the Company.

The principal duties of the Remuneration Committee include reviewing and making recommendations to the Board for the remuneration packages for the Directors and the Supervisors of the Company. The remuneration policy of the Company seeks to provide, in the context of the Company's business strategy, reasonable remuneration to attract and retain high calibre executives. The Remuneration Committee obtains benchmark information from internal and external sources in relation to market pay conditions, packages offered in the industry and the overall performance of the Company when determining the Directors' and the Supervisors' emoluments.

ITEM 6D. EMPLOYEES

As of December 31, 2003, 2004 and 2005, we had approximately 9,029, 8,964 and 8,882 employees, respectively. The following chart sets forth the number of our employees by function as of December 31, 2005:

<TABLE>
<CAPTION>

FUNCTION	EMPLOYEES
Passenger transportation personnel (1)	1,454
Coordination personnel (2)	958
Freight transportation personnel (3)	419
Mechanical personnel (4)	454
Power and water supply personnel (5)	490
Vehicle personnel (6)	747
Maintenance personnel (7)	978
Power service personnel (8)	338
Transportation supporting personnel (9)	447
Diversified businesses and other supporting personnel (10)	973
Technical and administrative personnel (11)	1,382
Other personnel (12)	242
Total	8,882

</TABLE>

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(1) Passenger transportation personnel means those people that provide station boarding and train services.

(2) Coordination personnel means those people responsible for train coordination.

(3) Freight transportation personnel means those people responsible for organization of freight transportation.

(4) Mechanical personnel means those people responsible for train operation and overhaul.

(5) Power and water supply personnel means those people responsible for contact network operation and overhaul as well as power and water consumption maintenance.

(6) Vehicle personnel means those people responsible for vehicle operation and overhaul.

(7) Maintenance personnel means those people responsible for station track and railroad switch maintenance.

(8) Power service personnel means those people responsible for signal equipment maintenance.

(9) Transportation supporting personnel means the supporting personnel of trains, machinery, works, power and vehicle organizations.

(10) Diversified businesses and other supporting personnel means all personnel involved in diversified businesses.

(11) Technical and administrative personnel means all managerial personnel other than the personnel of diversified businesses.

(12) Other personnel means all personnel who have been sick, studying or early-retired as a result of human resources restructuring.

All of our employees are located in Guangzhou, Shenzhen and the area adjacent to our Guangzhou-Shenzhen line. The number of our employees decreased by 82 in 2005, which we consider is a normal change occurred in the ordinary course of our business.

We have established a trade union to protect employees' rights, assist in the fulfillment of their economic objectives, encourage employee participation in management decisions and assist in mediating disputes between the management and union members. Each of our train stations has a separate branch of the trade union. Most of our employees belong to the trade union. We have not experienced to any strikes or other labor disturbances that have interfered with our operations in the past, and we believe that our relations with our employees are good.

We have implemented a salary policy which links our employees' salaries with results of operations, labor efficiency and individual performance. Employees' salaries distribution is subject to macro-control and is based on their performance records and reviews. We paid approximately RMB518.6 million in salaries and benefits for our railroad businesses in 2005.

Pursuant to applicable government policies and regulations, we set aside statutory fund for our employees and also maintain various insurance policies for the benefits of our employees as set forth in the following table:

<TABLE>
<CAPTION>

EMPLOYEE BENEFITS	AS A PERCENTAGE OF THE AGGREGATE SALARIES OF OUR EMPLOYEES IN 2005	
	EMPLOYEES RESIDING IN GUANGZHOU AREA OR ALONG THE GUANGZHOU-SHENZHEN LINE	EMPLOYEES RESIDING IN SHENZHEN
<S>	<C>	<C>
Housing Fund........................	7%	13%
Retirement Insurance................	18%	18%
Supplemental Retirement Insurance...	5%	5%
Basic Medical Insurance.............	8%	6%
Supplemental Medical Insurance......	1%	0.5%
Child-bearing Medical Insurance.....	0.4%	0.5%
Other Welfare Contributions.........	6%	8%

</TABLE>

Details of our statutory welfare fund and retirement benefits are set out in Notes 20 and 24 to the financial statement.

ITEM 6E. SHARE OWNERSHIP

As of June 16, 2006, none of our directors, supervisors or senior management own any interest in any shares or options to purchase our shares.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

ITEM 7A. MAJOR SHAREHOLDERS

We are a joint stock company organized under the laws of the PRC in March 1996. The Parent Company, a state-owned enterprise under the administration of the MOR owns 66.99% of our outstanding common shares. The Parent Company is the sole shareholder of all of our domestic shares in the form of state legal person shares and is entitled to exercise all rights as our controlling shareholder according to the relevant laws, rules and regulations. The Parent Company has substantial influence over our operations, not only in its capacity as controlling shareholder, but also because of its role as an administrative agent of the MOR that controls and coordinates railway operations in Guangdong Province, Hunan Province and Hainan Province. As an instrumentality of the MOR, our Parent Company performs direct regulatory oversight functions with respect to us, including determining and enforcing technical standards and implementing special transportation directives.

The following table sets forth information regarding ownership of our issued and outstanding capital stock as of December 31, 2005. Note that it includes all persons who are known by us to own, either as beneficial owners or holders of record, five percent or more of our capital stock.

<TABLE>
<CAPTION>

TITLE OF CLASS	IDENTITY OF PERSON OR GROUP	AMOUNT OWNED (THOUSAND SHARES)	PERCENT OF CAPITAL
<S>	<C>	<C>	<C>
Common Shares (Domestic Shares)	The Parent Company	2,904,250	66.99%

</TABLE>

The following table sets forth all persons who are known by us to own, as holders of record, five percent or more of our issued and outstanding H shares as of December 31, 2005.

<TABLE>
<CAPTION>

TITLE OF CLASS	IDENTITY OF PERSON OR GROUP	AMOUNT OWNED (THOUSAND SHARES)	PERCENT OF TOTAL CAPITAL	PERCENTAGE OF CLASS OF SHARES
<S>	<C>	<C>	<C>	<C>
Common Shares (H Shares)	Sumitomo Life Insurance Company (1)	113,964	2.63%	7.96%
Common Shares (H Shares)	Sumitomo Mitsui Asset Management Company, Limited	128,406	2.96%	8.97%
Common Shares (H Shares)	Mondrian Investment Partners Ltd	117,856	2.72%	8.23%

</TABLE>

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(1) As at December 31, 2005, Sumitomo Life Insurance Company was deemed to be interested in 113,964 H Shares (representing 7.96% of the total H Shares of the Company or 2.63% of the total share capital of the Company) held by Sumitomo Mitsui Asset Management Company, Limited, a controlled corporation of Sumitomo Life Insurance Company.

As of the date of this report, we are not aware of any arrangement that may at a subsequent date result in a change of control of Guangshen Railway.

As an owner of at least 30% of our issued and outstanding shares, our Parent Company is deemed a controlling shareholder (defined in Item 10 below), and therefore may not exercise our voting rights with respect to various matters in a manner prejudicial to the interests of our other shareholders. See "Item 10B. Memorandum and Articles of Association--Restrictions on Controlling Shareholders". In accordance with our Articles of Association, each share of our capital stock has one vote and the shares of the same class have the same rights. Other than the restrictions noted in the first sentence of this paragraph, the voting rights of our major holders of domestic shares are identical to those of any other holders of our domestic shares, and the voting rights of our major holders of H shares are identical to those of our other holders of H shares. Holders of domestic shares and H shares are deemed to be shareholders of different classes for some matters, which may affect their respective interests. Holders of H shares and domestic shares are entitled to the same voting rights.

ITEM 7B. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The Company is controlled by the Parent Company, which is a subsidiary of MOR and is ultimately controlled by the PRC government. The PRC government also controls a significant portion of the productive assets and entities in the PRC. In accordance with the requirements of IAS 24, Related Party Disclosures, all other state controlled enterprises and their subsidiaries, other than the Parent Company, MOR and fellow subsidiaries and associates, are also defined as related parties of the Company ("Other State-owned Companies").

For the purpose of related party transactions disclosure, the Company has identified, to the extent practicable, those corporate customers and suppliers which are state-owned enterprises based on their immediate ownership structure. It should be noted, however, that substantially all of the Company's business activities are conducted in the PRC and the influence of the PRC government in the Chinese economy is pervasive. In this regard, the PRC government indirectly holds interests in many companies. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests. Such interests, however, would not be known to the Company and are not reflected in the disclosures below. In addition, a portion of the Company's services provided are of a retail nature to end users, which include transactions with the employees of state-owned enterprises on corporate business, their key management personnel and close family members. These transactions are carried out on normal commercial terms that are consistently applied to all customers. Due to the vast volume and the pervasiveness of these transactions, the Company is unable to determine the aggregate amount of these transactions for disclosure. Therefore, the revenue from provision of services disclosed below does not include retail transactions with these related parties. However, the Company believes that meaningful information relating to related party disclosures has been adequately disclosed.

The Company had the following material related parties:

<TABLE>
<CAPTION>

Name of related parties	Relationship with the Company
HOLDING COMPANY AND FELLOW SUBSIDIARIES	
Guangzhou Railway (Group) Company	Parent Company
Ministry of Railways ("MOR") of the PRC	The ultimate Parent Company
Guangzhou Railway Group Yang Cheng Railway Enterprise Development Company ("Yangcheng")	Subsidiary of the Parent Company
Guangmeishan Railway Company Limited ("Guangmeishan")	Subsidiary of the Parent Company
Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company (the Predecessor as defined in Note 1, "GEDC")	Subsidiary of the Parent Company
Guangzhou Railway Material Supply Company	Subsidiary of the Parent Company
Guangzhou Railway Engineer Construction Enterprise Development Company ("Engineer Construction Enterprise")	Subsidiary of the Parent Company
Guangzhou Guangtie Huake Technology Service Company ("Guangtie Huake")	Subsidiary of the Parent Company
MOR's Railroad Deposit-taking Centre	Subsidiary of the Parent Company
ASSOCIATES OF THE COMPANY	
Guangzhou Tiecheng Enterprise Company Limited	Associate of the Company
Zengcheng Lihua Stock Company Limited	Associate of the Company
Guangzhou Tielian Economy Development Company Limited	Associate of the Company
Guangzhou Huangpu Yuehua Freight Transportation Company Limited	Associate of the Company
OTHER STATE-OWNED COMPANIES	
Shenyang Train Class Company	
Puzhen Train Company	
Changchun Tracks and Equipment Company	
Sifang Passenger Trains Repair Stock Company	
Qixuyan Locomotive and Carriages Company	
Dalian Locomotives and Carriages Company	
Chengdu Materials Company	
Liuzhou Wood Company	
Hengyang Mechanism Company	
Construction Technique Company of China	
Nanfang Railway Repair Center	
The Fourth Railway Reconnaissance Design House	
Railway construction bureaus (including Third bureau, Seventh bureau, Eleventh bureau, Thirteenth bureau and others)	
The Fourth Construction Bureau of China	

</TABLE>

As part of the restructuring carried out in 1996 in preparation for our initial public offering, we assumed from Guangshen Railway Company, our predecessor, Guangzhou Railway (Group) Company, our Parent Company, assets and liabilities that relate to the businesses now conducted by us, including the high-speed passenger train project and equity interests in subsidiaries and joint ventures engaged in the operation of warehouses or freight yards. We also assumed from Yangcheng Railway certain assets, including 14 shunting locomotives and passenger coaches that Yangcheng Railway had previously leased to us. Our predecessor company retained the assets, liabilities and businesses not assumed by us, including units providing staff quarters and social services such as health care, educational and public security services and other ancillary services, as well as subsidiaries or joint ventures whose businesses do not relate to railroad operations and do not compete with our businesses. As part of our restructuring, our predecessor was renamed Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company, or GEDC.

The Parent Company and GEDC on the one hand and us on the other have agreed to certain mutual indemnities arising from or in respect of the various assets and liabilities transferred to or retained by the parties. The purpose of the indemnities is to ensure that none of Guangshen Railway, our Parent Company or GEDC will bear liabilities that it has not agreed to assume, even in cases where third parties have not consented to the division of liabilities among them and continue to make claims against an entity that has not assumed the relevant liability. The Parent Company and GEDC have agreed to indemnify Guangshen Railway against any claims arising from facts or events prior to the restructuring as well as any claims against Guangshen Railway in respect of assets and liabilities retained by them in the restructuring.

As a result of the restructuring, GEDC, Yangcheng Railway and our Parent Company (together with some of its subsidiaries) continue to provide social services to Guangshen Railway on a contractual basis. These services include medical care for our employees and their family members, kindergarten, elementary and secondary school education for the children of employees, room and board for our employees traveling on business, employee housing management and maintenance and public security in our stations and on-board our trains. GEDC provides most of these services through its facilities in Shenzhen. The Parent Company and Yangcheng Railway provide to Guangshen Railway in Guangzhou other services, including health care, employee training and childcare. For the services rendered, Guangshen Railway pays our Parent Company, Yangcheng Railway or GEDC, as the case may be, reasonable, arm’s-length fees.

In the second half of 2004, all of the hospitals and schools originally vested in GEDC were transferred to the local government pursuant to applicable PRC policies. As a result, GEDC no longer provides any education and hospital services to us under the contractual arrangements made upon our restructuring.

Some transactions between Guangshen Railway and our Parent Company and its subsidiaries have continued after the restructuring, in the form of a cross-provision of goods and services. The principal goods and services provided by our Parent Company and some of its subsidiaries (including Yangcheng Railway and GEDC) to Guangshen Railway include the following:

- locomotives, railcars and operating personnel;
- leasing of passenger coaches;
- maintenance services for locomotives and passenger coaches;
- railroad transportation related services;
- fuel for the operation of locomotives;
- railway related materials;
- overhaul and emergency repair of our track and bridges;
- medical and health care services, which were terminated in August, 2004;
- public security;
- educational services, which were terminated in August, 2004; and
- employee housing.

The principal goods and services provided by us to our Parent Company and its subsidiaries include railroad transportation related services, sale of duty free goods on-board of our Hong Kong through trains and at Guangzhou station and advertising space at our Shenzhen station.

Under an agreement with Yangcheng Railway, Yangcheng Railway and Guangshen Railway provide each other and their passengers with services at Guangzhou Station, including, among other things, passenger boarding, ticket collection and on-board water supply.

The prices at which these goods and services are provided are different in each case. In general:

- prices for railroad transportation-related services are determined in accordance with the actual costs incurred in providing these services plus a profit margin of 8% of aggregate chargeable costs (fuel expenses, asset depreciation and water utility fees are not counted as chargeable costs for purposes of this calculation), which amount, Guangshen Railway believes, is consistent with that which would be charged in an arm's-length transaction;

- the rental amounts for the high-speed passenger coaches leased to Guangshen Railway by our Parent Company equal approximately 6% of our Parent Company's purchase price for the coaches, approximating our Parent Company's depreciation expenses for the coaches; Guangshen Railway also bears all costs of maintenance and overhaul of these coaches;

- the prices for social and related services provided by Yangcheng Railway (i.e., educational) and GEDC (i.e., security, medical, educational and housing) are determined based on the actual cost of providing these services;

- the prices for social and related services provided by our Parent Company are determined on the following basis:

    - medical services : in accordance with the relevant local standards, subject to a 20% discount (except in respect of medicine and registration fees);

    - educational services : in accordance with the standards set by our Parent Company;

    - child care services : in accordance with the actual cost incurred for providing such services;

    - newspaper supply services : at an agreed cost of approximately RMB25 per year per copy of newspaper supplied, which cost may change based on cost changes to our Parent Company;

The medical services and educational services were terminated in the second half of 2004 when the hospitals and schools were transferred by GEDC to local government.

- the prices for the supply of railroad transportation related materials are determined in accordance with the relevant regulations issued by our Parent Company (which regulations are applicable to other railroads under the jurisdiction of our Parent Company);

- the prices for the provision of overhaul and large scale maintenance services for our track and bridges are based on the relevant approved estimates plus a profit margin of 8%, and the prices for other maintenance services are to be agreed by the parties on a case-by-case basis; and

- Guangshen Railway is entitled to 45% of the profits derived from the advertising businesses at its Shenzhen station.

Beginning from 2001, we implemented the measures for the settlement of railway networks promulgated by the MOR. The implementation of such measures does not have a material impact on our revenues from and cost for our passenger and freight transportation business but has a certain positive impact on our results of operations.

The agreement with Yangcheng Railway was revised on March 6, 1996 and provides for a 10-year lease period starting from 1996. The lease with the MOR is renewable annually. Substantially all the above transactions will continue in the future, although not necessarily on the same terms.

The master agreements entered into by the Company with the Parent Company, its subsidiaries and controlled companies in relation to the continuing connected transactions when the Company was listed on the HKSE in 1996 and the waiver from strict compliance with the Listing Rules requirements in relation to those connected transactions has expired in March 2006.

In connected with the Acquisition, the Company, in November 2004, entered into, inter alia, two conditional comprehensive services agreements in relation to certain continuing connected transactions. Such agreements will only become unconditional upon completion of the Acquisition. As it is anticipated that the Acquisition will not be completed before March 2006, the Company, on January 13, 2006, entered into: (a) the Provisional Parent Comprehensive Services Agreement with the Parent Company to govern certain continuing connected transactions between the Parent Company and its associates during the period between March 2006 and completion of the Acquisition; and (b) the GEDC Comprehensive Services Agreement with GEDC. These agreements have been entered into on a continuing and regular basis, in the ordinary and usual course of business of the Company and its subsidiaries, and on arm's length basis between the relevant parties.

The GEDC Comprehensive Services Agreement and the Provisional Parent Comprehensive Services Agreement replace and supersede all the existing agreements or arrangements which have been entered into between the Company and the Parent Company, its subsidiaries and controlled entities, including Yangcheng Railway, to the extent that they covered the same services including the master agreements entered into by the Company when the Company was listed on the HKSE in 1996.

Each of the Provisional Parent Comprehensive Services Agreement and the GEDC Comprehensive Services Agreement became effective from March 3, 2006 after being approved by our shareholders' general meeting. The Provisional Parent Comprehensive Services Agreement will cease to have any effect upon completion of the Acquisition, at which time the Parent Comprehensive Services Agreement and the Yang Cheng Comprehensive Services Agreement entered into in November 2004 will become effective.

In addition, on December 15, 2005, we entered into the Management Agreements with GR Project Centre to monitor and supervise the proposed construction of the fourth railway lines between Guangzhou and Xintang and between Xintang and Pinghu, respectively. GR Project Centre is the railway project construction management unit of the Parent Company which is responsible for the co-ordination and management of railway construction projects. It has obtained the relevant qualification on railway construction management required by the MOR. Pursuant to the Management Agreements, GR Project Centre will, among others, be engaged in the organization and implementation of tenders for construction projects and tenders for project supervision and equipment, projects management, organization of or participation in the examination of completed projects, preparation of the final accounts, and carrying out procedures for the handover of assets in accordance with financial management requirements.

The chart below sets forth the material transactions the Company undertook with related parties in 2003, 2004 and 2005:

RECURRING TRANSACTIONS:

<TABLE>
<CAPTION>

<S>	2003 RMB'000 <C>	2004 RMB'000 <C>	2005 RMB'000 <C>
TRANSACTIONS WITH MOR AND ITS RELATED ENTITIES			
I. INCOME			
Provision of train transportation and related services to other railway companies controlled by MOR (1)	(152,751)	(183,399)	(304,842)
Revenue received, processed and allocated by MOR ((1) and (6))			
- long distance passenger transportation	(395,070)	(486,825)	(575,849)
- cargo forwarding railway usage fees	(96,018)	(128,962)	(123,763)
Interest income received/receivable from MOR Deposit-taking Centre	(3,516)	(6,111)	(5,530)
II. CHARGES AND PAYMENTS			
Services charges allocated from MOR for train transportation and related services offered by other railway companies controlled by MOR ((1) and (6))	201,870	209,503	290,825
Operating lease rentals paid/payable to MOR (1)	58,904	65,485	50,804
Lease of locomotives and related services provided from Yangcheng (1)	40,882	48,179	8,449
Social services (employee housing, health care, educational and public security services and other ancillary services) provided by the GEDC under a service agreement (2)	68,079	94,246	78,227
Purchase of materials and supplies from Guangzhou Railway Material Supply Company (3)	50,687	65,998	73,146
Interest expenses paid/payable to the Parent Company, net (4)	2,037	553	721

</TABLE>

BOWNE INTEGRATED TYPESETTING SYSTEM Site: BOWNE OF HONG KONG Phone: 852-2526-0688 Operator: BOM99999T Date: 29-JUN-2006 07:36:55.74
Name: GUANGSHEN RAILWAY CO Validation: Y Lines: 68
[E/O] CRC: 14592
BOM H00583 074.00.00.00 0/2
H00583.SUB, DocName: 20-F, Doc: 1, Page: 74
Description: FORM 20-F

NON-RECURRING TRANSACTIONS:

<TABLE>

<S>	<C>	<C>	<C>
I. TRANSACTIONS WITH MOR AND ITS RELATED ENTITIES			
Disposal of an available-for-sale investment		--	(121,854)
Provision of repair and maintenance services by subsidiaries held by the Parent company (1)	--	58,908	73,134
Provision of construction management services by the Parent Company in connection with the construction of fixed assets of the Company (5)	--	5,300	6,194
Provision of supplies and materials by subsidiaries of Parent Company (3)	--	--	5,249
	--		
II. TRANSACTIONS WITH OTHER STATE-OWNED COMPANIES			
Provision of construction project and related service (3)	194,148	106,638	1,148,781
Provision of repair and maintenance services (3)	7,741	55,125	75,867
Provision of supplies and materials (3)	6,465	5,604	5,977
Purchase of fixed assets (3)	--	--	55,803
	=======	=======	=========

</TABLE>

(1) The service charges are determined based on a pricing scheme set by MOR or made reference to current market prices with guidance provided by MOR.

(2) The service charges are levied based on contracted prices determined based on cost plus a profit margin.

(3) The prices are based on mutual negotiation between the contract parties with reference to guidance provided by MOR.

(4) Interest was calculated and levied based on the average balances due from/to Parent Company on a quarterly basis at the prevailing lending interest rates of bank loans borrowed from banks in the PRC.

(5) Pursuant to the provisions of a construction management agreement and several supplementary agreements (collectively, the "Management Agreements") entered into with the Parent Company in 2004 and 2005, the Parent Company has undertaken to provide project management services to the Company for monitoring the construction services provided/to be provided by certain contractors and sub-contractors, which are mostly other State-owned Companies, employed for the construction of certain railway and railway stations of the Company, including the Fourth Rail-Line. The management service fees are determined based on the pricing scheme set by MOR.

(6) Due to the fact that the railway business is centrally managed by the MOR within the PRC, the Company works in cooperation with MOR and other railway companies owned and controlled by MOR in order to operate certain long distance passenger train transportation and cargo forwarding services within the PRC. The related revenues are collected by other railway companies and centrally collected and processed by MOR. Certain portion of the revenues so collected are allocated to the Company for the use of its rail-lines or for services rendered by the Company in connection with the provision of these services. On the other hand, the Company is also allocated by MOR certain charges for the use of the rail lines and services provided by other railway companies. Such allocations are determined by MOR based on its standard charges applied on a nationwide basis.

As of December 31, 2005, we had the following material balances with our related parties:

<TABLE>
<CAPTION>

<S>	2004 RMB'000 <C>	2005 RMB'000 <C>
Cash and cash equivalents maintained in MOR Deposit-taking Centre	862,508	628,746
Short-term time deposits in MOR Deposit-taking Centre	168,000	168,000
Due from/(to) the Parent Company (6)	(24,617)	15,636
- Trade balance (8)	(24,617)	(43,518)
- Non-trade balance (7)	--	59,154
Due from Other State-owned Companies included in prepayments for fixed assets	--	55,803
Due from an associate		
- Non-trade balance, before provision for doubtful debts	12,821	12,423
Due from related parties - subsidiaries of Parent Company and MOR	56,064	64,670
- Trade balance (8)	36,531	25,257
- Non-trade balance (9)	19,533	39,413
Due to related parties	(194,699)	(1,174,101)
1) Due to subsidiaries of Parent Company and MOR	(83,492)	(276,520)
- Trade balance (8)	(83,492)	(276,520)
2) Due to Other State-owned Companies	(111,207)	(897,581)
- Trade balance (8)	(19,136)	(50,564)
- Non-trade balance (9)	(92,071)	(847,017)

</TABLE>

(7) As of December 31, 2005, the non-trade receivable balance maintained with the Parent Company was due to the unsettled consideration receivable from the Parent Company for the disposal of the Company's equity investment made in China Railcom mentioned in Note 11 to our audited consolidated financial statements.

(8) The trade balances due from/to the Parent Company, subsidiaries of the Parent Company and MOR and other State-owned Companies mainly represented service fees and charges payable and receivable balances arising from the provision of passenger transportation and cargo forwarding businesses jointly with these related parties within the PRC as described in (4).

(9) The non-trade balances due to related parties mainly represented payables arising from unsettled fees for construction projects undertaken for the Company, purchase of fixed assets and provision of other services according to various service agreements entered into between the Company and the parties.

As of December 31, 2005, all the balances maintained with related parties are unsecured, non-interest bearing and are repayable on demand, except for those short-term deposits balances maintained with the MOR Deposit-taking Center disclosed above. These balances resulted from transactions between our related parties and us in the ordinary course of business. Almost all of the balances with our Parent Company are all non-trading in nature. The balances with our related parties, which are trading in nature, are all due within one year.

Our related party transactions have been carried out on usual terms according to the conditions and waiver granted by The Stock Exchange of Hong Kong Limited and the contracts entered into between our related parties and us. Except for the transactions as discussed in this section, no other related party transactions were entered into in 2005. Our independent non-executive directors confirmed that, these transactions (which are "connected transactions" as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) entered into by us in 2005 were entered into in the ordinary and usual course of our business on normal commercial terms or on terms that were fair and reasonable so far as our shareholders were concerned, or in accordance with the terms of an agreement governing such transactions or, where there was no such agreement, on terms no less favorable than those offered to (or from) independent third parties.

ITEM 7C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

ITEM 8A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

ITEM 8A.1 - ITEM 8.A.6:

See pages F-1 to F-51 following ITEM 19.

ITEM 8A.7 LEGAL PROCEEDINGS

As of December 31, 2005, the Company's investment interest in an associated company, Guangzhou Tiecheng Enterprise Company Limited ("Tiecheng"), amounted to approximately RMB140 million (at cost). In 1996, Tiecheng and a Hong Kong incorporated company jointly established Guangzhou Guantian Real Estate Company Limited ("Guangzhou Guantian"), a sino-foreign cooperative joint venture, to develop certain properties near a railway station operated by the Company.

On October 27, 2000, Guangzhou Guantian together with Guangzhou Guanhua Real Estate Company Limited ("Guangzhou Guanhua") and Guangzhou Guanyi Real Estate Company Limited ("Guangzhou Guanyi") agreed to act as joint guarantors of certain debts of Guangzhou Guancheng Real Estate Company Limited ("Guangzhou Guancheng") to an independent third party. Guangzhou Guantian, Guangzhou Guanhua, Guangzhou Guanyi and Guangzhou Guancheng were related companies with a common chairman. As Guangzhou Guancheng failed to repay the debts, according to a court judgment on November 4, 2001, Guangzhou Guantian, Guangzhou Guanhua and Guangzhou Guanyi were liable to the independent third party for an amount of approximately RMB257 million together with any accrued interest. As such, if Guangzhou Guantian was held responsible for the guarantee, the Company may need to make provision for impairment on its interest in Tiecheng.

On December 15, 2003, the Higher People's Court of Guangdong Province ("the Court") accepted Guangzhou Guantian's re-trial application for discharging the aforesaid guarantee. In December 2003, the Court delivered a civil case judgment in which it was ruled that proceedings regarding this case shall be terminated. As a necessary procedure for the Court to decide whether to grant a re-trial, a hearing was held on March 18, 2004. In this respect, Guangzhou Guantian appointed an independent representing lawyer to attend the hearing. In December 2005, the Court commenced procedures for re-trial and appointed the members of the collegiate bench for the conduct of the re-trial. The date of this hearing is yet to be fixed. Up to the date of this report, the Court has not yet delivered any judgment as the necessary procedures have not been completed. However, having consulted an independent lawyer, the Directors are of the opinion that the guarantee arrangement should be invalid according to the relevant PRC rules and regulations. Accordingly, the Directors consider that as of the date of this report, the likelihood of Guangzhou Guantian, a subsidiary of Tiecheng, having to settle the above claim is remote and no impairment provision for the interest in Tiecheng was made in the accounts. To avoid the possible loss resulting from the litigation, the Company has obtained a letter of undertaking issued by Parent Company. The Parent Company undertook to resolve the issue or to take up the liabilities so that the investment interest of the Company in Tiecheng will not be affected by the litigation.

Except as disclosed, we are not a party to any material legal proceeding and no material legal proceeding is known to us to be pending against us or with respect to our properties.

ITEM 8A.8 DIVIDEND DISTRIBUTIONS

We make decisions concerning the payment of dividends on an annual basis. Any dividends are paid at the discretion of our board of directors, which makes a recommendation in this regard that must be confirmed at our annual general shareholders' meeting. Our Articles of Association permit us to distribute dividends from profits more than once a year. The amount of these interim dividends cannot exceed 50% of our distributable income as stated in our interim profit statements. In accordance with our Articles of Association, the amounts available for the purpose of paying dividends will be deemed to be the lesser of:

- net after-tax income determined in accordance with PRC accounting standards and regulations; and

- net after-tax income determined in accordance with either international accounting standards or the accounting standards of the countries in which our shares are listed.

See "Item 10E. Taxation" for a discussion of the tax consequences related to the receipt of dividends.

Our Articles of Association prohibit us from distributing dividends without first making up for cumulative losses from prior periods (determined in accordance with PRC accounting standards) and making all tax and other payments required by law. Further, prior to the payment of dividends, our profits are subject to deductions such as allocations to a statutory common reserve fund and into a public welfare fund. The common reserve fund may be used to make up losses or be converted into share capital or reinvested.

Our Articles of Association require that cash dividends in respect of H shares be declared in Renminbi and paid in Hong Kong dollars at the average of the People's Bank of China rate for each day of the calendar week preceding the date of the dividend declaration. To the extent that we are unable to pay dividends in Hong Kong dollars from our own foreign exchange resources, we will have to obtain Hong Kong dollars through the interbank system or by other permitted means. Hong Kong dollar dividend payments will be converted by the depositary and distributed to holders of ADSs in U.S. dollars.

On March 20, 2006, our Board of Directors proposed a final dividend distribution of RMB0.12 per share to our shareholders for the year ended December 31, 2005. The final dividend payment was approved by the shareholders at our 2005 annual general meeting held on May 11, 2006.

ITEM 8B. SIGNIFICANT CHANGES

Other than events already mentioned in this annual report, there have been no significant changes since December 31, 2005.

ITEM 9. THE OFFER AND LISTING

ITEM 9A. THE OFFER AND LISTING DETAILS

PRICE RANGE OF OUR H SHARES AND ADSS

As of December 31, 2005 and June 14, 2006, there were 1,431.3 million H shares issued and outstanding. As of December 31, 2005 and June 16, 2006, there were, respectively, 54,968 and 48,975 ADSs outstanding held by 186 and 184 registered holders. Since a percentage of the ADSs are held by nominees, these numbers may not be representative of the actual number of U.S. beneficial holders of ADSs or the number of ADSs beneficially held by U.S. persons. The depositary for the ADSs is JPMorgan Chase Bank.

The Stock Exchange of Hong Kong is the principal non-US trading market for our H shares. The ADSs, each representing 50 H shares, have been issued by the JPMorgan Chase Bank as depositary and are listed on the New York Stock Exchange. The following table sets forth, for the periods indicated, the reported high and low closing sales prices for our securities on each of these two stock exchanges:

<TABLE>
<CAPTION>

CALENDAR PERIOD	NEW YORK STOCK EXCHANGE HIGH	NEW YORK STOCK EXCHANGE LOW	STOCK EXCHANGE OF HONG KONG HIGH	STOCK EXCHANGE OF HONG KONG LOW
	(US$ PER ADS)		(HK$ PER H SHARE)	
<S>	<C>	<C>	<C>	<C>
2000	7.625	4.5625	1.23	0.7
2001	10.48	6.19	1.76	0.90
2002	10.24	8.05	1.58	1.27
2003	15.1	8.1	2.25	1.26
2004				
January to March	18.5	13.55	2.75	2.15
April to June	15.55	11.5	2.5	1.76
July to September	14.75	13.1	2.325	2.05
October to December	20.74	13.51	3.35	2.1
2005				
January to March	20.5	17.59	3.225	2.75
April to June	18.69	15.01	2.95	2.35
July to September	18.2	15.48	2.85	2.4
October to December	16.25	13.07	2.525	2
2006				
January	19.4	15.45	3.075	2.3
February	20.55	18.15	3.25	2.8
March	21.25	18.55	3.275	2.875
April	22.72	19.1	3.525	2.95
May	21.94	18.07	3.4	2.825
June (through June 16)	19.51	14.7	3.075	2.275

</TABLE>

During the year ended December 31, 2005, we did not purchase, sell or redeem any of our shares.

ITEM 9B. PLAN OF DISTRIBUTION

Not applicable.

ITEM 9C. MARKETS

Our H shares are listed on the Stock Exchange of Hong Kong under the stock code "0525" and American Depositary Shares representing our H shares are listed on the New York Stock Exchange under the stock code "GSH".

ITEM 9D. SELLING SHAREHOLDERS

Not applicable.

ITEM 9E. DILUTION

Not applicable.

ITEM 9F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

We were established as a joint stock limited company under the Company Law of the PRC on March 6, 1996. Our legal name is (CHINESE CHARACTERS), and its English translation is Guangshen Railway Company Limited.

ITEM 10A. SHARE CAPITAL

As of December 31, 2005, our share capital consisted of:

TYPE OF SHARE CAPITAL	NUMBER OF SHARES ('000)	PERCENTAGE OF SHARE (%)
State-owned legal person shares	2,904,250	66.99
H Shares	1,431,300	33.01
Total	4,335,550	100.00

There was no change in our share capital during 2005.

PUBLIC FLOAT

As at June 16, 2006, at least 25% of our total issued share capital was held by the public, as required under the HKSE Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision in our Articles of Association or under the laws of the PRC which provides for pre-emptive rights of our shareholders.

ITEM 10B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Described below is a summary of the significant provisions of our Articles of Association as currently in effect. As this is a summary, it does not contain all the information that may be important to you. A copy of our complete Articles of Association as amended on the annual general meeting of shareholders held on May 11, 2006, is attached hereto as Exhibit 1.1.

Our shareholders have approved a number of proposed amendments to our draft Articles of Association, which will take effect only upon the completion of our proposed A Share Issue. See "Item 5. Operating and Financial Review and Prospects--Proposed Issue of A Shares, Very Substantial Acquisition and Continuing Connected Transactions" and "--Recent Amendments to our Articles of Association" below.

GENERAL

We are a joint stock limited company established in accordance with the Company Law of China, the Rules of the State Council on the Overseas Issuance and Listings and other relevant laws and regulations of the PRC. Guangshen Railway was established by way of promotion with approval evidenced by the document "Ti Gai Sheng" [1995] No.151 of the PRC's State Commission For Economic Restructuring. We were registered with and obtained a business license from the Administration for Industry And Commerce of Shenzhen, Guangdong Province on March 6, 1996. The number of our business license is Shen Si Zhi N12183. Article 12 of our Articles of Association states that our object is to carry on the business of railway transportation.

SIGNIFICANT DIFFERENCES BETWEEN H SHARES AND DOMESTIC SHARES

Holders of H shares and domestic shares, with minor exceptions, are entitled to the same economic and voting rights. However, our Articles of Association provide that holders of H shares will receive dividends in Hong Kong dollars while holders of domestic shares will receive dividends in Renminbi. Other differences between the rights of holders of H shares and domestic shares relate primarily to ownership and transferability. H shares may only be subscribed for and owned by legal and natural persons of Taiwan, Hong Kong, Macau or any country other than the PRC, and must be subscribed for, transferred and traded in a foreign currency. Other than the limitation on ownership, H shares are freely transferable in accordance with our Articles of Association. Domestic shares may only be subscribed for and owned by legal or natural persons in the PRC, and must be subscribed for and traded in Renminbi. Transfers of domestic shares are subject to restrictions set forth under PRC rules and regulations, which are not applicable to H shares, and also to restrictions on transfers of shares owned by the PRC government, and by our directors or employees. Domestic shares and H shares are also distinguished by differences in administration and procedure, including provisions relating to notices and financial reports to be sent to shareholders, dispute resolution, registration of shares on different parts of the register of shareholders, the method of share transfer and appointment of dividend receiving agents.

RESTRICTIONS ON TRANSFERABILITY

H shares may be traded only among foreign investors, and may not be sold to PRC investors (except investors from Hong Kong, Macau and Taiwan). PRC investors (except investors from Hong Kong, Macau and Taiwan) are not entitled to be registered as holders of H shares. Under our Articles of Association, we may refuse to register a transfer of H shares unless:

- relevant transfer fees have been paid, if any;
- the instrument of transfer only involves H shares;
- the stamp duty chargeable on the instrument of transfer has been paid;
- the relevant share certificate and, upon the reasonable request of the board of directors, any evidence in relation to the right of the transferor to transfer the shares have been submitted;
- if the shares are being transferred to joint owners, the maximum number of joint owners does not exceed four; and

- we do not have any lien on the relevant shares.

DIVIDENDS

Unless otherwise resolved by a shareholders' general meeting, we may distribute dividends more than once a year, provided that the amount of interim dividends to be distributed shall not exceed 50% of the distributable profit as stated in our interim profit statement. In accordance with our Articles of Association, our net profit for the purpose of profit distribution will be deemed to be the lesser of the amount determined in accordance with:

- PRC accounting standards and regulations; and

- international accounting standards or the accounting standards of the countries in which our shares are listed.

The Articles of Association allow for distributions of cash dividends or shares. Dividends may only be distributed, however, after allowance has been made in the following sequence:

- making up losses;

- allocations to the statutory common reserve fund;

- allocations to the discretionary common reserve fund upon the approval of shareholders at a general meeting; and

- payment of dividends in respect of ordinary shares.

The board of directors shall, in accordance with the laws and administrative regulations of the State (if any) and the Company's operation and development requirements, determine the proportions of allocations to the discretionary common reserve fund and payment of ordinary share dividends subject to approval of shareholders at the general meeting. The Company may not distribute any dividend before making up for its losses and allocating funds to the statutory common reserve fund.

Our Articles of Association require us to appoint on behalf of the holders of H shares receiving agents to receive on behalf of these shareholders dividends declared and all other moneys in respect of the H shares. The receiving agent appointed shall be a company that is registered as a trust company under the Trustee Ordinance of Hong Kong. Our Articles of Association require that cash dividends in respect of H shares be declared in Renminbi and paid by us in Hong Kong dollars. If we record no profit for the year, we may not normally distribute dividends for the year.

VOTING RIGHTS AND SHAREHOLDER MEETINGS

Shareholders' general meetings can be annual general shareholders' meetings or extraordinary general meetings. Shareholders' meetings shall be convened by the board of directors. The board of directors shall convene an annual shareholders' meeting within six months from the end of the preceding accounting year. The shareholders provide us with principal authority at general meetings. We exercise our functions and powers in compliance with our Articles of Association.

We shall not enter into any contract with any person other than a director, supervisor, general manager, deputy general manager, or other senior officers of the Company whereby the management and administration of the whole of the Company or any material business of Guangshen Railway is to be handed over to such person without the prior approval of the shareholders in a general meeting.

The board of directors shall convene an extraordinary shareholders' meeting within two months if any one of the following circumstances occurs:

- the number of directors falls short of the number stipulated in the Company Law of the PRC or our by-laws or is below two-thirds of the number required in our Articles of Association;

- our uncovered losses that have not been made up amount to one-third of our paid-up share capital;

- shareholder(s), severally or jointly, holding 10% or more of our issued shares carrying the right to vote make a request in writing to convene an extraordinary general meeting;

- the board of directors considers it necessary; or

- the supervisory committee proposes to convene such a meeting.

Where we convene a general shareholders' meeting (when we have more than one shareholder), we shall, not less than 30 days before the meeting, issue a written notice to all shareholders whose names appear in the share register of the items to be considered and the date and venue of the meeting. Any shareholder intending to attend the general shareholders' meeting shall give us a written reply stating his or her intention to attend the meeting 20 days prior to the date of the meeting.

Where the Company convenes an annual general meeting, shareholders who severally or jointly holding more than 3 per cent of the Company's shares, may present an extraordinary proposal for the shareholders' general meeting in written form to the Company. If the subject of the extraordinary proposal falls within the functions and powers of a shareholders' general meeting, then it should be included in the agenda of the meeting.

A shareholders' extraordinary general meeting shall not resolve any matter not stated in the notice of such meeting. A notice of meeting of shareholders shall:

- be in writing;

- specify the place, date and the time of the meeting;

- state the motions to be discussed at the meeting;

- provide such information and explanations as are necessary for the shareholders to exercise an informed judgment on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate Guangshen Railway with another entity, to repurchase the shares of Guangshen Railway, to reorganize its share capital or to restructure Guangshen Railway in any other way, the terms of the proposed transaction must be provided in detail, together with copies of the proposed agreement, if any, and the cause and effect of the proposal must be properly explained;

- contain disclosure of the nature and extent, if any, of material interests of any director, supervisor, general manager, deputy general manager or other senior officers of the Company in the transaction proposed and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of other shareholders of the same class;

- contain the text of any special resolution proposed to be approved at the meeting;

- contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him or her and that a proxy need not also be a shareholder; and

- state the time within which and the address to which the relevant instruments appointing the proxies for the meeting are to be delivered.

The Company may send the notice to the domestic shareholders by way of public notice published in one or more newspapers designated by the securities regulatory authority within the interval between thirty (30) days and forty (40) days before the date of the meeting. After the publication of such notice, all holders of domestic shares shall be deemed to have received the notice of the relevant shareholders' general meeting. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by any person entitled to receive notice shall not invalidate the meeting or the resolutions adopted therein. Where we convene an annual general meeting, we shall include in the agenda of the meeting any resolutions submitted by shareholders (including proxies) who either separately or in aggregate hold more than three percent of the total number of our shares, provided that these resolutions fall within the scope of powers of a shareholders' general meeting.

The following matters shall be resolved by way of ordinary resolution of the shareholders' general meeting:

- work reports of the board of directors and the supervisory committee;

- profit distribution proposals and loss recovery proposals formulated by the board of directors;

- removal of members of the board of directors and the supervisory committee, their remuneration and methods of payment;

- our annual financial budget, final accounts, balance sheet, profit and loss account and other financial statements; and

- matters other than those that are required by laws, administrative regulations or our Articles of Association to be adopted by way of special resolution.

The following matters shall be resolved by way of special resolution of the general shareholders' meeting:

- increase or reduction of our share capital and the issuance of shares of any class, warrants and other similar securities;

- issuance of company debentures;

- division, merger, dissolution and liquidation of the Company;

- amendment to our Articles of Association;

- alteration to the form of the Company; and

- any other matter that, according to an ordinary resolution of the shareholders meeting, may have a significant impact on the Company and requires adoption by way of a special resolution.

Shareholders have the right to attend general meetings of shareholders and to exercise their voting rights, in person or by proxy, in relation to the amount of voting shares they represent. Each share carries the right to one vote. Any share of the Company held by the Company does not carry any voting right.

At any meeting of shareholders a resolution shall be decided by a show of hands unless a poll is demanded before or after any vote by show of hands:

- by the chairman of the meeting;

- by at least two shareholders who possess the right to vote, present in person or by proxy; or

- by one or more shareholders (including proxies) representing either separately or in aggregate, not less than one-tenth of all shares having the right to vote at the meeting.

Unless a poll is demanded, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favor of or against that resolution, that the resolution has been carried. A demand for a poll may be withdrawn. A poll demanded on the election of the chairman, or on a question of suspension of the meeting, shall be taken at the meeting immediately. A poll demanded on any other questions shall be taken at such time as the chairman of the meeting directs, and any business other than that on which the poll has been demanded may be proceeded with. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. On a poll taken at a meeting, a shareholder (including their proxies) entitled to two or more votes need not cast all his or her votes in the same way. In the case of a tie, the chairman of the meeting shall be entitled to one additional vote.

BOARD OF DIRECTORS

Where a director is interested in any resolution proposed at a board meeting, the director shall not be present and shall not have a right to vote at the meeting. That director shall also not be counted in the quorum of the relevant meeting.

Our directors' compensation is determined by resolutions approved at the shareholders' general meeting. Our directors have no power to approve their own compensations.

Our directors are not required to hold shares of our Company. There is no age limit requirement with respect to retirement or non-retirement of our directors.

LIQUIDATION RIGHTS

In the event of the termination or liquidation of Guangshen Railway, shareholders of Guangshen Railway shall have the right to participate in the distribution of surplus assets of Guangshen Railway in accordance with the type and number of shares held by those shareholders.

LIABILITY OF SHAREHOLDERS

The liability of holders of our shares for our losses or liabilities is limited to their capital contributions in Guangshen Railway.

INCREASES IN SHARE CAPITAL AND PREEMPTIVE RIGHTS

Our Articles of Association require that approval by a special resolution of the shareholders and by special resolution of holders of domestic shares and H shares at separate shareholder class meetings be obtained prior to authorizing, allotting, issuing or granting shares, securities convertible into shares or options, warrants or similar rights to subscribe for any shares or convertible securities. No approval is required to be obtained from separate class meetings if, but only to the extent that, Guangshen Railway issues domestic shares and H shares, either separately or concurrently, in numbers not exceeding 20% of the number of domestic shares and H shares then in issue, respectively, in any 12 month period, as approved by a special resolution of the shareholders. New issues of shares must also be approved by relevant PRC authorities.

REDUCTION OF SHARE CAPITAL AND PURCHASE BY US OF OUR SHARES

We may, following the procedures provided in the Articles of Association and subject to the approval of the relevant governing authority of the State, repurchase any of our issued shares under the following circumstances:

1. cancellation of shares for capital reduction;

2. merging with another company that holds our shares;

3. paying shares to our employees as bonus;

4. repurchasing, upon request, any shares held by any shareholder who is opposed to the Company's resolution for merger or spin-off at a shareholders' general meeting.

Any repurchase of shares under items 1 to 3 of the foregoing paragraph shall be approved by shareholders' general meeting of the Company. After repurchase of the shares according to the foregoing paragraph by the Company, the shares repurchased under item 1 shall be cancelled within ten days from the date of the repurchase; and the shares repurchased under items 2 and 4 shall be transferred or cancelled within six months.

The shares repurchased by the Company under item 3 may not exceed five per cent of the total of the Company's issued shares. Such repurchase shall be financed by the Company's profit after tax. The shares so repurchased shall be transferred to the employees within one year.

We may not accept our shares as the subject of any pledge.

In the event that the regulatory authorities at the place of listing of our overseas-listed foreign shares have different requirements, such requirements shall prevail.

Subject to approval by PRC securities regulatory authorities and compliance with applicable law, we may carry out a share repurchase by one of the following methods:

- under a general offer;

- open offer on a stock exchange; or

- by off-market contract.

We may, with the prior approval of shareholders in general meeting obtained in accordance with our Articles of Association, repurchase our shares by an off-market contract, and we may rescind or vary such a contract or waive any of our rights under the contract with the prior approval of shareholders obtained in the same manner. A contract to repurchase shares includes (without limitation) an agreement to become obliged to repurchase and an agreement to acquire the right to repurchase our shares. We may not assign a contract to repurchase our own shares or any rights provided thereunder.

Shares repurchased by us shall be canceled and the amount of our registered capital shall be reduced by the par value of those shares. The amount of our registered capital so reduced to the extent that shares are repurchased out of an amount deducted from our distributable profits, shall be transferred to our share common reserve account.

Unless we are in the process of liquidation:

- where we repurchase our shares at par value, the amount of the total par value of shares so repurchased shall be deducted from our book balance distributable profits or out of the proceeds of a new issue of shares made in respect of the repurchase; and

- where we repurchase our shares at a premium, an amount equivalent to their total par value shall be deducted from our book balance distributable profits or the proceeds of a new issue of shares made in respect of the repurchase. Payment of the portion in excess of their par value shall be effected as follows:

  - if the shares being repurchased were issued at par value, payment shall be made out of our book balance distributable profits; and

  - if the shares being repurchased were issued at a premium, payment shall be made out of our distributable profits or out of proceeds of a new issue of shares made in respect of the repurchase, provided that the amount paid out of the proceeds of the new issue may not exceed the aggregate of premiums received by us on the issue of the shares repurchased or the current balance of our capital common reserve account (inclusive of the premiums from the new issue of shares).

Payment by us in consideration for:

- the acquisition of rights to repurchase our shares;

- the variation of any contract to repurchase our shares; or

- the release of any of our obligations under any contract to repurchase our shares; shall be made out of our distributable profits.

RESTRICTIONS ON CONTROLLING SHAREHOLDERS

In addition to obligations imposed by law or required by the stock exchanges on which our shares are listed, a controlling shareholder (as defined below) shall not exercise his or her voting rights in respect of the following matters in a manner prejudicial to the interests of the shareholders generally or any part of our shareholders:

- to relieve a director or supervisor of his or her duty to act honestly in our best interests;

- to approve the expropriation, by a director or supervisor (for his or her own benefit or for the benefit of another person), in any guise, of our assets, including without limitation opportunities advantageous to us; or

- to approve the expropriation by a director or supervisor (for his or her own benefit or for the benefit of another person) of the individual rights of other shareholders, including without limitation rights to distributions and voting rights, save and except where it was done pursuant to a restructuring submitted to and approved by our shareholders in accordance with our Articles of Association.

"Controlling shareholder" means a person or a group of persons who satisfies one or more of the following conditions:

- he or she alone or acting in concert with others has the power to elect more than half the directors;

- he or she alone or acting in concert with others has the power to exercise or to control the exercise of 30% or more of our voting rights;

- he or she alone or acting in concert with others holds 30% or more of our issued and outstanding shares; or

- he or she alone or acting in concert with others in any other manner has de facto control over us.

CHANGING RIGHTS OF A CLASS OF SHAREHOLDERS

Rights conferred on any class of shareholders in the capacity of shareholders may not be varied or abrogated unless approved by a special resolution of shareholders at a general meeting and by holders of shares of that class at a separate class meeting conducted in accordance with our Articles of Association.

DUTIES OF DIRECTORS, SUPERVISORS AND OTHER SENIOR OFFICERS IN INTERESTED TRANSACTIONS

Where any director, supervisor, general manager, deputy general manager or other senior officers (or an associate thereof) is in any way materially interested in a contract or transaction or arrangement or proposed contract or transaction or arrangement with us (other than his or her contract of service with us), he or she shall declare the nature and extent of his or her interest to the board of directors at the earliest opportunity, whether or not the contract, transaction or proposal or arrangement is subject to the approval of the board of directors.

Unless the interested director, supervisor, general manager deputy general manager or other senior officers has disclosed his or her interests and the contract or transaction is approved by the board of directors at a meeting in which the interested director, supervisor, general manager, deputy general manager or other senior officers has not been counted in the quorum and has refrained from voting, a contract or transaction in which that director, supervisor, general manager, deputy general manager or other senior officers is materially interested is voidable except as against a bona fide party to the contract or transaction acting without notice of the breach of duty by the interested director, supervisor, general manager, deputy general manager or other senior officers.

We shall not directly or indirectly make a loan to or provide any guarantees in connection with a loan to a director, supervisor, general manager, deputy general manager or other senior officers of Guangshen Railway or of our parent Company or any of their respective associates. However, the following transactions are not subject to this prohibition:

- the provision by us of a loan or a guarantee of a loan to one of our subsidiaries;

- the provision by us of a loan or a guarantee in connection with a loan or any other funds to any of our directors, supervisors, general managers, deputy general managers or other senior officers to pay expenditures incurred or to be incurred on our behalf by him or her or for the purpose of enabling him or her to perform his or her duties properly, in accordance with the terms of a service contract approved by the shareholders at a general meeting; and

- the provision by us of a loan or a guarantee in connection with a loan to any of our directors, supervisors, general managers, deputy general managers or other senior officers or their respective associates on normal commercial terms, provided that the ordinary course of our business includes the lending of money or the giving of guarantees.

RECENT AMENDMENTS TO OUR ARTICLES OF ASSOCIATION

In connection with our proposed A Share Issue, we made conditional amendments to our draft Articles of Association in May 2005 and May 2006 to meet applicable PRC regulatory requirements, in particular, the Mandatory Provisions for the Articles of Association of Companies to be Listed Outside China and the new Company Law effective from January 1, 2006. The proposed amendment to our draft Articles of Association was furnished to the SEC as Exhibit 99.1--Appendix I to the Form 6-K filed on April 18, 2006. The proposed amendment will take effect only if our proposed A Share Issue is completed. In May 2005, we made further amendments to our then effective Articles of Association, which changed the number of our directors from ten to nine. This amendment to our Articles of Association was furnished to the SEC as Exhibit 1.1 to the Form 6-K filed on May 13, 2005. In addition, our annual general meeting of shareholders approved further amendments to our then effective Articles of Association on May 11, 2006, pursuant to the new Company Law effective from January 1, 2006.

ITEM 10C. MATERIAL CONTRACTS

Except for the Acquisition Agreement and the connected transaction agreements we entered into with Yangcheng Railway Company, our Parent Company and other related parties as discussed in "ITEM 5. Operating and Financial Review and Prospects--Overview--Proposed Issue of A Shares, Very Substantial Acquisition and Continuing Connected Transactions" and

"Item 7. Major Shareholders and Related Party Transactions", all other material contracts we entered into during the fiscal year of 2004 and 2005 were made in the ordinary course of business.

ITEM 10D. EXCHANGE CONTROLS

The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade. Effective January 1, 1994, the dual foreign exchange system in China was abolished in accordance with the notice of the People's Bank of China concerning future reform of the foreign currency control system issued December 1993. The conversion of Renminbi into U.S. dollars in China currently must be based on the People's Bank of China rate. The People's Bank of China rate is set based on the previous day's Chinese interbank foreign exchange market rate and with reference to current exchange rates on the world financial markets. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies.

Any future devaluation of the Renminbi against the U.S. dollar (whether due to a decrease in the foreign currency reserves held by the PRC government or any other reason) will have an adverse effect upon the U.S. dollar equivalent and Hong Kong dollar equivalent of our net income and increase the effective cost of foreign equipment and the amount of foreign currency expenses and liabilities. We have no plans to hedge our currency exposure in the future. No assurance can be given that the Hong Kong dollar to U.S. dollar exchange rate link will be maintained in the future, or, therefore, that the Hong Kong dollar revenues of Guangshen Railway will insulate Guangshen Railway from changes in the Renminbi-U.S. dollar and Renminbi-HK dollar exchange rates. Furthermore, any change in exchange rates that has a negative effect on the market for the H shares in either the United States or Hong Kong is likely to result in a similar negative effect on the other market.

We have been, and will continue to be, affected by changes in exchange rates in connection with our ability to meet our foreign currency obligations and will be affected by such changes in connection with our ability to pay dividends on H shares in Hong Kong dollars and on ADSs in U.S. dollars. As of December 31, 2005, we maintained the equivalent of approximately RMB621 million in U.S. dollar or Hong Kong dollar-denominated balances for purposes of satisfying our foreign currency obligations (e.g., to purchase foreign equipment) and paying dividends to our overseas shareholders. See Note 30 to our audited consolidated financial statements. We believe that we have or will be able to obtain sufficient foreign exchange to continue to satisfy these obligations. We do not engage in any financial contract or other arrangement to hedge our currency exposure.

ITEM 10E. TAXATION

PRC TAXATION

TAX BASIS OF ASSETS

As of June 30, 1995, our assets were valued in conjunction with the restructuring. This valuation, which was confirmed by the State Assets Administration Bureau, establishes the tax basis for these assets.

INCOME TAX

Since January 1, 1994, income tax payable by PRC domestic enterprises, including state-owned enterprises and joint stock companies, has been governed by the PRC Enterprise Income Tax Provisional Regulations and its implementation measures, or EIT regulations, which provide for an income tax rate of 33%, unless a lower rate is provided by law, administrative regulations or State Council regulations. Guangshen Railway is generally subject to tax at a rate of 33% pursuant to the EIT Regulations. However, as a result of our incorporation in the Shenzhen Special Economic Zone, our corporate income tax rate is reduced to 15%. Pursuant to an approval from the Shenzhen Local Tax Bureau dated November 12, 1997, Guangshen Railway was also entitled to a 50% further reduction of income tax arising from our high-speed train services in 1997, 1998 and 1999. To the extent that Guangshen Railway engages in other businesses through subsidiaries, those other companies are subject to corporate income tax rates of either 15% or 33% (applicable to places other than Shenzhen), depending mainly on their places of incorporation.

VALUE ADDED TAX

Pursuant to the Provisional Regulations of the PRC Concerning Value Added Tax effective from January 1, 1994 and the related implementing rules, our passenger and freight transportation businesses are not subject to value added tax, while our other businesses, such as retail sales of food, beverages and merchandise aboard our trains and in our stations, and some of the businesses conducted by our subsidiaries are subject to value added tax at the rate of either 6% or 17%, depending on the scale and nature of the businesses.

BUSINESS TAX

Pursuant to the Provisional Regulations of the PRC Concerning Business Tax effective from January 1, 1994 and its implementing rules, business tax is imposed on enterprises that provide transportation services in the PRC. Business tax is levied at a rate of 3% on the transport of passengers and goods in or out of the PRC.

TAX ON DIVIDENDS

For an Individual Investor. According to the Provisional Regulations of the PRC Concerning Questions of Taxation on Enterprises Experimenting with the Share System promulgated on June 12, 1992, referred to herein as the provisional regulations, an income tax of 20% shall be withheld in accordance with the Individual Income Tax Law of the PRC on dividend payments from such enterprises to an individual. For a foreign individual who is not a resident of the PRC, the receipt of dividends from a company in the PRC is normally subject to this 20% PRC withholding tax unless reduced by an applicable double-taxation treaty. However, on July 21, 1993, the PRC State Tax Bureau issued a Notice Concerning the Taxation of Gains on Transfers and Dividends from Shares (Equities) Received by Foreign Investment Enterprises, Foreign Enterprises and Foreign Individuals, referred to herein as the Tax Notice, which stipulates that dividends from a PRC company on shares listed on an overseas stock exchange, or overseas shares, such as H shares (including H shares represented by ADSs), would not for the time being be subject to PRC withholding tax. The relevant tax authority has thus far not collected any withholding tax on dividend payments on overseas shares.

For an Enterprise. When a foreign enterprise with no establishment or office in the PRC receives dividends from a company in the PRC, the foreign enterprise is normally subject to PRC withholding tax of 20% under the Income Tax Law of the PRC Concerning Enterprises with Foreign Investment and Foreign Enterprises. With respect to dividends paid by a company incorporated in the Shenzhen Special Economic Zone (such as Guangshen Railway), the withholding tax rate is 10%. However, according to the Tax Notice, a foreign enterprise without an establishment in the PRC receiving a dividend payment on overseas shares, such as H shares or ADSs, will not be subject to withholding tax on the dividend payment.

CAPITAL GAINS TAX

For An Individual Investor. The Tax Notice provides that gains realized by holders (both individuals and enterprises) of H shares or ADSs will not be subject to income tax.

For An Enterprise. Pursuant to the Tax Notice, a foreign enterprise with no establishment or office in the PRC is currently exempted from taxes on the capital gains from the sale of H shares issued by domestic companies.

TAX TREATIES

Foreign enterprises with no establishment in the PRC and individuals not resident in the PRC and who are resident in countries that have entered into double taxation treaties with the PRC may be entitled to a reduction of any withholding tax imposed on the payment of dividends from a PRC company. The PRC currently has double taxation treaties with a number of countries, including Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

The Agreement Between the Government of the United States of America and the PRC Government for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income, together with related protocols, referred to herein as the US-PRC tax treaty, currently limit the rate of PRC withholding tax upon dividends paid by Guangshen Railway to a United States holder who is a United States resident for purposes of the US-PRC tax treaty to 10%. It is uncertain if the US-PRC tax treaty exempts from PRC tax the capital gains of a U.S. holder arising from the sale or disposition of H shares or ADSs. U.S. holders are advised to consult their tax advisors with respect to these matters.

UNITED STATES FEDERAL INCOME TAXATION

The following is a general discussion of the material United States federal income tax consequences of purchasing, owning and disposing of the H shares or ADSs if you are a U.S. holder, as defined below, and hold the H shares or ADSs as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended, or the Code. This discussion does not address all of the tax consequences relating to the purchase, ownership and disposition of the H shares or ADSs, and does not take into account U.S. holders who may be subject to special rules including:

- tax-exempt entities;
- certain insurance companies;
- broker-dealers;
- traders in securities that elect to mark to market;
- U.S. holders liable for alternative minimum tax;
- U.S. holders that own 10% or more of our voting stock;
- U.S. holders that hold the H shares or ADSs as part of a straddle or a hedging or conversion transaction; or
- U.S. holders whose functional currency is not the U.S. dollar.

This discussion is based on the Code, its legislative history, final, temporary and proposed United States Treasury regulations promulgated thereunder, published rulings and court decisions as in effect on the date hereof, all of which are subject to change, or changes in interpretation, possibly with retroactive effect. In addition, this discussion is based in part upon representations of the depositary and the assumption that each obligation in the deposit agreement and any related agreements will be performed according to its terms.

You are a "U.S holder" if you are:

- a citizen or resident of the United States for United States federal income tax purposes;
- a corporation, or other entity treated as a corporation for United States federal income tax purposes, created or organized under the laws of the United States or any political subdivision thereof;
- an estate the income of which is subject to United States federal income tax without regard to its source; or
- a trust:
  - -- subject to the primary supervision of a United States court and the control of one or more United States persons; or
  - -- that has elected to be treated as a United States person under applicable United States Treasury regulations.

If a partnership holds the H shares or ADSs, the tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership that holds the H shares or ADSs, we urge you to consult your tax advisors regarding the consequences of the purchase, ownership and disposition of the H shares or ADSs.

This discussion does not address any aspects of United States taxation other than federal income taxation.

WE URGE YOU TO CONSULT YOUR TAX ADVISORS REGARDING THE UNITED STATES FEDERAL, STATE, LOCAL AND NON-UNITED STATES TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE H SHARES OR ADSS.

In general, if you hold ADRs evidencing ADSs, you will be treated as the owner of the H shares represented by the ADSs. The following discussion assumes that we are not a passive foreign investment company, or PFIC, as discussed under "PFIC Rules" below.

DISTRIBUTIONS ON THE H SHARES OR ADSS

The gross amount of any distribution (without reduction for any PRC tax withheld) we make on the H shares or ADSs out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) will be includible in your gross income as dividend income when the distribution is actually or constructively received by you, in the case of the H shares, or by the depositary in the case of ADSs. Subject to certain limitations, dividends paid to non-corporate U.S. holders, including individuals, may be eligible for a reduced rate of taxation if we are deemed to be a "qualified foreign corporation" for U.S. federal income tax purposes. A qualified foreign corporation includes:

- a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States that includes an exchange of information program; and

- a foreign corporation if its stock with respect to which a dividend is paid (or ADSs backed by such stock) is readily tradable on an established securities market within the United States,

but does not include an otherwise qualified foreign corporation that is a PFIC. We believe that we will be a qualified foreign corporation so long as we are not a PFIC and we are considered eligible for the benefits of the Agreement between the Government of the United States of America and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income, or the Treaty. Our status as a qualified foreign corporation, however, may change.

Distributions that exceed our current and accumulated earnings and profits will be treated as a return of capital to you to the extent of your basis in the H shares or ADSs and thereafter as capital gain. Any dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from United States corporations. The amount of any distribution of property other than cash will be the fair market value of such property on the date of such distribution.

If we make a distribution paid in HK dollars, you will be considered to receive the U.S. dollar value of the distribution determined at the spot HK dollar/U.S. dollar rate on the date such distribution is received by you or by the depositary, regardless of whether you or the depositary convert the distribution into U.S. dollars. Any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in your income to the date you or the depositary convert the distribution into U.S. dollars will be treated as United States source ordinary income or loss for foreign tax credit limitation purposes.

Subject to various limitations, any PRC tax withheld from distributions in accordance with PRC law, as limited by the Treaty, will be deductible or creditable against your United States federal income tax liability. For foreign tax credit limitation purposes, dividends paid on the H shares or ADSs will be foreign source income, and for taxable years beginning on or before December 31, 2006, generally will be treated as "passive income" or, in the case of some U.S. holders, "financial services income." For taxable years beginning after December 31, 2006, such dividends generally will be treated as "passive category income" or, in the case of some U.S. holders, "general category income." You may not be able to claim a foreign tax credit (and instead may claim a deduction) for non-United States taxes imposed on dividends paid on the H Shares or ADSs if you (i) have held the H Shares or ADSs for less than a specified minimum period during which you are not protected from risk of loss with respect to such shares, or (ii) are obligated to make payments related to the dividends (for example, pursuant to a short sale).

SALE, EXCHANGE OR OTHER DISPOSITION

Upon a sale, exchange or other disposition of the H shares or ADSs, you will recognize a capital gain or loss for United States federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realized and your tax basis, determined in U.S. dollars, in such H shares or ADSs. Any gain or loss will generally be United States source gain or loss for foreign tax credit limitation purposes. Capital gain of certain non-corporate U.S. holders, including individuals, is generally taxed at a maximum rate of 15% where the property has been held more than one year. Your ability to deduct capital losses is subject to limitations.

If you are paid in a currency other than U.S. dollars, any gain or loss resulting from currency exchange fluctuations during the period from the date of the payment resulting from sale, exchange or other disposition to the date you convert the payment into U.S. dollars will be treated as United States source ordinary income or loss for foreign tax credit limitation purposes.

PFIC RULES

In general, a foreign corporation is a PFIC for any taxable year in which, after applying relevant look-through rules with respect to the income and assets of subsidiaries:

- 75% or more of its gross income consists of passive income, such as dividends, interest, rents and royalties; or

- 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income.

We believe that we will not meet either of the PFIC tests in the current or subsequent taxable years and therefore will not be treated as a PFIC for such periods. However, there can be no assurance that we will not be a PFIC in the current or subsequent taxable years.

If we were a PFIC in any taxable year that you held the H shares or ADSs, you generally would be subject to special rules with respect to "excess distributions" made by us on the H shares or ADSs and with respect to gain from your disposition of the H shares or ADSs. An "excess distribution" generally is defined as the excess of the distributions you receive with respect to the H shares or ADSs in any taxable year over 125% of the average annual distributions you have received from us during the shorter of the three preceding years, or your holding period for the H shares or ADSs. Generally, you would be required to allocate any excess distribution or gain from the disposition of the H shares or ADSs ratably over your holding period for the H shares or ADSs. The portion of the excess distribution or gain allocated to a prior taxable year, other than a year prior to the first year in which we became a PFIC, would be taxed at the highest United States federal income tax rate on ordinary income in effect for such taxable year, and you would be subject to an interest charge on the resulting tax liability, determined as if the tax liability had been due with respect to such particular taxable years. The portion of the excess distribution or gain that is not allocated to prior taxable years, together with the portion allocated to the years prior to the first year in which we became a PFIC, would be included in your gross income for the taxable year of the excess distribution or disposition and taxed as ordinary income.

The foregoing rules with respect to excess distributions and dispositions may be avoided or reduced if you are eligible for and timely make a valid "mark-to-market" election. If your H shares or ADSs were treated as shares regularly traded on a "qualified exchange" for United States federal income tax purposes and a valid mark-to-market election was made, in calculating your taxable income for each taxable year you generally would be required to take into account as ordinary income or loss the difference, if any, between the fair market value and the adjusted tax basis of your H shares or ADSs at the end of your taxable year. However, the amount of loss you would be allowed is limited to the extent of the net amount of previously included income as a result of the mark-to-market election. The New York Stock Exchange on which the ADSs are traded is a qualified exchange for United States federal income tax purposes.

Alternatively, a timely election to treat us as a qualified electing fund under Section 1295 of the Code could be made to avoid the foregoing rules with respect to excess distributions and dispositions. You should be aware, however, that if we become a PFIC, we do not intend to satisfy record keeping requirements that would permit you to make a qualified electing fund election.

If you own the H shares or ADSs during any year that we are a PFIC, you must file Internal Revenue Service, or IRS, Form 8621. We encourage you to consult your own tax advisor concerning the United States federal income tax consequences of holding the H shares or ADSs that would arise if we were considered a PFIC.

BACKUP WITHHOLDING AND INFORMATION REPORTING

In general, information reporting requirements will apply to dividends in respect of the H shares or ADSs or the proceeds of the sale, exchange, or redemption of the H shares or ADSs paid within the United States, and in some cases, outside of the United States, other than to various exempt recipients, including corporations. In addition, you may, under some circumstances, be subject to "backup withholding" with respect to dividends paid on the H shares or ADSs or the proceeds of any sale, exchange or transfer of the H shares or ADSs, unless you

- are a corporation or fall within various other exempt categories, and, when required, demonstrate this fact; or

- provide a correct taxpayer identification number on a properly completed IRS Form W-9 or a substitute form, certify that you are exempt from backup withholding and otherwise comply with applicable requirements of the backup withholding rules.

Any amount withheld under the backup withholding rules generally will be creditable against your United States federal income tax liability provided that you furnish the required information to the IRS in a timely manner. If you do not provide a correct taxpayer identification number you may be subject to penalties imposed by the IRS.

HONG KONG TAXATION

The following discussion summarizes the material Hong Kong tax provisions relating to the ownership of H shares or ADSs held by you.

DIVIDENDS

Under current practice, no tax will be payable by you in Hong Kong in respect of dividends paid by us.

TAXATION OF CAPITAL GAINS

No capital gain tax is generally imposed in Hong Kong in respect of capital gains from the sale of shares (such as the H Shares). However, if trading gains from the sale of property by persons as part of profit making are regarded as carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business, such trading gains will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 17.5% on corporations and at a maximum rate of 16% on individuals. Gains from sales of the H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H shares realized by persons carrying on a business of trading or dealing in Hong Kong in securities.

There will be no liability for Hong Kong profits tax in respect of profits from the sale of ADSs (i.e., the profits derived abroad), where purchases and sales of ADSs are effected outside Hong Kong, e.g. on the New York Stock Exchange.

HONG KONG STAMP DUTY

Hong Kong stamp duty will be payable by each of the seller and the purchaser for every sale and purchase, respectively, of the H shares. An ad valorem duty is charged at the rate of 0.2% of the consideration of the fair value of the H shares transferred and the relevant contract notes shall be stamped (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK$5 is currently payable on an instrument of transfer of H shares.

The withdrawal of H shares when ADSs are surrendered, and the issuance of ADSs when H shares are deposited, may be subject to Hong Kong stamp duty at the rate described above for sale and purchase transactions, if the withdrawal or deposit results in a change of legal and beneficial ownership under Hong Kong law. The issuance of ADSs for deposited H shares issued directly to the depositary or for the account of the depositary should not lead to a Hong Kong stamp duty liability. You are not liable for the Hong Kong stamp duty payable on transfers of ADSs outside of Hong Kong.

HONG KONG ESTATE DUTY

Estate duty is levied on the value of property situated in Hong Kong passing or deemed passing on the death of a person. H shares are regarded as property situated in Hong Kong for estate duty purposes. Estate duty was abolished effective from February 11, 2006 and estates of persons who passed away on or after February 11, 2006 are therefore not subject to estate duty. The estate duty chargeable in respect of estates of persons during on or after July 15, 2005 and before February 11, 2006 with the principal value exceeding HK $7.5 million is reduced to a nominal duty of HK $100.

ITEM 10F. DIVIDENDS AND PAYING AGENTS

Not applicable.

ITEM 10G. STATEMENT BY EXPERTS

Not applicable.

ITEM 10H. DOCUMENTS ON DISPLAY

We filed with SEC in Washington, D.C. a registration statement on Form F-1 (Registration No.333-3382) under the Securities Act in connection with our global offering of American depositary shares in May 1996. The registration statement contains exhibits and schedules. For further information with respect to Guangshen Railway and our American depositary shares, please refer to the registration statement and to the exhibits and schedules filed with the registration statement.

Additionally, we are subject to the informational requirements of the Exchange Act, and, in accordance with the Exchange Act, we file annual reports on Form 20-F within six months of our fiscal year end, and we will submit other reports and information under cover of Form 6-K with the SEC. You may review a copy of the registration statement and other information without charge at the public reference facilities maintained by the SEC at Judiciary Plaza, 100 F Street, NE., Washington, D.C. You may also inspect the registration statement and its exhibits and schedules at the office of the New York Stock Exchange, 11 Wall Street, New York, New York 10005. You may also get copies, upon payment of a prescribed fee, of all or a portion of the registration statement from the SEC's public reference room or by calling the SEC on 1-800-SEC-0330 or visiting the SEC's website at www.sec.gov.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to shareholders.

ITEM 10I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following paragraphs describe the various market risks to which we were exposed as of December 31, 2005.

CURRENCY RISKS

The Company mainly operates in the PRC with most of the transactions settled in RMB. RMB is not freely convertible into other foreign currencies. The conversion of RMB denominated balances into foreign currencies is subject to the rates and regulations of foreign exchange control promulgated by the PRC government. In addition, the Company is required to pay dividends in HKD and USD in the future when dividends are declared.

The Company had USD and HKD monetary assets as at December 31, 2005 and 2004 as stated below.

<TABLE>
<CAPTION>

Monetary assets	Currency denomination	As at 31 December 2004	As at 31 December 2005
		(RMB'000)	(RMB'000)
<S>	<C>	<C>	<C>
Current assets			
Short-term deposits with original maturities of over three months	USD	755,975	503,463
Cash and cash equivalent	USD	95,612	9,049
Cash and cash equivalent	HKD	89,883	110,195

</TABLE>

The Company may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our deposits. The Company has not used any means to hedge the exposure to foreign exchange risk.

On July 21, 2005, the PRC government announced that the RMB is to be floated in line with a basket of certain selected currencies and not to be pegged with the USD on or after that day. As a result, RMB appreciated by approximately 2% as compared to USD based on the exchange rate announced on that day and the Company suffered exchange losses of approximately RMB21.8 million as a result of such event. The losses were recorded as finance costs in the income statement for the year ended December 31, 2005.

The directors believe that interest income derived from deposits denominated in foreign currencies will partially offset the Company's exposure to currency risk (See "Interest Rate Risks" below).

While our foreign currency deposits are relatively stable, they are insufficient to pay all dividends and operating expenses, therefore, we bear the risk of exchange rate fluctuations when we convert Renminbi to pay foreign-currency denominated dividends and operating expenses. However, our management believes that these contingent exposures relating to foreign exchange rate fluctuations have not had and are not likely to have a material effect on our financial position. As a result, we do not enter into any hedging transactions with respect to our exposure to foreign currency movements. Furthermore, we are not aware of any effective financial hedging products that serve as protection against a possible Renminbi devaluation or appreciation.

INTEREST RATE RISKS

Funds that we do not need in the short term are generally kept as temporary cash deposits in state-owned commercial banks and in the MOR Deposit-Taking Center in the form of demand or time deposits. We do not hold any market risk-sensitive instruments for trading purposes. As of December 31, 2005, we had no loans outstanding. As the Company has no significant interest-bearing assets and liabilities, the Company's income and operating cash flows are substantially independent of changes in market interest rates. The directors believe that Company's exposure to interest rate risk of financial assets and liabilities as of December 31, 2005 was minimal since their deviation from their respective fair values was not significant.

Due to the fact the interest rates for deposits denominated in foreign currencies are higher than that of RMB in China, the interest income so derived from these deposits had partially offset the Company's exchange losses of approximately RMB8.3 million for the year ended December 31, 2005.

CREDIT RISKS

The carrying amount of cash and cash equivalents, trade and other receivables (excluding prepayments), short-term deposit, and due from related parties represent the Company's maximum exposure to credit risk in relation to financial assets.

Cash and short term liquid investments are placed with reputable banks and deposit taking centres operated by MOR (see Notes 18 and 30(b) to our audited consolidated financial statements for details), no significant credit risk is expected.

The majority of the Company's accounts receivable balance relate to the rendering of services or sales of products to third party customers. The Company's other receivable balances mainly arise from services other than the main railway transportation services. The Company performs ongoing credit evaluations of its customers/debtors' financial condition and generally do not require collateral from the customers/debtors' account on the outstanding balances. Based on the expected realiability and the timing for collection of the outstanding balances, the Company maintains a provision for doubtful accounts and actual losses incurred have been within management's expectation.

No other financial assets carry a significant exposure to credit risk.

See "ITEM 8A.7 Legal Proceedings" for a discussion of our potential loss in our interests in Tiecheng resulting from a litigation. See "Item 5B. Liquidity and Capital Resources" for a discussion of the overdue time deposit held by Li Cheng.

As of December 31, 2005, our balances denominated in Hong Kong dollars and U.S. dollars were translated into Renminbi at the applicable market exchange rates as of that date and amounted to approximately RMB622 million. If the applicable market exchange rates were to change by 10%, this would result in a change in fair value of approximately RMB62.2 million in these balances. For the year ended December 31, 2005, the interest income derived from our cash balances at banks and temporary cash investments amounted to approximately RMB55.0 million. A 10% change in interest rates would have resulted in a change in interest income of approximately RMB5.5 million.

Except as described above and in Note 3 to our audited consolidated financial statements herein, our management believes that as of the end of December 31, 2005, at present and in our normal course of business, we are not subject to any other market-related risks.

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ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

Effective in 2005, the auditing standard under which independent public accounting firms report internal control deficiencies, Statement on Auditing Standards Section 325, was amended. Following the amendment, independent public accounting firms are required to evaluate internal control deficiencies and categorize identified weaknesses as "material weaknesses", "significant deficiencies" or "deficiencies".

In June 2006, in connection with their audit of our consolidated financial statements as of December 31, 2005 and for the year then ended, our independent registered public accounting firm, PricewaterhouseCoopers, identified to our audit committee and senior management one internal control deficiency in our internal control over financial reporting that they considered to constitute a material weakness in our internal control over financial reporting. The internal control deficiency that was identified as a material weakness was that we do not have sufficient numbers of financial and accounting staff who are knowledgeable of IFRS and U.S. GAAP accounting rules. Our management believes that neither this deficiency nor other internal control deficiencies that have been identified by management and PricewaterhouseCoopers have had a material effect on our financial statements.

Acting under the supervision and guidance of our audit committee and board of directors, our management has worked, and will continue to work, to address this and other deficiencies in our internal controls over financial reporting. The actions we have taken include setting up a dedicated team to undertake company-wide documentation of internal controls, performing system and process evaluation and testing, and hiring external compliance experts to advise us on issues relating to compliance with Section 404.

Beginning with the year ending December 31, 2006, Section 404 of the Sarbanes-Oxley Act will require us to include an internal control report of management with our annual report on Form 20-F. In 2005, we continued the preparation for compliance with Section 404 of the

Sarbanes-Oxley Act. We believe that as we prepare for compliance with Section 404 of the Sarbanes-Oxley Act, we may identify additional deficiencies in our system of internal controls over financial reporting, and, if so, will take corrective actions. We cannot assure you that we will be able to complete the documentation, testing and, if appropriate, remediation work necessary to comply with Section 404 of the Sarbanes-Oxley Act, or that we or our independent public accountants will not identify material weaknesses in our internal controls. In addition, our current company-wide comprehensive organizational reform and our proposed acquisition of railway transportation-related assets between Guangzhou and Pingshi may have an impact on our ability to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404.

Our Chairman of the Board, our General Manager, and our Chief Accountant, after evaluating the effectiveness of our disclosure controls and procedures (as defined in US Exchange Act Rules 13a-15(e)) as of the end of the period covered by this Form 20-F, have concluded that, as of such date, our disclosure controls and procedures were effective to ensure that material information required to be disclosed in the reports that we file and furnish under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and regulations. This evaluation included, among other things, an assessment of the nature and extent of the internal control deficiencies identified by PricewaterhouseCoopers and our management and their impact on our disclosure controls and procedures and, where relevant, other procedures we have in place to mitigate the impact of such deficiencies on our disclosure controls and procedures.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2005 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

HOME COUNTRY PRACTICES

Under the NYSE's corporate governance listing standards, we are required to disclose any significant ways in which our governance practices differ from those followed by US domestic companies under the NYSE listing standards. There are no significant differences in our corporate governance practices compared to those followed by a U.S. domestic company under the NYSE listing standards, except for the following:

- according to our Audit Committee Charter, the members of our audit committee, who are all non-executive independent directors, shall meet at least four times a year pursuant to the schedule determined by our audit committee.

- we do not have a nominating committee or a corporate governance committee similar to that required for U.S. domestic companies;

- we do not have formal corporate governance guidelines similar to those required for U.S. domestic companies. However, in accordance with applicable PRC laws and regulations and the HKSE Listing Rules, we have adopted the Articles of Association, the General Meeting System, the Working Ordinance for the Board of Directors, the Working Ordinance for the Supervisory Committee, the Working Ordinance for the General Manager, the Capital Management Measures, the

Investment Management Measures, the Code of Ethics for Senior Officers and the Audit Committee Charter that contain provisions addressing (1) director qualification standards and responsibilities; (2) key board committee responsibilities; (3) director access to management and, as necessary and appropriate, independent advisors; (4) director compensation; (5)management succession; and (6)director orientation and continuing education;

- as a company listed on the HKSE, we are required to comply with applicable corporate governance and other related requirements of the HKSE Listing Rules, including the Corporate Governance Code, unless an exemption is available.

- we have not adopted a code of business conduct and ethics for our directors, officers and employees similar to that required for U.S. domestic companies. We have implemented code of business conduct and ethics for senior management, including our General Manager, Deputy General Manager, Chief Accountant and Company Secretary. In addition, our directors are required to comply with the Model Code for Securities Transactions by Directors of Listed Companies set out in the HKSE Listing Rules, which sets out standards with which directors are required to comply with respect to transactions involving our securities.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Wilton Chau Chi Wai is an "audit committee financial expert" as defined in Item 16A of Form 20-F. Mr. Chau and each of the other members of the Audit Committee is an "independent director" as defined in Section 303A.02 of the New York Stock Exchange's Listed Company Manual.

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics that applies to our Chief Executive Officer, President, Chief Financial Officer and other senior officers on April 20, 2004. A copy of this code of ethics was filed with the SEC as Exhibit 11.1 to the annual report on Form 20-F for the fiscal year ended December 31, 2003.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Resolutions to appoint PricewaterhouseCoopers (certified public accountants in Hong Kong), or PwC, as our international auditors for 2006 have been approved at the annual general meeting of Guangshen Railway held on May 11, 2006.

PwC was our international auditors for 2005 and 2004.

The following table presents the aggregate fees for professional services and other services rendered by PwC to us in 2005 and 2004.

<TABLE>
<CAPTION>

	2005	2004
	(RMB MILLIONS)	
Audit Fees	2.2	2.0
Audit-related Fees	--	--
Tax Fees	--	--
All Other Fees	--	--
Total	2.2	2.0

</TABLE>

Other than the audits performed on our financial statements, PwC did not provide any services to us in 2004. In 2005, PwC provided advisory services in connection with our preparation for compliance with Section 404 of the Sarbanes-Oxley Act. The Audit Committee Charter, which was adopted by our board of directors on August 12, 2004 and revised on March 17, 2005 based on the applicable guidelines set forth in the HKSE Listing Rules and U.S. Sarbanes-Oxley Act of 2002, provides that our audit committee is responsible for, among other matters, supervising the audit of our Company, including the assessment and evaluation of the nature, quality and scope of work and the fees of our external auditors. Pursuant to paragraph (c)(7)(i)(A) of Rule 2-01 of Regulation S-X, the engagement of PwC to perform these audit and other services were approved by our audit committee and our board of directors.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

During the year ended December 31, 2005, there was no purchase, sale or redemption of our equity securities by us, or any of our subsidiaries.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide the financial statements and related information specified in ITEM 18 in lieu of ITEM 17.

ITEM 18. FINANCIAL STATEMENTS

See pages F-1 to F-54 following ITEM 19.

ITEM 19. EXHIBITS

(a) See pages F-1 to F-54 following this item.

(b) Index of Exhibits

Documents filed as exhibits to this annual report:

<TABLE>
<CAPTION>

Exhibit Number	Description
<S>	<C>
1.1	Amended and Restated Articles of Association
4.1	Railway Business Related Assets Purchase Agreement dated November 15, 2004 between Guangshen Railway Company Limited and Guangzhou Railway Group Yangcheng Railway Company*
4.2	Land Lease Agreement dated November 15, 2004 between Guangshen Railway Company Limited and Guangzhou Railway (Group) Company*
4.3	Comprehensive Services Agreement dated November 15, 2004 between Guangshen Railway Company Limited and Guangzhou Railway (Group) Company*
4.4	Comprehensive Services Agreement dated November 15, 2004 between Guangshen Railway Company Limited and Guangzhou Railway Group Yangcheng Railway Company*
4.5	Summary of the Conditional Agreement dated August 9, 2005 between Guangshen Railway Company Limited, Qingdao BSP and Bombardier Sweden and China International Tendering Company
4.6	Summary of the Form of the Railway Construction Management Agreement, dated December 15, 2005 for the Fourth Line Construction
4.7	Comprehensive Services Agreement dated January 13, 2006 between Guangshen Railway Company Limited and Guangzhou Railway (Group) Company

</TABLE>

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<TABLE>

<S>	<C>
4.8	Comprehensive Services Agreement dated January 13, 2006 between Guangshen Railway Company Limited and Guangzhou Railway Group Guangshen Railway Enterprise Development Company
4.9	Summary of the Forms of the Surveying and Design Services Agreements For Railway Construction and the Construction Services Agreements, dated May 15, 2006 for the Fourth Line
4.10	Summary of the Agreement between Guangshen Railway Company Limited and Guangzhou Zhongche Railway Rolling Stock Sales and Services Company Limited for the lease of electric train-sets
7.1	Statements explaining how certain ratios are calculated in this annual report
8.1	List of subsidiaries of Guangshen Railway Company Limited as of December 31, 2005
12.1	Section 302 principal executive officers’ and principal financial officer’s certifications
13.1	Certifications of principal executive officers and principal financial officer pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002.

</TABLE>

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* Incorporated by reference from the Registrant’s annual report on Form 20-F filed with the SEC on June 28, 2005

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Guangshen Railway Company Limited:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, cash flows and changes in shareholders' equity present fairly, in all material respects, the financial position of Guangshen Railway Company Limited (the "Company") and its subsidiaries at 31 December 2004 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended 31 December 2005, in conformity with International Financial Reporting Standards. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with International Standards on Auditing issued by the International Federation of Accountants and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

International Financial Reporting Standards vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 36 to the consolidated financial statements.

PRICEWATERHOUSECOOPERS

Hong Kong
29 June 2006

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF 31 DECEMBER 2004 AND 2005

(Amounts in thousands)

<TABLE>
<CAPTION>

	Notes	31 December 2004 RMB (Note 35)	2005 RMB	2005 US$*
<S>	<C>	<C>	<C>	<C>
ASSETS				
NON-CURRENT ASSETS				
Fixed assets	6	6,973,279	7,391,507	912,532
Construction-in-progress	7	345,313	1,449,358	178,933
Prepayment for fixed assets	33(c)	--	482,940	59,622
Leasehold land payments	8	636,379	620,798	76,642
Interests in associates	10,33(c)	128,346	108,000	13,333
Available-for-sale investments	11	167,962	46,108	5,692
Deferred tax assets	12	18,406	35,990	4,443
Deferred staff costs	13	150,911	135,821	16,768
		8,420,596	10,270,522	1,267,965
CURRENT ASSETS				
Materials and supplies, at cost	14	60,602	64,953	8,019
Trade receivables, net	15	106,652	106,393	13,135
Due from parent company	33(c)	--	15,636	1,930
Due from related parties	33(c)	56,064	64,670	7,984
Prepayments and other receivables, net	16	216,573	170,607	21,063
Restricted cash	17	124,626	173,413	21,409
Short-term deposits	18	1,379,309	766,131	94,584
Cash and cash equivalents	30(b)	1,044,629	1,112,128	137,300
		2,988,455	2,473,931	305,424
TOTAL ASSETS		11,409,051	12,744,453	1,573,389
EQUITY				
Common stock, par value RMB1.00 per share, 4,335,550,000 shares authorised and outstanding	19	4,335,550	4,335,550	535,253
Reserves	20	6,085,024	6,348,509	783,767
		10,420,574	10,684,059	1,319,020
MINORITY INTERESTS		51,612	48,757	6,019
TOTAL EQUITY		10,472,186	10,732,816	1,325,039
LIABILITIES				
Non-current liabilities				
Deferred tax liability	12	--	4,830	596
Current liabilities				
Trade payables	21	37,136	118,707	14,655
Payables for construction of fixed assets		164,591	99,462	12,279
Due to parent company	33(c)	24,617	--	--
Due to related parties	33(c)	194,699	1,174,101	144,951
Dividends payable		456	462	57
Taxes payable		75,878	102,155	12,612
Accruals and other payables	22	439,488	511,920	63,200
		936,865	2,006,807	247,754
TOTAL LIABILITIES		936,865	2,011,637	248,350
TOTAL EQUITY AND LIABILITIES		11,409,051	12,744,453	1,573,389

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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* Translation of amounts from Renminbi ("RMB") into United States dollars ("US$") for the convenience of the reader has been made at US$1.00=RMB8.1, which is rounded from 8.0702, the noon buying rate in the New York City on December 30, 2005 as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the RMB amounts could have been, or could be, converted into US$ at that rate on December 30, 2005.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2003, 2004 AND 2005

(Amounts in thousands, except per share and per ADS data)

<TABLE>
<CAPTION>

		Years ended 31 December			
	Notes	2003	2004	2005	2005
		RMB (Note 35)	RMB (Note 35)	RMB	US$*
<S>	<C>	<C>	<C>	<C>	<C>
Revenues from railroad businesses					
Passenger		1,790,204	2,259,671	2,511,156	310,019
Freight		526,382	611,807	588,310	72,631
		2,316,586	2,871,478	3,099,466	382,650
Revenues from other businesses		151,596	166,671	177,462	21,909
Total revenues		2,468,182	3,038,149	3,276,928	404,559
Operating expenses					
Railroad businesses					
Business tax		(47,569)	(83,732)	(86,565)	(10,687)
Labour and benefits		(347,649)	(492,581)	(518,614)	(64,026)
Equipment leases and services		(437,739)	(452,204)	(507,627)	(62,670)
Materials and supplies		(216,993)	(245,534)	(283,902)	(35,050)
Repair costs, excluding materials and supplies		(89,640)	(216,294)	(262,973)	(32,466)
Depreciation		(290,014)	(334,501)	(325,582)	(40,195)
Amortisation of leasehold land payments		(15,602)	(15,704)	(15,416)	(1,903)
Fees for social services		(62,579)	(84,643)	(78,227)	(9,658)
General and administrative expenses		(134,688)	(190,290)	(188,360)	(23,254)
Others		(113,382)	(126,338)	(108,515)	(13,397)
		(1,755,855)	(2,241,821)	(2,375,781)	(293,306)
Other businesses					
Business tax		(7,226)	(7,840)	(10,493)	(1,295)
Materials and supplies		(112,677)	(95,637)	(103,249)	(12,747)
General and administrative expenses		(29,711)	(62,678)	(76,605)	(9,458)
		(149,614)	(166,155)	(190,347)	(23,500)
Total operating expenses		(1,905,469)	(2,407,976)	(2,566,128)	(316,806)
Other income, net		47,341	48,193	48,505	5,988
PROFIT FROM OPERATIONS	23	610,054	678,366	759,305	93,741
Finance costs	25	(2,468)	(1,136)	(22,738)	(2,807)
Share of results of associates after tax	10	(2,508)	(12,119)	(19,949)	(2,463)
PROFIT BEFORE INCOME TAX		605,078	665,111	716,618	88,471
Income tax expense	26	(93,348)	(98,373)	(104,248)	(12,870)
PROFIT FOR THE YEAR		511,730	566,738	612,370	75,601
ATTRIBUTABLE TO:					
Equity holders of the Company		511,762	567,484	613,368	75,724
Minority interests		(32)	(746)	(998)	(123)
		511,730	566,738	612,370	75,601
DIVIDENDS	29	455,233	476,911	520,266	64,230
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY DURING THE YEAR	28				
- Basic		RMB0.12	RMB0.13	RMB0.14	US$0.017
- Diluted		N/A	N/A	N/A	N/A
EARNINGS PER EQUIVALENT ADS					
- Basic		RMB5.90	RMB6.54	RMB7.07	US$0.87
- Diluted		N/A	N/A	N/A	N/A

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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* Translation of amounts from Renminbi ("RMB") into United States dollars ("US$") for the convenience of the reader has been made at US$1.00=RMB8.1, which is rounded from 8.0702, the noon buying rate in the New York City on December 30, 2005 as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the RMB amounts could have been, or could be, converted into US$ at that rate on December 30, 2005.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2003, 2004 AND 2005

(Amounts in thousands)

<TABLE>
<CAPTION>

	Notes	2003 RMB	2004 RMB	2005 RMB	2005 US$*
<S>	<C>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash generated from operations	30(a)	900,487	1,321,850	1,471,525	181,670
Interest paid		(2,359)	(1,030)	(654)	(81)
Income tax paid		(99,679)	(84,241)	(90,724)	(11,200)
Net cash generated from operating activities		798,449	1,236,579	1,380,147	170,389
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of fixed assets and payments for construction-in-progress, net of related payables		(339,208)	(310,179)	(1,588,374)	(196,096)
Proceeds from sale of fixed assets		1,105	4,041	38,235	4,720
Increase in interests in associates	10	(374)	--	62,700	7,741
Decrease / (increase) in temporary cash investments		(60,101)	(751,869)	613,178	75,701
Interest received		23,109	57,368	53,346	6,586
Net cash used in investing activities		(375,469)	(1,000,639)	(820,915)	(101,348)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Share issuance costs	19	--	(14,035)	(12,972)	(1,601)
Dividends paid to Company's shareholders		(433,561)	(455,009)	(476,904)	(58,877)
Dividends paid to minority interests		(105)	--	(1,857)	(230)
Net cash used in financing activities		(433,666)	(469,044)	(491,733)	(60,708)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(10,686)	(233,104)	67,499	8,333
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	35	1,288,419	1,277,733	1,044,629	128,967
CASH AND CASH EQUIVALENTS, END OF YEAR	35, 30(b)	1,277,733	1,044,629	1,112,128	137,300

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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* Translation of amounts from Renminbi ("RMB") into United States dollars ("US$") for the convenience of the reader has been made at US$1.00=RMB8.1, which is rounded from 8.0702, the noon buying rate in the New York City on December 30, 2005 as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the RMB amounts could have been, or could be, converted into US$ at that rate on December 30, 2005.

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2003, 2004 AND 2005

(Amounts in thousands)

<TABLE>
<CAPTION>

		Attributable to equity holders								
	Notes	Share capital	Share premium	Shares issuance costs (Note 19)	Statutory surplus reserve	Statutory public welfare fund	Discretionary surplus reserve	Retained earnings	Minority interest	Total equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at 1 January 2003		4,335,550	3,984,135	--	491,409	454,302	341,659	637,096	11,577	10,255,728
Additional capital paid in for the subsidiary									40,813	40,813
Profit for the year		--	--	--	--	--	--	511,762	(32)	511,730
Appropriation from retained earnings		--	--	--	54,165	27,092	--	(81,257)	--	--
Dividends relating to 2002		--	--	--	--	--	--	(433,555)	--	(433,555)
Balance at 31 December 2003		4,335,550	3,984,135	--	545,574	481,394	341,659	634,046	52,358	10,374,716
Balance at 1 January 2004		4,335,550	3,984,135	--	545,574	481,394	341,659	634,046	52,358	10,374,716
Share issuance costs		--	--	(14,035)	--	--	--	--	--	(14,035)
Profit for the year		--	--	--	--	--	--	567,484	(746)	566,738
Appropriation from retained earnings	20	--	--	--	59,771	29,900	--	(89,671)	--	--
Dividends relating to 2003		--	--	--	--	--	--	(455,233)	--	(455,233)
Balance at 31 December 2004		4,335,550	3,984,135	(14,035)	605,345	511,294	341,659	656,626	51,612	10,472,186
Balance at 1 January 2005		4,335,550	3,984,135	(14,035)	605,345	511,294	341,659	656,626	51,612	10,472,186
Share issuance costs		--	--	(12,972)	--	--	--	--	--	(12,972)
Profit for the year		--	--	--	--	--	--	613,368	(998)	612,370
Adjustment related to carrying value of fixed assets at Restructuring (Note a)	6	--	140,000	--	--	--	--	--	--	140,000
Appropriation from retained earnings	20	--	--	--	61,192	29,834	13	(91,039)	(1,857)	(1,857)
Transfers		--	--	--	(3,995)	(6,592)	4,321	6,266	--	--
Dividends relating to 2004	29	--	--	--	--	--	--	(476,911)	--	(476,911)
Balance at 31 December 2005		4,335,550	4,124,135	(27,007)	662,542	534,536	345,993	708,310	48,757	10,732,816

</TABLE>

Note a: During the year ended 31 December 2005, the Company recorded an adjustment, which should have been reflected in connection with the transfer of assets made by the Predecessor to the Company at Restructuring (see Note 1) to the carrying value of fixed assets and related reserve account (share premium). The amount was determined to be immaterial to previously reported financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

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1. GENERAL INFORMATION

Guangshen Railway Company Limited (the "Company") was established as a joint stock limited company in the People's Republic of China (the "PRC") on March 6, 1996 to take over and operate certain railroad and other related businesses (the "Businesses") which had been carried out by the Company's predecessor, Guangshen Railway Company (the "Predecessor") together with certain of its subsidiaries; and Guangzhou Railway (Group) Company (the "Parent Company") and certain of its subsidiaries prior to the formation of the Company. The Businesses carried out by the Company, the Predecessor and the Parent Company are all under the common control and jurisdiction of the Ministry of Railways (the "MOR") of the PRC.

The Predecessor is controlled by and under the administration of the Parent Company. Pursuant to a restructuring agreement entered into among the Parent Company, the Predecessor and the Company on March 8, 1996 which took effect from March 6, 1996 (the "Restructuring Agreement"), the Company issued to the Parent Company 100% of its equity interest in the form of 2,904,250,000 ordinary shares (the "State-owned Domestic Shares") in exchange for the assets and liabilities of the Businesses (the "Restructuring"). After the Restructuring, the Predecessor changed its name to Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company.

In May 1996, the Company issued 1,431,300,000 shares, represented by 217,812,000 H Shares ("H Shares") and 24,269,760 American Depositary Shares ("ADSs", one ADS represents 50 H Shares) in a global public offering for cash of approximately RMB4,214,000,000 in order to finance the capital expenditures and working capital requirements of the Company and its subsidiaries (collectively defined as the "Group").

The principal activities of the Group are railroad passenger and freight transportation. The Group also operates certain other businesses, which are principally services offered in the railway stations and sales of food, beverages and merchandise on board the trains as well as in the stations.

The registered address of the Company is No. 1052 Heping Road, Shenzhen, Guangdong Province, the People's Republic of China.

As of 31 December 2005, the Company had in total 8,882 employees, representing a decrease of 82 compared to that of 31 December 2004.

The English names of all companies listed in the financial statements are direct translations of their registered names in Chinese.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(1) BASIS OF PRESENTATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This basis of accounting differs in certain material respects from that used in the preparation of the statutory financial statements of the Group (the "Statutory Financial Statements") in accordance with the generally accepted accounting principles and relevant financial regulations applicable in the PRC ("PRC GAAP"). In preparing the Financial Statements, appropriate adjustments have been made to the Statutory Financial Statements to conform to IFRS, but such adjustments have not been incorporated into the Statutory Financial Statements.

The principal adjustments made to conform to IFRS include the following:

- Additional depreciation charges on fixed assets, in particular for rail-line track assets;

- Capitalisation of replacement costs of components of rail-line track assets and de-recognition of items being replaced;

- Difference in the recognition policy on housing benefits provided to employees;

- Recognition of government grants through deduction against the carrying value of fixed assets; and

- Recording of share issuance costs to reserves.

The financial statements have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain fixed assets are stated at valuation less accumulated depreciation and impairment losses (see Note 2(5) for details) and the Group also applies the fair value model to financial assets and liabilities and available-for-sale financial assets (see Note 2(9) for details).

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 4. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

In 2005, the Group adopted the new/revised/amended standards and interpretations of IFRS below, which are relevant to its operations. The 2004 and 2003 comparatives have been amended as required, in accordance with the relevant requirements.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(1) BASIS OF PRESENTATION (CONT'D)

IAS 1 (revised 2003)	Presentation of Financial Statements
IAS 2 (revised 2003)	Inventories
IAS 8 (revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003)	Events after the Balance Sheet Date
IAS 16 (revised 2003)	Property, plant and equipment
IAS 17 (revised 2003)	Leases
IAS 21 (revised 2003)	The Effects of Changes in Foreign Exchange Rates
IAS 24 (revised 2003)	Related Party Disclosures
IAS 27 (revised 2003)	Consolidated and Separate Financial Statements
IAS 28 (revised 2003)	Investments in Associates
IAS 32 (revised 2003)	Financial Instruments: Disclosure and Presentation
IAS 33 (revised 2003)	Earnings per Share
IAS 36 (revised 2004)	Impairment of Assets
IAS 38 (revised 2004)	Intangible Assets
IAS 39 (revised 2004)	Financial Instruments: Recognition and Measurement
IFRS 2 (issued 2004)	Share-based Payments
IFRS 3 (issued 2004)	Business Combinations
SIC 12 (revised 2004)	Consolidation - Special Purpose Entities
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments
IAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities

The adoption of IAS 1, 2, 8, 10, 16, 17, 21, 27, 32, 33, 36 and 38, IFRS 2 and 3, IFRIC 2 and SIC 12 did not result in substantial changes to the Group's accounting policies. In summary:

- IAS 1 has affected the presentation of minority interest and other disclosures;

- IAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All entities within the Group adopt Renminbi as their functional currency and financial statement presentation currency;

- IAS 24 has affected the identification of related parties and some other related party disclosures (see Note 33);

- IAS 28 has affected the presentation of the interests in associates in the consolidated income statement that it is presented as the share of results of associates after tax.

The adoption of IAS 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(1) BASIS OF PRESENTATION (CONT'D)

Certain new standards, amendments and interpretations to existing standards have been published, that are mandatory for adoption for accounting periods beginning on or after 1 January 2006 or later periods but which the Company has not early adopted, are as follows:

IAS 19 (Amendment), Employee Benefits.
IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IAS 39 (Amendment), The Fair Value Option
IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts
IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources
IFRS 6, Exploration for and Evaluation of Mineral Resources
IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures
IFRIC 4, Determining whether an Arrangement contains a Lease
IFRIC 5, Rights to interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

(2) CONSOLIDATION

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Details of the Company's subsidiaries are shown in Note 9.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(2) CONSOLIDATION (CONT'D)

(b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Details of the Group's associates are set out in Note 10.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(3) SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

(4) FOREIGN CURRENCY TRANSACTIONS

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and all its subsidiaries and it is also the presentation currency of the Group.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(4) FOREIGN CURRENCY TRANSACTIONS (CONT'D)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(5) FIXED ASSETS

Fixed assets are initially recorded at cost less accumulated depreciation and impairment loss. Cost represents the purchase price of the assets (for the case of fixed assets acquired by the Company from the Predecessor during the Restructuring, based on amounts of valuation determined in the Restructuring as deemed costs) and other costs incurred to bring the assets into existing use.

Subsequent to the initial recognition, fixed assets are stated at cost or valuation less accumulated depreciation and impairment losses. Independent valuations, on a market value basis or depreciated replacement cost basis when there is no evidence of market value for such an item, are performed at least every five years or sooner if considered necessary by the directors. In the intervening years, the directors review the carrying values of the fixed assets and adjustment is made where there has been a material change. Any accumulated depreciation at the date of revaluation is restated proportionately with the change in the gross carrying amount of the assets so that the carrying amounts of the assets after revaluation are equal to their revalued amounts. Increases in the carrying amount arising from revaluation of fixed assets are credited to the shareholders' equity as revaluation surplus. Decreases that offset previous increases of the same asset are charged against reserves directly in equity; all other decreases are charged to the income statement. In each year, the difference between depreciation determined based on the revalued carrying amount of the assets charged to the income statement and the depreciation determined based on the assets' original cost is transferred from the revaluation surplus to retained earnings.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to write off the cost or revalued amount, after taking into account the estimated residual value of not more than 4% of cost, of each asset over its estimated useful life. The estimated useful lives are as follows:

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(5) FIXED ASSETS

<TABLE>
<CAPTION>

<S>	<C>
Buildings	25 to 40 years
Leasehold improvements	over the lease terms
Track, bridges and service roads	55 to 100 years
Locomotives and rolling stock	20 years
Communications and signalling systems	8 to 20 years
Other machinery and equipment	7 to 25 years

</TABLE>

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2(8)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement. When revalued assets are sold, the amounts included in reserves are transferred to retained earnings.

(6) CONSTRUCTION-IN-PROGRESS

Construction-in-progress represents plant and facilities, including railroad stations and maintenance facilities under construction and machinery pending for installation. Construction in progress is stated at cost which includes all expenditures and other direct costs, site restoration costs, prepayments and deposits attributable to the installation and interest charges arising from borrowings used to finance the installation during the installation period. Construction-in-progress is not depreciated until such assets are completed and ready for their intended use.

(7) LEASEHOLD LAND PAYMENTS

All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the right to use certain land for its rail line, stations and other businesses. The premium paid for such leasehold land payments represents pre-paid lease payments, which are amortised over the lease terms of 36.5 to 50 years using the straight-line method.

(8) IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(9) FINANCIAL ASSETS

The Group classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: 'financial assets held for trading', and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade receivables' and "prepayments and other receivables" in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

2 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(9) FINANCIAL ASSETS (CONT'D)

(c) Available-for-sale financial assets (Cont'd)

A gain or loss on an available-for-sale financial assets is recognized directly in equity, through the statement of changes in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity shall be recognized in profit or loss.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of receivables is described in Note 2(12).

(10) DEFERRED STAFF COSTS

The Group implemented a scheme (the "Scheme") for the sales of staff quarters to its employees in 2000. Under the Scheme, the Group sold certain staff quarters to their employees at preferential prices in the form of housing benefits provided to these employees. The total housing benefits (the "Benefits"), which represented the difference between the net book value of the staff quarters sold and the proceeds collected from the employees, are expected to benefit the Group over 15 years, which is the estimated remaining average service period of the employees participating in the Scheme. Upon the sales of these staff quarters to the employees, the Benefits incurred were recorded as deferred staff costs and the balance is amortised over the estimated remaining service period of the employees participating in the Scheme.

At each balance sheet date, the Group assesses whether there is any indication of impairment, considering the remaining service period of the employees and other qualitative factors. If such indications exist, an analysis is performed to assess whether the carrying amount of the deferred staff costs are fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

(11) MATERIALS AND SUPPLIES

Materials and supplies consist mainly of items for repair and maintenance of rail-line tracks, and are stated at lower of cost and net realisable value. Cost is determined using the weighted average method. Materials and supplies are expensed when used, or capitalized as fixed assets when installed, as appropriate. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses.

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2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(12) RECEIVABLES

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

(13) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, and deposits placed with deposit centre operated by MOR which is licensed to undertake deposits by the PRC financial authorities, other short-term highly liquid investments with original maturities of three months or less.

(14) DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(15) EMPLOYEE BENEFITS

Pursuant to the PRC laws and regulations, contributions to the basic old age insurance for the Group's local staff are to be made monthly to a government agency based on 26% of the standard salary set by the provincial government, of which 18% is borne by the Company or its subsidiaries and the remainder 8% is borne by the staff. The government agency is responsible for the pension liabilities due to such staff upon their retirement. The Group accounts for these contributions on an accrual basis and charges the related contributions to income in the year to which the contributions relate. See also Note 2 (10) above.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(16) REVENUE RECOGNITION

Provided it is probable that the economic benefits associated with a transaction will flow to the Group and the revenues and costs, if applicable, can be measured reliably, revenue is recognised on the following basis:

(a) Rendering of services and sales of goods

Railroad revenues are recognised when services are performed. Revenues from other businesses are mainly derived from the sales of food, beverages and other merchandise on board the trains and in the railway stations and revenues derived from operating restaurants in major railway stations. Sales on board the trains and in the railway stations are recognised upon delivery of the food items and merchandises, when the significant risks and rewards of ownership of these goods have been transferred to the buyers. Revenues derived from the operations of restaurants are recognised when services are rendered.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established

(17) GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to the purchase of fixed assets are deducted against the carrying amount of the fixed assets.

(18) OPERATING LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(19) DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

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3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: currency risk, price risk, credit risk and interest rate risk. The Group's overall risk management strategy seeks to minimise the potential adverse effects on the financial performance of the Group.

(a) Currency risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. RMB is not freely convertible into other foreign currencies. The conversion of RMB denominated balances into foreign currencies is subject to the rates and regulations of foreign exchange control promulgated by the PRC government. In addition, the Group is required to pay dividends in HKD and USD in the future when dividends are declared.

The Group had USD and HKD monetary assets as at 31 December 2005 and 2004 as stated below.

<TABLE>
<CAPTION>

Monetary assets	Currency denomination	As at 31 December 2004 (RMB'000)	As at 31 December 2005 (RMB'000)
<S>	<C>	<C>	<C>
Current assets			
Short-term deposits with original maturities of over three months	USD	755,975	503,463
Cash and cash equivalents	USD	95,612	9,049
Cash and cash equivalents	HKD	89,883	110,195

</TABLE>

The Group may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our deposits. The Group has not used any means to hedge the exposure to foreign exchange risk.

On 21 July 2005, the PRC government announced that the RMB is to be floated in line with a basket of certain selected currencies and not to be pegged with the USD on or after that day. As a result, RMB appreciated by approximately 2% as compared to USD based on the exchange rate announced on that day and the Group suffered exchange losses of approximately RMB21,761,000 as a result of such event. The losses were recorded as finance costs in the income statement for the year ended 31 December 2005.

The directors believe that interest income derived from deposits denominated in foreign currencies will partially offset the Group's exposure to currency risk (see 3(e) for details).

(b) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the amounts involved are not significant and management of the Company believes that the exposure is not material.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

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3 FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Credit risk

The carrying amount of cash and cash equivalents, trade and other receivables (excluding prepayments), short-term deposit, and due from related parties represent the Group's maximum exposure to credit risk in relation to financial assets.

Cash and short term liquid investments are placed with reputable banks and deposit taking centres operated by MOR (see Notes 18 and 30(b) for details), no significant credit risk is expected.

The majority of the Group's accounts receivable balance relate to the rendering of services or sales of products to third party customers. The Group's other receivable balances mainly arise from services other than the main railway transportation services. The Group performs ongoing credit evaluations of its customers/debtors' financial condition and generally does not require collaterals from the customers/debtors' account on the outstanding balances. Based on the expected realisability and the timing for collection of the outstanding balances, the Group maintains a provision for doubtful accounts and actual losses incurred have been within management's expectation.

No other financial assets carry a significant exposure to credit risk.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet its current use in operations. Management aims to maintain flexibility in funding by keeping committed credit lines available. In addition, the Company is undergoing an A share initial public offering (see Note 19).

(e) Interest rate risk

As the Group has no significant interest-bearing assets (except for short term deposits placed with banks and deposit centre of MOR and the restricted cash balance, the weighted average effective interest rate on deposits was 3% per annum) and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The directors believe that Group's exposure to interest rate risk of financial assets and liabilities as of 31 December 2005 was minimal since their deviation from their respective fair values was not significant.

Due to the fact the interest rates for deposits denominated in foreign currencies are higher than that of RMB in China, the interest income so derived from these deposits had partially offset the Group's exchange losses of approximately RMB8,260,000 for year ended 31 December 2005.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Critical accounting estimates and assumptions

The critical accounting estimates and assumptions involved in the preparation of the IFRS Financial Statements include the estimates of the values of fixed assets recorded under the revaluation model, the depreciable lives of fixed assets and the expected service period of employees who have participated in the Scheme for the provision of Benefits mentioned in Note 2(10).

The estimate of the values of the fixed assets was made by the directors of the Company as disclosed in Note 6. The estimate of depreciable lives of fixed assets was made by the directors with reference to the established industry practices, technical assessments made on the durability of the fixed asset items, as well as the historical magnitudes and the trend of repair, maintenance and replacement costs incurred by the Group. The estimate of expected service period of employees was made by the directors based on the average age of employees who have joined the Scheme and the historical attrition rate of employees.

(b) Estimated impairment of non-financial assets

The Group tests annually, or when there is any triggering event, whether non-financial assets, mainly including fixed assets, leasehold land payments and investment in associates have suffered any impairment, in accordance with the accounting policy stated in Note 2(8). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

For the impairment assessment made on fixed assets and leasehold land payments, the critical estimates made by management include the expected growth in unit service charges and future business volume growth, which are projected to be maintained at the prevailing 2005 level over the estimated remaining useful lives of the assets. For the impairment assessment made on the realisability of its investment made in an associate, Guangzhou Tiecheng Enterprise Company, please refer to Note 10 for details.

(c) Fair value of other financial instruments

The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow analysis for various available-for-sale financial assets that were not traded in active markets.

5. SEGMENT INFORMATION

(a) Primary reporting format - business segments

As of 31 December 2005, the Group conducts the majority of its business activities in railway transportation ("Railroad Businesses") and other related business operations (see Note 1). These segments are determined primarily because the senior management makes key operating decisions and assesses performance of the segments separately. The accounting policies of the Group's segments are the same as those described in the principal accounting policies in Note 2(3). The Group evaluates performance based on profit from operations.

Segment assets consist primarily of fixed assets, construction-in-progress, leasehold land payments, prepayments for fixed assets, deferred staff costs, prepayments and other receivables, short-term deposits and cash and cash equivalents, excluding interests in associates and deferred tax assets. Segment liabilities primarily consists of trade payable, payables for construction-in-progress, due to related parties and accruals and other payables, excluding taxes payable and deferred tax liability. Capital expenditure comprises additions to fixed assets (see Note 6), construction-in-progress (see Note 7) and prepayment for fixed assets.

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

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(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

5. SEGMENT INFORMATION (CONT'D)

(a) Primary reporting format - business segments (Cont'd)

An analysis by business segment is as follows:

<TABLE>
<CAPTION>

	Railroad businesses			Other businesses		
	2005	2004	2003	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues						
- External	3,099,466	2,871,478	2,316,586	177,462	166,671	151,596
- Inter-segment	--	--	--	159,503	58,727	52,172
	3,099,466	2,871,478	2,316,586	336,965	225,398	203,768
Other (loss)/ income	45,408	47,025	46,158	3,097	1,168	1,183
SEGMENT RESULT	769,093	676,682	606,889	(9,788)	1,684	3,165
Finance costs	--	--	--	--	--	--
Share of results of associates	(19,949)	(12,119)	(2,508)	--	--	--
Income tax expense	--	--	--	--	--	--
PROFIT FOR THE YEAR						
OTHER INFORMATION						
Segment assets	12,381,918	11,046,722	10,082,637	218,545	215,577	844,668
Interest in associates	108,000	128,346	140,494	--	--	--
Deferred tax assets	--	--	--	--	--	--
TOTAL ASSETS						
SEGMENT LIABILITIES	1,789,264	757,510	429,123	115,388	103,477	220,620
TAXES PAYABLE	--	--	--	--	--	--
DEFERRED TAX LIABILITY						
TOTAL LIABILITIES						
CAPITAL EXPENDITURE	2,248,976	315,035	298,890	9,335	11,477	7,103
Non-cash expenses						
- DEPRECIATION	325,582	334,501	290,014	2,773	1,588	1,639
- Amortisation of leasehold land payments	15,581	15,704	15,602	--	--	--
- Provision for doubtful accounts	8,550	18,668	123	1,190	82	49
- Amortisation of deferred staff costs	15,090	15,092	15,092	--	--	--

<CAPTION>

	Unallocated			Elimination		
	2005	2004	2003	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues						
- External	--	--	--	--	--	--
- Inter-segment	--	--	--	(159,503)	(58,727)	(52,172)
	--	--	--	(159,503)	(58,727)	(52,172)
Other (loss)/ income	--	--	--	--	--	--
SEGMENT RESULT	--	--	--	--	--	--
Finance costs	(22,738)	(1,136)	(2,468)	--	--	--
Share of results of associates	--	--	--	--	--	--
Income tax expense	(104,248)	(98,373)	(93,348)	--	--	--
PROFIT FOR THE YEAR						
OTHER INFORMATION						
Segment assets	--	--	--	--	--	--
Interest in associates	--	--	--	--	--	--
Deferred tax assets	35,990	18,406	6,154	--	--	--
TOTAL ASSETS						
SEGMENT LIABILITIES	--	--	--	--	--	--
TAXES PAYABLE	102,155	75,878	49,494	--	--	--
DEFERRED TAX LIABILITY	4,830	--	--	--	--	--
TOTAL LIABILITIES						
CAPITAL EXPENDITURE	--	--	--	--	--	--
Non-cash expenses						
- DEPRECIATION	--	--	--	--	--	--
- Amortisation of leasehold land payments	--	--	--	--	--	--
- Provision for doubtful accounts	--	--	--	--	--	--
- Amortisation of deferred staff costs	--	--	--	--	--	--

<CAPTION>

	Total		
	2005	2004	2003
	RMB'000	RMB'000	RMB'000
<S>	<C>	<C>	<C>
Revenues			
- External	3,276,928	3,038,149	2,468,182
- Inter-segment	--	--	--
	3,276,928	3,038,149	2,468,182
Other (loss)/ income	48,505	48,193	47,341
SEGMENT RESULT	759,305	678,366	610,054
Finance costs	(22,738)	(1,136)	(2,468)
Share of results of associates	(19,949)	(12,119)	(2,508)
Income tax expense	(104,248)	(98,373)	(93,348)
PROFIT FOR THE YEAR	612,370	566,378	511,730

OTHER INFORMATION			
Segment assets	12,600,463	11,262,299	10,927,305
Interest in associates	108,000	128,346	140,494
Deferred tax assets	35,990	18,406	6,154
TOTAL ASSETS	12,744,453	11,409,051	11,073,953
SEGMENT LIABILITIES	1,904,652	860,987	649,743
TAXES PAYABLE	102,155	75,878	49,494
DEFERRED TAX LIABILITY	4,830	--	--
TOTAL LIABILITIES	2,011,637	936,865	699,237
CAPITAL EXPENDITURE	2,258,311	326,512	305,993
Non-cash expenses			
- DEPRECIATION	328,355	336,089	291,653
- Amortisation of leasehold land payments	15,581	15,704	15,602
- Provision for doubtful accounts	9,740	18,750	172
- Amortisation of deferred staff costs	15,090	15,092	15,092

</TABLE>

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

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(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

5. SEGMENT INFORMATION (CONT'D)

(b) Secondary reporting format - geographical segments

For the year ended 31 December 2005 (2004 and 2003 - same), all of the Group's business operations are conducted within the PRC. Accordingly, no analysis of geographical segment information is presented.

6. FIXED ASSETS

<TABLE>
<CAPTION>

	Buildings	Leasehold improvements	Tracks, bridges and service roads	Locomotives and rolling stock	Communications and signalling systems	Other machinery and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
AT 1 JANUARY 2004							
Cost or valuation	1,887,368	38,500	4,315,705	1,042,892	300,078	1,969,338	9,553,881
Accumulated depreciation	(429,670)	(21,175)	(1,064,797)	(299,524)	(208,687)	(561,880)	(2,585,733)
Impairment	--	--	--	(14,284)	--	(986)	(15,270)
Net book amount	1,457,698	17,325	3,250,908	729,084	91,391	1,406,472	6,952,878
YEAR ENDED 31 DECEMBER 2004							
Opening net book amount	1,457,698	17,325	3,250,908	729,084	91,391	1,406,472	6,952,878
Additions	22,644	--	--	15,232	3,379	355	41,610
Transfer from Construction-in-progress	229,261	--	26,851	--	17,905	55,965	329,982
Reclassifications *	162,527	--	(21,955)	--	21,215	(161,787)	--
Disposals	(13,301)	--	(360)	--	(12)	(1,429)	(15,102)
Depreciation charges	(75,363)	(7,700)	(51,103)	(44,126)	(35,609)	(122,188)	(336,089)
Closing net book amount	1,783,466	9,625	3,204,341	700,190	98,269	1,177,388	6,973,279
AT 31 DECEMBER 2004							
Cost or valuation	2,295,810	38,500	4,317,078	1,058,124	342,094	1,835,480	9,887,086
Accumulated depreciation	(512,344)	(28,875)	(1,112,737)	(343,650)	(243,825)	(657,081)	(2,898,512)
Impairment	--	--	--	(14,284)	--	(1,011)	(15,295)
Net book amount	1,783,466	9,625	3,204,341	700,190	98,269	1,177,388	6,973,279
REPRESENTING:							
At cost	457,122	38,500	187,339	37,781	68,116	325,136	1,113,994
At valuation	1,838,688	--	4,129,739	1,020,343	273,978	1,510,344	8,773,092
	2,295,810	38,500	4,317,078	1,058,124	342,094	1,835,480	9,887,086
YEAR ENDED 31 DECEMBER 2005							
Opening net book amount	1,783,466	9,625	3,204,341	700,190	98,269	1,177,388	6,973,279
Additions **	145,981	--	65,069	28,896	1,326	39,760	281,032
Transfer from Construction-in-progress	388,217	--	2,700	3,301	14,556	121,520	530,294
Reclassifications	(87,677)	--	87,806	--	14	(143)	--
Disposals	(23,250)	--	(31,795)	--	(853)	(8,845)	(64,743)
Depreciation charges	(32,668)	(7,700)	(92,783)	(47,380)	(21,712)	(126,112)	(328,355)
Closing net book amount	2,174,069	1,925	3,235,338	685,007	91,600	1,203,568	7,391,507
AT 31 DECEMBER 2005							
Cost or valuation	2,705,859	38,500	4,436,935	1,090,321	355,368	1,953,418	10,580,401
Accumulated depreciation	(531,790)	(36,575)	(1,201,597)	(391,030)	(263,768)	(748,887)	(3,173,647)
Impairment	--	--	--	(14,284)	--	(963)	(15,247)
Net book amount	2,174,069	1,925	3,235,338	685,007	91,600	1,203,568	7,391,507
REPRESENTING:							
At cost	763,464	38,500	342,914	69,978	84,048	486,416	1,785,320
At valuation	1,942,395	--	4,094,021	1,020,343	271,320	1,467,002	8,795,081
	2,705,859	38,500	4,436,935	1,090,321	355,368	1,953,418	10,580,401

</TABLE>

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6. FIXED ASSETS (CONT'D)

* During the year ended 31 December 2004, the directors of the Company reclassified certain fixed assets from one category to another based on the results of the assessment reports issued upon the completion of construction of certain projects. Accordingly, the carrying amounts of the fixed assets being reclassified have to be depreciated over their remaining useful lives under the respective new categories.

** As described in Note a of the consolidated statement of changes in equity, the Company recorded an adjustment on the carrying value of fixed assets and the share premium account amounting to RMB140,000,000. Such adjustment was included in the current year additions.

On 6 March 1996, the fixed assets of the Group were revalued by Vigers Hong Kong Limited (the "Valuer"), a qualified independent valuer in Hong Kong, using the replacement cost approach and open market value approach. The replacement cost approach considers the costs to be incurred in order to replace the assets appraised with similar brand new assets and they include the estimated purchase price, delivery charges and related installation costs. The purchase price is determined based on the estimated open market value. The Valuer also assumed that the assets would be continued to be used in the then existing operations of the Group and had not considered any alternative uses. The total revalued amount of the assets determined based on that valuation was RMB5,318,202,000 and resulted in a revaluation surplus amounting to approximately RMB1,492,185,000 ("Revaluation Surplus") being recorded by the Group as of 6 March 1996 as part of the deemed costs of its fixed assets. Additional depreciation charges have also been provided on the Revaluation Surplus from that date onwards. Upon the Restructuring of the Company, the Revaluation Surplus was capitalised as ordinary shares of the Company allotted to the Parent Company.

On 30 September 2002, the fixed assets were revalued again by Pan-China (Schinda) Certified Public Accountants, a qualified independent valuer registered in the PRC, based on the replacement cost approach and open market value approach, wherever appropriate (the "2002 Valuation"). The 2002 Valuation did not result in any material revaluation surplus or deficit.

During 2005, the directors of the Company had undertaken a review based on the 2002 Valuation results and the relevant changes in market values of the assets and concluded that the fixed assets balance as at 31 December 2005 approximate their fair values (2004 - same).

Had the fixed assets been carried at cost less accumulated depreciation and impairment, the carrying amounts of the fixed assets of the Group would have been as follows:

<TABLE>
<CAPTION>

	2004 RMB'000	2005 RMB'000
Cost	8,394,901	8,737,100
Accumulated depreciation and impairment	(2,151,588)	(2,390,278)
Net book amount	6,243,313	6,346,822

</TABLE>

As at 31 December 2005, ownership certificates of certain buildings ("Building Ownership Certificates") of the Group with an aggregate carrying value of approximately RMB1,297,947,000 (2004: RMB1,529,978,000) had not been obtained by the Group. After consultation made with the Company's legal counsel, the directors of the Company consider that there is no legal restriction for the Group to apply for and obtain the Building Ownership Certificates and it should not lead to any significant adverse impact on the operations of the Group. Accordingly, no provision for fixed assets impairment was considered necessary.

6. FIXED ASSETS (CONT'D)

In addition, pursuant to Caishui [2004] No.36 and Caishui [2003] No.149 issued by MOF and the State Administration of Taxation, the Group is exempt from certain real estate taxes on its properties amounting to approximately RMB15,000,000 for the year ended 31 December 2005 (2004: approximately RMB14,000,000). The grant of such exemption is subject to the acknowledgement of relevant authorities that the Company is a transportation company controlled by MOR. Subsequent to year end on 8 March 2006, the Company obtained such formal approval from the authorities. Accordingly, no real estate taxes were accrued for in the Financial Statements.

7. CONSTRUCTION-IN-PROGRESS

<TABLE>
<CAPTION>

<S>	2004 RMB'000 <C>	2005 RMB'000 <C>
At 1 January	390,393	345,313
Additions	284,902	1,634,339
Transfer to fixed assets	(329,982)	(530,294)
At 31 December	345,313	1,449,358

</TABLE>

As of 31 December 2005, no interest expenses had been capitalised in the construction-in-progress balance since the Group had no borrowings.

8. LEASEHOLD LAND PAYMENTS

<TABLE>
<CAPTION>

<S>	RMB'000 <C>
AT 1 JANUARY 2004	
Cost	770,774
Accumulated amortisation	(118,691)
Net book amount	652,083
YEAR ENDED 31 DECEMBER 2004	
Opening net book amount	652,083
Disposals	--
Amortisation charges	(15,704)
Closing net book amount	636,379
AT 31 DECEMBER 2004	
Cost	770,774
Accumulated amortization	(134,395)
Net book amount	636,379
YEAR ENDED 31 DECEMBER 2005	
Opening net book amount	636,379
Amortisation charges	(15,581)
Closing net book amount	620,798
AT 31 DECEMBER 2005	
Cost	770,774
Accumulated amortization	(149,976)
Net book amount	620,798

</TABLE>

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8. LEASEHOLD LAND PAYMENTS (CONT'D)

As at 31 December 2005, land use right certificates ("Land Certificates") of certain parcels of land of the Group with an aggregate area of approximately 3,450,962 square meters (2004: 7,372,000 square meters) had not been obtained. After consultation made with the Company's legal counsel, the directors consider that there is no legal restriction for the Group to apply for and obtain the Land Certificates and it should not lead to any significant adverse impact on the operations of the Group. Accordingly, no provision for impairment was considered necessary.

9. INTERESTS IN SUBSIDIARIES

As of 31 December 2005, the Company had direct or indirect interests in the following principal subsidiaries which were incorporated / established and are operating in the PRC:

<TABLE>
<CAPTION>

Name of the entity	Date of incorporation/ establishment	Percentage of equity interest attributable to the Company	Paid-in capital	Principal activities
DIRECTLY HELD BY THE COMPANY				
Shenzhen Guangshen Railway Civil Engineering Company ("Guangshen Railway Civil Engineering")**	1 March 1984	100%	RMB55,000,000	Construction of railroad properties
Shenzhen Fu Yuan Enterprise Development Company	1 November 1991	100%	RMB18,500,000	Hotel management
Shenzhen Guangshen Railway Travel Service Ltd.	16 August 1995	100%	RMB2,400,000	Travel agency
Shenzhen Jing Ming Industrial & Commercial Company Limited	18 January 1994	100%	RMB2,110,000	Maintenance of water and electrical equipment
Shenzhen Jian Kai Trade Company *	6 December 1993	100%	RMB2,000,000	Construction materials trading
Shenzhen Railway Station Passenger Services Company	18 December 1986	100%	RMB1,500,000	Catering services and sales of merchandise
Guangzhou East Station Dongqun Trade and Commerce Service Company	23 November 1992	100%	RMB1,020,000	Sales of merchandise
Shenzhen Railway Station Travel Service Company	1 January 1990	75%	RMB2,129,400	Catering services and sales of merchandise
Shenzhen Longgang Pinghu Qun Yi Railway Store Loading and Unloading Company	11 September 1993	55%	RMB10,000,000	Cargo loading and unloading, warehousing, freight transportation
Dongguan Changsheng Enterprise Company	22 May 1992	51%	RMB38,000,000	Warehousing
INDIRECTLY HELD BY THE COMPANY				
Shenzhen Railway Property Management Company Limited	13 November 2001	100%	RMB3,000,000	Property management
Shenzhen Nantie Construction Supervision Company	8 May 1995	100%	RMB2,000,000	Supervision of construction projects
Shenzhen Guangshen Railway Economic and Trade Enterprise Company	7 March 2002	100%	RMB2,000,000	Culinary management
Shenzhen Yuezheng Enterprise Company Limited	24 June 1996	100%	RMB1,000,000	Freight transport agency, cargo loading and unloading, warehousing
Shenzhen Road Multi-modal Transportation Company Limited	17 March 1994	60%	RMB1,000,000	Freight transportation

</TABLE>

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

* A public announcement was made that the subsidiary had to be put under liquidation on 20 May 2005 and the formal liquidation process also commenced on that date. As at 31 December 2005, the relevant legal procedures had not been completed but the directors consider that the impact of the liquidation process did not bear any material impact on the Financial Statements as a whole.

** On 13 June 2006, the Company entered into an equity transfer agreement with Guangzhou Railway Economic and Technological Development General Company ("Guangzhou Railway General Company"), a related party, pursuant to which, the Company transferred 51% of the equity interest held in Guangshen Railway Civil Engineering to Guangzhou Railway General Company. After the completion of such transfer, the equity interest of the Company held in Guangshen Railway Civil Engineering will decrease from 100% to 49% and it will become an associate of the Company.

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10. INTERESTS IN ASSOCIATES

<TABLE>
<CAPTION>

	2004 RMB'000	2005 RMB'000
Share of net assets	157,527	137,578
Less: provision for impairment in value*	(29,689)	(29,689)
Interest in associates, net	127,838	107,889
Due from associates	12,820	12,423
Less: provision for doubtful accounts**	(12,312)	(12,312)
	508	111
	128,346	108,000

</TABLE>

The movement of interest in associates during the year is as follows:

<TABLE>
<CAPTION>

	2004 RMB'000	2005 RMB'000
Beginning of the year	139,957	127,838
Share of results after tax	(12,119)	(19,949)
End of the year	127,838	107,889

</TABLE>

* The provision at the Group level as at 31 December 2005 represents the provision for full impairment losses incurred in the share of net assets of Zengcheng Lihua Stock Company Limited ("Zengcheng Lihua") at approximately RMB29,700,000, which was made in prior years (the "Zengcheng Lihua Provision"). The provision balance at the Company level as at 31 December 2005 include the Zengcheng Lihua Provision and a provision for impairment loss of the Company's investment in Guangzhou Tiecheng Enterprise Company Limited ("Tiecheng") amounting to approximately RMB36,000,000, representing the cumulative equity share of the losses incurred by Tiecheng to 31 December 2005.

** The provision for doubtful accounts represents a full impairment loss provision against a receivable balance due from Zengcheng Lihua of approximately RMB12,300,000, which was made in prior years.

As of 31 December 2005, the Group had direct or indirect interests in the following companies which were incorporated / established and are operating in the PRC:

<TABLE>
<CAPTION>

Name of the entity	Date of incorporation/ establishment	Percentage of equity interest attributable to the Company	Registered capital amount of the associate	Principal activities
DIRECTLY HELD BY THE COMPANY				
Tiecheng (Note a)	2 May 1995	49%	RMB245,000,000	Properties management and trading of merchandise
Zengcheng Lihua	30 July 1992	27%	RMB100,000,000	Real estate construction, provision of warehousing, cargo uploading and unloading services
Guangzhou Tielian Economy Development Company Limited ("Tielian")	27 December 1994	34%	RMB1,000,000	Warehousing and freight transport agency services
INDIRECTLY HELD BY THE COMPANY				
Guangzhou Huangpu Yuehua Freight Transportation Joint Venture Company Limited	20 July 1990	33.3%	RMB6,610,000	Cargo loading and unloading, warehousing, freight transport agency services

</TABLE>

10. INTERESTS IN ASSOCIATES (CONT'D)

The Group's share of the results with its percentage ownership of its principal associates, and its share of the assets are as follows:

	Assets	Liabilities	Revenues	Profit/(Loss)
	RMB'000	RMB'000	RMB'000	RMB'000
2004				
Tiecheng	178,897	55,061	3,632	(12,165)
Tielian	3,613	448	1,170	46
	182,510	55,509	4,802	(12,119)
2005				
Tiecheng	152,499	48,648	2,534	(19,979)
Tielian	3,488	287	1,253	30
	155,987	48,935	3,787	(19,949)

Note a:

As indicated above, the carrying amount of the Company's investment in Tiecheng was approximately RMB103,851,000 as at 31 December 2005.

In 1996, Tiecheng and a third party company jointly established a sino-foreign contractual joint venture, Guangzhou Guantian Real Estate Company ("Guangzhou Guantian"), in Guangzhou in order to develop certain properties near a railway station operated by the Group. On 27 October 2000, Guangzhou Guantian together with two other parties, namely Guangzhou Guanhua Real Estate Company Limited ("Guangzhou Guanhua") and Guangzhou Guanyi Real Estate Company Limited ("Guangzhou Guanyi"), agreed to act as joint guarantors (collectively the "Guarantors") for certain payable balances due from Guangdong Guancheng Real Estate Company Limited ("Guangdong Guancheng") to a third party (the "Creditor").

Guangzhou Guantian, Guangzhou Guanhua, Guangzhou Guanyi and Guangdong Guancheng are related companies to the extent that they have one common chairman. As Guangdong Guancheng failed to settle the payables, the Guarantors were found to be jointly liable to the Creditor an amount of approximately RMB257,000,000 plus accrued interest (collectively the "Damages") according to a court verdict made on 4 November 2001 (the "Verdict"). In the case that Guangzhou Guantian had to honour its joint obligation to settle the Damages, the carrying value of the Company's investment in Tiecheng would have been further impaired.

On 15 December 2003, the People's High Court of Guangdong Province (the "High Court") accepted Guangzhou Guantian's application for a re-trial to discharge its obligation under the aforesaid guarantee. As a necessary step for the High Court to decide whether there should be a re-trial, a hearing was held on 18 March 2004. In October 2005, the High Court received an order from the People's Supreme Court of Guangdong Province to launch a re-trial and certain preparatory procedures were undertaken by the High Court in December 2005. Nevertheless, the date of the re-trial has not been fixed. After consultation made with an independent legal counsel, the directors are of the opinion that there is a high possibility that the above guarantee arrangement would be determined to be invalid according to the relevant rules and regulations of the PRC. Accordingly, the directors consider that, as of the date of approval of the Financial Statements, the possibility that Guangzhou Guantian would be required to settle the above claim is remote, and no provision for impairment loss of the Company's interest in Tiecheng had to be made in the Financial Statements. In addition, in order to avoid any monetary losses that the Company may suffer arising from the litigation, the Company has obtained a letter of undertaking issued by the Parent Company dated 14 December 2004, whereby the Parent Company has undertaken to adopt relevant procedures and actions so that the investment interests of the Company in Tiecheng will not be affected by the litigation.

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11. AVAILABLE-FOR-SALE INVESTMENTS

<TABLE>
<CAPTION>

<S>	2004 RMB'000 <C>	2005 RMB'000 <C>
Beginning of the year	167,962	167,962
Disposals (Note a)	--	(121,854)
End of the year	167,962	46,108

</TABLE>

Note a:

Pursuant to an instruction, Tiezhengfa (2004) No. 6, jointly issued by the MOR and the State-owned Assets Supervision and Administration Committee of the State Council of the PRC, the Company was required to dispose of its equity investment made in China Railway Communication Company Limited ("China Railcom"), which is a subsidiary of MOR, to the authorities at the original cost of the investment incurred by the Company at approximately RMB121,854,000, resulting in no net gain or loss to the Company. The Parent Company was responsible for making settlement to the Company for the disposal on behalf of the authorities. As at 31 December 2005, the transfer procedures of the investment had been completed and the Company had also received a partial settlement of the consideration amounting to RMB62,700,000 from the Parent Company. The remaining balance of approximately RMB59,154,000 had been recorded as an amount due from related party in the Financial Statements. (See also Note 33(b) and (c)).

The Company's ownership in the equity interests in each of the respective investee companies shown above is less than 10%. The directors of the Company are of the opinion that no quoted market price in an active market is available for these investments and their fair values cannot be reliably measured by alternative valuation methods. In accordance with the requirements under IFRS, the above non-current available-for-sale investments are carried at cost subject to review for impairment loss. As of 31 December 2005, no impairment provision was considered necessary by the directors to write down the carrying amounts of these investments.

12. DEFERRED TAX ASSETS /LIABILITIES

Deferred income taxes are calculated in full on temporary differences under the liability method using the applicable tax rates for the respective companies affected.

<TABLE>
<CAPTION>

<S>	2004 RMB'000 <C>	2005 RMB'000 <C>
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	18,406	35,990
Deferred tax liability:		
- Deferred tax liability to crystallise after more than 12 months	--	(4,830)
	18,406	31,160

</TABLE>

The gross movement on the deferred tax account is as follows:

<TABLE>
<CAPTION>

<S>	2004 RMB'000 <C>	2005 RMB'000 <C>
Beginning of the year	6,154	18,406
Tax charged to income statement	12,252	17,584
End of the year	18,406	35,990

</TABLE>

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

12. DEFERRED TAX ASSETS /LIABILITIES (CONT'D)

The movement in deferred tax assets and liabilities of the Group and the Company during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	At 1 January 2004 RMB'000	Charged to the income statement RMB'000	At 31 December 2004 RMB'000	Charged to the income statement RMB'000	At 31 December 2005 RMB'000
DEFERRED TAX ASSETS:					
Provision for doubtful debts	472	9,991	10,463	3,627	14,090
Impairment provision for fixed assets	2,946	--	2,946	--	2,946
Impairment provision for interests in associates	2,227	2,226	4,453	--	4,453
Write-down of reclaimed track rails to realisable value	--	--	--	5,776	5,776
Adjustments made to carrying values of fixed assets	--	--	--	5,381	5,381
Others	509	35	544	2,800	3,344
	6,154	12,252	18,406	17,584	35,990

	At 31 December 2004 RMB'000	Charged to the income statement RMB'000	At 31 December 2005 RMB'000
DEFERRED TAX LIABILITIES:			
Capitalisation of replacement costs of rail-line track assets	--	4,830	4,830

13. DEFERRED STAFF COSTS

	2004 RMB'000	2005 RMB'000
AT 1 JANUARY		
Cost	226,369	226,369
Accumulated amortization	(60,366)	(75,458)
Net book amount	166,003	150,911
YEAR ENDED 31 DECEMBER		
Opening net book amount	166,003	150,911
Amortization	(15,092)	(15,090)
Closing net book amount	150,911	135,821
AT 31 DECEMBER		
Cost	226,369	226,369
Accumulated amortization	(75,458)	(90,548)
Net book amount	150,911	135,821

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

14. MATERIALS AND SUPPLIES

	2004 RMB'000	2005 RMB'000
Train compartment materials	30,871	34,420
Reusable rail-line track materials	4,003	8,708
Track and track diversion joints materials	5,164	4,735
Construction materials	4,887	4,579
Locomotive materials	3,824	4,063
Electrical materials	1,742	2,909
Others	10,111	5,539
	60,602	64,953

The costs of materials and supplies consumed were recognised as 'operating expenses' amounting to approximately RMB387,151,000 (2004: RMB341,171,000). As of 31 December 2005, there were no inventories stated at net realisable value

15. TRADE RECEIVABLES

	2004 RMB'000	2005 RMB'000
Trade receivables	122,075	116,877
Less: Provision for doubtful accounts	(15,423)	(10,484)
	106,652	106,393

Movement of provision for doubtful accounts was as below:

	2004 RMB'000	2005 RMB'000
At beginning of year	15,959	15,423
Addition of provision during the year	--	6,684
Reversal during the year	(536)	(11,623)
At end of year	15,423	10,484

The credit period of trade receivables is generally within one year. As at 31 December 2005 and 2004, the aging analysis of trade receivables was as follows:

	2004 RMB	2005 RMB
Within 1 year	99,297	101,729
Over 1 year but within 2 years	7,332	4,645
Over 2 years but within 3 years	23	19
	106,652	106,393

Concentrations of credit risk with respect to trade receivables are limited due to the fact that the Group has a large number of customers, which are widely dispersed. Accordingly, management believes that there is no additional credit risk beyond the amount already provided for expected collection losses inherent in the Group’s trade receivables.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

16. PREPAYMENTS AND OTHER RECEIVABLES

<TABLE>
<CAPTION>

	2004	2005
	RMB'000	RMB'000
<S>	<C>	<C>
Other receivables	211,068	211,969
Less: Provision for doubtful accounts *	(57,038)	(71,717)
Other receivables, net	154,030	140,252
Prepayments	62,543	30,355
	216,573	170,607

</TABLE>

* Included in the provision balance was an amount of approximately RMB31,365,000 which had been set up by the Company in prior years in order to provide against the potential recoverability losses associated with a deposit placed with a deposit-taking agency, Zeng Cheng City Li Cheng Credit Cooperative ("Li Cheng"), at a principal of the same amount ("the Deposit"). The Company has been unable to recover the Deposit upon its maturity from Li Cheng and the Company then initiated several legal proceedings to enforce the recovery but without success. Accordingly, 50% of the outstanding balance had been provided for doubtful debts at approximately RMB15,817,500 in 2002. The remaining balance of the outstanding principal at approximately RMB15,817,500 was also provided for as doubtful debts in 2004.

Movement of provision for doubtful accounts was as below:

<TABLE>
<CAPTION>

	2004	2005
	RMB'000	RMB'000
<S>	<C>	<C>
At beginning of year	38,288	57,038
Addition of provision during the year	18,750	15,180
Reversal during the year	--	(501)
At end of year	57,038	71,717

</TABLE>

Other receivables mainly represent miscellaneous deposits and receivables arising from services other than the main railway transportation services undertaken by the Group. Prepayments mainly represent amounts paid in advance to the suppliers for utilities and other operating expenses of the Group.

17. RESTRICTED CASH

Restricted cash represents the employees housing fund that the Company has set up pursuant to applicable government policies and regulations for the benefits of its employees and the Company administers on behalf of them. Such benefits are provided at 7% of the aggregate salaries of the employees residing in Guangzhou area or along the Guangzhou-Shenzhen rail-line route and at 13% of the aggregate salaries of the employees residing in Shenzhen area. The money was deposited in designated bank accounts under the names of the respective employees. The Company does not have any right to use the funds for purposes other than making housing welfare payments upon requests made from the respective employees.

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18. SHORT-TERM DEPOSIT

Short-term deposits with original maturities ranging from three months to one year are held for investment purpose and stated at amortised cost.

<TABLE>
<CAPTION>

<S>	Note	2004 RMB'000	2005 RMB'000
Time deposits with maturities over three months in banks	(a)	1,211,309	598,131
Time deposits with maturities over three months in the deposit-taking centre of MOR ("MOR Depositing-taking Centre")	(b)	168,000	168,000
		1,379,309	766,131

</TABLE>

18. SHORT-TERM DEPOSIT (CONT'D)

(a) Time deposits with maturities over three months in banks consist of short-term deposits denominated in RMB, Hong Kong dollars ("HK$"), and US dollars ("USD") (2004: RMB, HK$ and USD) with original maturities of six months placed with banks in the PRC. The annual interest rate of RMB deposits was 2.07% (2004: 1.71% to 2.07%); 1.2% (2004: 1.2%) for HK$ deposits; and LIBOR plus floating rate ranging from -0.2% to 0% (2004: LIBOR plus floating rate ranging from -0.2% to 0%) for USD deposits. Total interest income derived from these deposits amounted to approximately RMB7,968,000 for the year ended 31 December 2005 (2004: approximately RMB15,015,000).

(b) Time deposits with maturities over three months were maintained in the MOR Deposit-taking Centre, which has been licensed by the People's Bank of China to engage in deposit taking activities in the PRC for companies under its control. The balances consist of short-term deposits denominated in RMB (2004: RMB) with original maturities of six months (2004: one year). The annual interest rate was 2.07% in 2005 (2004: 1.98%). Total interest income derived from these deposits amounted to approximately RMB2,885,000 (2004: approximately RMB3,098,000) for the year ended 31 December 2005 (see also Note 33(b)).

19. SHARE CAPITAL

As of 31 December, 2005, the authorised capital of the Company consisted of ordinary shares of par value RMB1.00 per share:

<TABLE>
<CAPTION>

<S>	Number of shares '000	Nominal value RMB'000	Percentage of capital stock %
Authorised, issued and fully paid:			
State-owned Domestic Shares	2,904,250	2,904,250	67%
H Shares	1,431,300	1,431,300	33%
	4,335,550	4,335,550	100%

</TABLE>

There was no movement in the Company's share capital during the year.

On 15 November 2004 the Company and Guangzhou Railway Group Yangcheng Railway Company (The "Vendor"), a wholly owned subsidiary of the Parent Company, have entered into an agreement (the "Acquisition Agreement") for the acquisition of the railway transportation business between the rail route of Guangzhou and Pingshi currently operated by the Vendor and the assets and liabilities relating to such business (the "Acquisition"). The consideration for the acquisition was determined to be RMB 10,264,120,700 (the "Consideration"), subject to confirmation obtained from the relevant PRC authorities and certain adjustments to be made according to the terms of the Acquisition Agreement.

The Company intends to finance the payment of the Consideration with the proceeds of a public offering of its A shares to be issued with any shortfall being financed by internal resources and/or bank borrowings. The A shares so issued are intended to be listed on the Shanghai Stock Exchange of the PRC. In connection therewith, the Company applied to the relevant authorities in China for the issue and allotment of not more than 2.75 billion shares of A shares and submitted its application proposal relating to the offering to the China Securities Regulatory Commission (the "CSRC") on 31 December 2004 (the "A Share Offer").

19. SHARE CAPITAL (CONT'D)

In addition to the Acquisition Agreement, the Company has entered into various agreements in respect of leasing of equipment and provision of services with the Parent Company or the Vendor (the "Related Party Agreements"). Such agreements shall only be effective upon the completion of the acquisition and shall replace all the existing agreements of similar nature enacted among the parties (see Note 33(b) for details).

On December 30, 2004, the Acquisition, the A Share Offer and the Related Party Agreements were approved by the shareholders of the Company in shareholders meetings. Such approval was further renewed in shareholders meetings held on 20 January 2006.

The completion of the Acquisition Agreement is conditional upon the fulfilment of, among other things, the following remaining conditions: (1) the formal approval of the relevant authorities or bodies in relation to the A Share Issue being obtained; (2) the A Share Issue having completed and raised an amount of not less than 65% of the consideration; (3) the approval of the relevant government bodies responsible for the supervision and management of state owned assets in relation to the Vendor's proposal on disposal of state-owned assets being obtained; and (4) the approval of the National Development and Reform Committee in relation to the price determination for passenger and freight railway transportation services between Guangzhou and Pingshi being obtained.

Save for condition (2) which can be waived by the Company, none of the above conditions can be waived. If the above conditions are not fulfilled within 2 years from the date of signing of the Acquisition Agreement on November 15, 2004, the Acquisition Agreement shall lapse and no party shall have any liability there under. In the event that any party rescinds the Acquisition Agreement for whatever reason after the A Share Issue has been completed, it is expected that the Company will retain the proceeds from the A Share Issue for the use of general working capital financing.

As of the date of approval of the Financial Statements, none of the conditions in the Acquisition Agreement stated above had been fulfilled and accordingly, the Acquisition as well as the A Share Offer had not been completed. Professional costs specifically incurred for the transactions for the year amounting to approximately RMB27,007,000 (2004: RMB14,035,000) were presented as share issuance costs as a debit balance in the reserves of the Group.

20. RESERVES

According to the provisions of the Articles of Association of the Company, the Company shall first set aside 10% of its profit attributable to shareholders after tax as indicated in the Company's statutory financial statements for the statutory surplus reserve (except where the reserve has reached 50% of the Company's registered share capital) and 5% to 10% (as determined by the directors) of its profits for the statutory public welfare fund before making any distribution of the profit attributable to the shareholders in each year. The Company may also make appropriations from its profit attributable to shareholders to a discretionary surplus reserve provided it is approved by a resolution passed in a shareholders' general meeting. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends without the prior approval obtained from the shareholders in a shareholders' general meeting under specific circumstances.

When the statutory surplus reserve is not sufficient to make good for any losses of the Company from previous years, current year profit attributable to shareholders shall be used to make good the losses before any allocations are set aside for the statutory surplus reserve or the statutory public welfare fund.

The statutory public welfare fund is to be utilised for constructing or acquiring capital assets such as dormitories and other housing facilities for the employees of the Company and it cannot be used to pay for any other employee welfare expenses. Title of these capital assets constructed or acquired will be retained by the Company.

The statutory surplus reserve, the discretionary surplus reserve and the share premium account may be converted into share capital of the Company provided it is approved by a resolution passed in a shareholders' general meeting with the provision that the ending balance of the statutory surplus reserve does not fall below 25% of the registered share capital amount. The Company may either allot newly created shares to the shareholders at the same proportion of the existing number of shares held by these shareholders, or it may increase the par value of each share.

In accordance with the provisions of the Articles of Association of the Company, the profit after appropriation to reserves and available for distribution to shareholders shall be the lowest of the retained earnings determined under (a) PRC GAAP, (b) IFRS and (c) the accounting standards of the countries in which its shares are listed. As the Statutory Financial Statements of the Company have been prepared in accordance with PRC GAAP, the retained earnings so reported may be different from the amounts reported in the statement of changes in shareholders' equity prepared under IFRS contained in the financial statements.

As of December 31, 2005, the reserve of the Company available for distribution was approximately RMB723,823,000 (2004: approximately RMB686,489,000, as restated).

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21. TRADE PAYABLES

The aging analysis of trade payables was as follows:

	2004 RMB'000	2005 RMB'000
Within 1 year	36,502	114,651
Over 1 year but within 2 years	333	3,696
Over 2 years but within 3 years	301	360
	37,136	118,707

22. ACCRUALS AND OTHER PAYABLES

	2004 RMB'000	2005 RMB'000
Advance for construction projects carried out for customers	127,411	113,038
Accrued expenses	74,173	23,941
Salary and welfare payables	24,257	17,872
Other payables *	213,647	357,069
	439,488	511,920

* Other payables mainly represent the housing fund (mentioned in Note 17) which the Company managed on behalf of the employees and various miscellaneous payable balances and deposits received from others in the daily operations of the Group.

23. PROFIT FROM OPERATIONS

The following items have been (credited)/charged in arriving at profit before income tax:

	2003 RMB'000	2004 RMB'000	2005 RMB'000
Crediting			
Interest income (including in other income)	(29,755)	(42,384)	(53,409)
Investment loss/(income) (including in other income, net)	(7,897)	(3,273)	8,302
Charging			
Employee benefits expenses (Note 24)	436,286	639,284	640,925
Cost of materials and supplies	329,670	341,171	387,151
Repair costs, excluding material and suppliers	89,640	216,294	263,415
Depreciation of fixed assets (Note 6)	291,653	336,089	328,355
Loss on disposal of fixed assets	16,935	234	26,508
Amortisation of leasehold land payments (Note 8)	15,602	15,704	15,581
Provision for doubtful accounts (Notes 15, 16)	172	18,750	9,740
Operating lease rentals of locomotive, machinery and equipment	173,950	168,645	168,875
Amortisation of deferred staff costs (Note 13)	15,092	15,092	15,090
Auditors' remuneration	3,300	3,200	3,400

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24. EMPLOYEE BENEFIT EXPENSES

<TABLE>
<CAPTION>

	2003	2004	2005
	RMB'000	RMB'000	RMB'000
<S>	<C>	<C>	<C>
Wages and salaries	214,502	282,980	302,508
Provision for staff welfare and bonus	163,006	255,644	270,623
Contributions to a defined contribution pension scheme (Note a)	39,999	42,950	52,949
Medical and other employee benefits (Note b)	18,779	57,710	14,845
	436,286	639,284	640,925

</TABLE>

(a) Pension scheme

All the full-time employees of the Group were formerly covered by a defined-contribution pension scheme operated by the Parent Company pursuant to the provisions of a circular issued by the Parent Company dated 24 October 1995. The Group was required to pay to the Parent Company an amount equivalent to 19% of the basic salary and certain amounts of bonus payments of the employees as contributions made for their pension benefits. In another circular issued by the Parent Company dated 21 December 2000, the rate of contribution was revised to 18%. The Parent Company was to be held responsible to honour the retirement benefits of the employees.

Since April 2002, the ultimate pension liability of the employees has come under the management of the local government authority. The central government of the PRC is responsible for all retirement benefits of the employees. For administrative purposes, the Group was required to continue to make contributions to the Parent Company for the employees' pension benefits during a transition period from April 2002 to November 2004, and the Parent Company in turn paid such contributions to the relevant government authority on behalf of the Company. From November 2004 onwards, the Group began to pay all the related contributions directly to the relevant government authority.

(b) Medical and other employee benefits

An one-off payment amounting to approximately RMB35,000,000 was made by the Group in the year ended 31 December 2004 for the settlement of medical insurance premiums for its employees in accordance with the implementation of a set of revised government policies. The pronouncement of the policies was made as a result of a reform of the PRC medical insurance system in that year.

25. FINANCE COSTS

<TABLE>
<CAPTION>

	2003	2004	2005
	RMB'000	RMB'000	RMB'000
<S>	<C>	<C>	<C>
Interest expenses incurred for current account balances maintained with related parties wholly repayable within five years	1,003	667	654
Bank charges	109	106	323
Net foreign exchange losses (Note 3(a))	1,356	363	21,761
	2,468	1,136	22,738

</TABLE>

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

26. INCOME TAX EXPENSE

Enterprises established in the Shenzhen Special Economic Zone of the PRC are subject to income tax at a reduced preferential rate of 15% as compared with the standard income tax rate for PRC companies of 33%. The Shenzhen Municipal Tax Bureau confirmed in 1996 that the Company is subject to such reduced income tax rate of 15% from that year onwards. Accordingly, the enacted income tax rate of the Company for the year ended 31 December 2005 was 15% (2004 - same).

According to the relevant income tax laws of the PRC, the subsidiaries of the Group are subject to income tax rates of 15% or 33%, mainly depending on the places of incorporation/establishment.

Up to the date of approval of the IFRS Financial Statements, the directors of the Company had not been informed of any changes in the enterprise income tax treatment applicable to the Group.

<TABLE>
<CAPTION>

	2003	2004	2005
	RMB'000	RMB'000	RMB'000
<S>	<C>	<C>	<C>
Current income tax	91,925	110,625	121,832
Deferred income tax (Note 12)	1,423	(12,252)	(17,584)
	93,348	98,373	104,248

</TABLE>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

<TABLE>
<CAPTION>

	2003	2004	2005
	RMB'000 (Note 35)	RMB'000 (Note 35)	RMB'000
<S>	<C>	<C>	<C>
Profit before tax	605,078	665,111	716,618
Tax calculated at a statutory rate of 15% (2004: 15%)	90,761	99,767	107,493
Tax effect of expenses that are not deductible in determining taxable profit:			
Effect of different tax rates of certain subsidiaries	400	2,123	1,111
Tax losses for which no deferred tax asset was recognised	--	1,818	2,992
Expenses not deductible for tax purposes	2,187	4,069	3,211
Differences in depreciation charges of fixed assets reported in the Statutory Financial Statements	--	--	1,733
Provision of deferred tax for adjustments made to carrying values of fixed assets	--	--	(12,292)
Deferred tax benefits resulting from provision for doubtful debts	--	(9,404)	--
Income tax expense	93,348	98,373	104,248

</TABLE>

The weighted average applicable tax rate was 14.5% (2004: 14.8% and 2003: 15.4%).

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

27. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company for the year at approximately RMB599,569,000 (2004: RMB579,878,000, as restated).

28. EARNINGS PER SHARE AND PER EQUIVALENT ADS

The calculation of basic earnings per share and per equivalent ADS were based on the profit attributable to shareholders for the year attributable to ordinary shareholders of approximately RMB613,368,000 (2004: RMB567,484,000 and 2003: RMB511,762,000), divided by the weighted average number of ordinary shares and equivalent ADS outstanding during the year of 4,335,550,000 and 86,711,000 respectively (2004 and 2003: 4,335,550,000 and 86,711,000 respectively). No diluted earnings per share and per equivalent ADS were presented as there were no dilutive potential ordinary shares as of year end.

29. DIVIDENDS

<TABLE>
<CAPTION>

<S>	2003 RMB'000 <C>	2004 RMB'000 <C>	2005 RMB'000 <C>
Final, proposed, of RMB 0.12 (2004: RMB0.11 and 2003: RMB0.105) per ordinary share	455,233	476,911	520,266

</TABLE>

At a meeting of the directors held on 20 March 2006, the directors proposed a final dividend of RMB0.12 per ordinary share for the year ended 31 December 2005. This proposed dividend has not been reflected as a dividend payable in the Financial Statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2006.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

30. CASHFLOW GENERATED FROM OPERATION

(a) Reconciliation from profit attributable to shareholders to cash generated from operations:

<TABLE>
<CAPTION>

<S>	2003 RMB'000 <C>	2004 RMB'000 <C>	2005 RMB'000 <C>
Profit for the year	511,730	566,738	612,370
Adjustments for:			
Income tax expense	93,348	98,373	104,248
Depreciation of fixed assets (Note 6)	291,653	336,089	328,355
Amortisation of leasehold land payments (Note 8)	15,602	15,704	15,581
Loss on disposal of fixed assets	16,935	234	26,508
Amortisation of deferred staff costs (Note 13)	15,092	15,092	15,090
Share of losses of associates (Note 10)	2,508	12,119	19,949
Provision for doubtful accounts (Note 15, 16)	172	18,750	9,740
Interest expenses	2,359	1,030	654
Interest income	(29,755)	(42,384)	(53,409)
Operating profit before working capital changes	919,644	1,021,745	1,079,086
(Increase)/decrease in trade receivables	(28,621)	(26,038)	5,198
Increase in materials and supplies	(4,587)	(21,910)	(4,351)
Decrease in prepayments and other current assets	17,320	3,998	31,286
Decrease in due from parent company	--	--	43,518
Decrease in due from related parties	66,179	143,857	11,274
Decrease in due from associates	--	29	398
(Decrease)/Increase in trade payables	(7,109)	21,647	81,571
Decrease in due to parent company	(13,821)	(12,613)	(24,617)
(Decrease)/Increase in due to related parties	(37,594)	51,516	224,455
(Decrease)/Increase in accrued expenses and other payables	(10,924)	139,619	23,707
Cash generated from operations	900,487	1,321,850	1,471,525

</TABLE>

(b) Analysis of the balance of cash and cash equivalents

<TABLE>
<CAPTION>

<S>	2003 RMB'000 <C>	2004 RMB'000 <C>	2005 RMB'000 <C>
Cash at MOR Deposit-taking Centre (note i)	321,985	862,508	628,746
Cash at bank and in hand	133,615	97,632	113,382
Short-term deposits with maturities no more than three months (note ii)	822,133	84,489	370,000
Cash and cash equivalents	1,277,733	1,044,629	1,112,128

</TABLE>

Note i: The amount of approximately RMB628,746,000 (2004: RMB862,508,000 and 2003: RMB321,985,000) was deposited with the MOR Deposit-taking Centre at an annual interest rate of 0.72% (2004 and 2003: 0.72%), which is commensurate with the prevailing interest rates offered by banks in the PRC.

BOWNE INTEGRATED TYPESETTING SYSTEM Site: BOWNE OF HONG KONG Phone: 852-2526-0688 Operator: BOM99999T Date: 29-JUN-2006 07:36:55.74
Name: GUANGSHEN RAILWAY CO Validation: Y Lines: 18 [E/O] CRC: 36577
BOM H00583 243.00.00.00 0/4
H00583.SUB, DocName: 20-F, Doc: 1, Page: 155

Note ii: Short term time deposits with maturities no more than three months consist of deposits denominated in RMB (2004: RMB and USD and 2003: RMB, USD and HK$). The effective interest rate of RMB deposits is 1.71% (2004 and 2003: 1.71%) while the effective interest rate of USD deposits was 2.73% in 2004 and ranged from 0.94% to 1.88% in 2003, the effective interest rate of HK$ deposits in 2003 ranged from 0.90% to 0.96%. These deposits have an average maturity of 90 days.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

31. CONTINGENCY

There were no significant contingent liabilities as at the date of approval of the Financial Statements.

32. COMMITMENTS

(a) Capital commitments

As of 31 December 2005, the Group had the following capital commitments which are authorized but not contracted for, and contracted but not provided for:

	2004 RMB'000	2005 RMB'000
Authorised but not contracted for	451,500	3,985,253
Contracted but not provided for	693,828	3,331,311

A substantial amount of these commitments is related to the construction of the fourth rail-line of the Company ("Fourth Rail-Line") and purchase of new locomotives.

(b) Operating lease commitments

Total future minimum lease payments under non-cancelable operating leases were as follows:

	2005 RMB'000	2004 RMB'000
Machinery and equipment		
- not more than one year	75,375	108,000
- more than one year but not more than five years	--	75,375
	75,375	183,375

(c) Commitments under the Acquisition Agreement

Please refer to Note 19 for details.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

33. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The Company is controlled by the Parent Company, which is a subsidiary of MOR and is ultimately controlled by the PRC government. The PRC government also controls a significant portion of the productive assets and entities in the PRC. In accordance with the requirements of IAS 24, Related Party Disclosures, all other state controlled enterprises and their subsidiaries, other than the Parent Company, MOR and fellow subsidiaries and associates, are also defined as related parties of the Company ("Other State-owned Companies").

For the purpose of related party transactions disclosure, the Group has identified, to the extent practicable, those corporate customers and suppliers which are state-owned enterprises based on their immediate ownership structure. It should be noted, however, that substantially all of the Group's business activities are conducted in the PRC and the influence of the PRC government in the Chinese economy is pervasive. In this regard, the PRC government indirectly holds interests in many companies. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests. Such interests, however, would not be known to the Group and are not reflected in the disclosures below. In addition, a portion of the Group's services provided are of a retail nature to end users, which include transactions with the employees of state-owned enterprises on corporate business, their key management personnel and close family members. These transactions are carried out on normal commercial terms that are consistently applied to all customers. Due to the vast volume and the pervasiveness of these transactions, the Group is unable to determine the aggregate amount of these transactions for disclosure. Therefore, the revenue from provision of services disclosed below does not include retail transactions with these related parties. However, the Group believes that meaningful information relating to related party disclosures has been adequately disclosed.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

33. RELATED PARTY TRANSACTIONS (CONT'D)

(a) The Group had the following material related parties:

<TABLE>
<CAPTION>

Name of related parties	Relationship with the Company
HOLDING COMPANY AND FELLOW SUBSIDIARIES	
Guangzhou Railway (Group) Company	Parent Company
Ministry of Railways ("MOR") of the PRC	The ultimate Parent Company
Guangzhou Railway Group Yang Cheng Railway Company ("Yangcheng")	Subsidiary of the Parent Company
Guangmeishan Railway Company Limited ("Guangmeishan")	Subsidiary of the Parent Company
Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company (the Predecessor as defined in Note 1, "GEDC")	Subsidiary of the Parent Company
Guangzhou Railway Material Supply Company	Subsidiary of the Parent Company
Guangzhou Railway Engineer Construction Enterprise Development Company ("Engineer Construction Enterprise")	Subsidiary of the Parent Company
Guangzhou Guangtie Huake Technology Service Company ("Guangtie Huake")	Subsidiary of the Parent Company
MOR's Railroad Deposit-taking Centre	Subsidiary of the Parent Company
ASSOCIATES OF THE GROUP	
Guangzhou Tiecheng Enterprise Company Limited	Associate of the Company
Zengcheng Lihua Stock Company Limited	Associate of the Company
Guangzhou Tielian Economy Development Company Limited	Associate of the Company
Guangzhou Huangpu Yuehua Freight Transportation Company Limited	Associate of the Company
OTHER STATE-OWNED COMPANIES	
Shenyang Train Class Company	
Puzhen Train Company	
Changchun Tracks and Equipment Company	
Sifang Passenger Trains Repair Stock Company	
Qixuyan Locomotive and Carriages Company	
Dalian Locomotives and Carriages Company	
Chengdu Materials Company	
Liuzhou Wood Company	
Hengyang Mechanism Company	
Construction Technique Company of China	
Nanfang Railway Repair Center	
The Fourth Railway Reconnaissance Design House	
Railway construction bureaus (including Third bureau, Seventh bureau, Eleventh bureau, Thirteenth bureau and others)	
The Forth Construction Bureau of China	

</TABLE>

(b) Save as disclosed in other notes to the Financial Statements, during the year, the Group had the following material transactions undertaken with related parties:

<TABLE>
<CAPTION>

	2003	2004	2005
	RMB'000	RMB'000	RMB'000
RECURRING TRANSACTIONS:			
TRANSACTIONS WITH MOR AND ITS RELATED ENTITIES			
I. INCOME			
Provision of train transportation and related services to other railway companies controlled by MOR (i)	(152,751)	(183,399)	(304,842)
Revenue received, processed and allocated by MOR ((i) and (vi))			
- long distance passenger transportation	(395,070)	(486,825)	(575,849)
- cargo forwarding railway usage fees	(96,018)	(128,962)	(123,763)
Interest income received/receivable from MOR Deposit-taking Centre (see Notes 18 and 30(b))	(3,516)	(6,111)	(5,530)

</TABLE>

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

33. RELATED PARTY TRANSACTIONS (CONT'D)

<TABLE>
<CAPTION>

<S>	2003 RMB'000 <C>	2004 RMB'000 <C>	2005 RMB'000 <C>
II. CHARGES AND PAYMENTS			
Services charges allocated from MOR for train transportation and related services offered by other railway companies controlled by MOR ((i) and (vi))	201,870	209,503	290,825
Operating lease rentals paid/payable to MOR (i)	58,904	65,485	50,804
Lease of locomotives and related services provided from Yangcheng (i)	40,882	48,179	8,449
Social services (employee housing, health care, educational and public security services and other ancillary services) provided by the GEDC under a service agreement (ii)	68,079	94,246	78,227
Purchase of materials and supplies from Guangzhou Railway Material Supply Company (iii)	50,687	65,998	73,146
Interest expenses paid/payable to the Parent Company, net (iv)	2,037	553	721
NON-RECURRING TRANSACTIONS:			
I. TRANSACTIONS WITH MOR AND ITS RELATED ENTITIES			
Disposal of an available-for-sale investment (See note 11)	--	--	(121,854)
Provision of repair and maintenance services by subsidiaries held by the Parent company (i)	--	58,908	73,134
Provision of construction management services by the Parent Company in connection with the construction of fixed assets of the Company (v)	--	5,300	6,194
Provision of supplies and materials by subsidiaries of Parent Company (iii)	--	--	5,249
II. TRANSACTIONS WITH OTHER STATE-OWNED COMPANIES			
Provision of construction project and related service (iii)	194,148	106,638	1,148,781
Provision of repair and maintenance services (iii)	7,741	55,125	75,867
Provision of supplies and materials (iii)	6,465	5,604	5,977
Purchase of fixed assets (iii)	--	--	55,803

</TABLE>

(i) The service charges are determined based on a pricing scheme set by MOR or making reference to current market prices with guidance provided by MOR.

(ii) The service charges are levied based on contracted prices determined based on cost plus a profit margin.

(iii) The prices are based on mutual negotiation between the contract parties with reference to guidance provided by MOR.

(iv) Interest was calculated and levied based on the average balances due from/to Parent Company on a quarterly basis at the prevailing lending interest rates of bank loans borrowed from banks in the PRC.

(v) Pursuant to the provisions of a construction management agreement and several supplementary agreements (collectively, the "Management Agreements") entered into with the Parent Company in 2004 and 2005, the Parent Company has undertaken to provide project management services to the Company on monitoring the construction services provided/to be provided by certain contractors and sub-contractors, which are substantially other State-owned Companies, employed for the construction of certain railway and railway stations of the Company, including the Fourth Rail-Line. The management service fees are determined based on the pricing scheme set by MOR.

(vi) Due to the fact that the railway business is centrally managed by the MOR within the PRC, the Company works in cooperation with MOR and other railway companies owned and controlled by MOR in order to operate certain long distance passenger train transportation and cargo forwarding services within the PRC. The related revenues are collected by other railway companies and centrally collected and processed by MOR.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

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Certain portion of the revenues so collected are allocated to the Company for the use of its rail-lines or for services rendered by the Company in connection with the provision of these services. On the other hand, the Company is also allocated by MOR certain charges for the use of the rail lines and services provided by other railway companies. Such allocations are determined by MOR based on its standard charges applied on a nationwide basis.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

33. RELATED PARTY TRANSACTIONS (CONT'D)

(c) As of 31 December 2005, the Group had the following material balances maintained with related parties:

	2004 RMB'000	2005 RMB'000
Cash and cash equivalents maintained in MOR Deposit-taking Centre (see Note 30(b))	862,508	628,746
Short-term time deposits in MOR Deposit-taking Centre (see Note 18)	168,000	168,000
Due from/(to) the Parent Company (vi)	(24,617)	15,636
- Trade balance (viii)	(24,617)	(43,518)
- Non-trade balance (vii)	--	59,154
Due from Other State-owned Companies included in prepayments for fixed assets	--	55,803
Due from an associate		
- Non-trade balance, before provision for doubtful debts (See Note 10)	12,821	12,423
Due from related parties - subsidiaries of Parent Company and MOR	56,064	64,670
- Trade balance (viii)	36,531	25,257
- Non-trade balance (ix)	19,533	39,413
Due to related parties	(194,699)	(1,174,101)
1) Due to subsidiaries of Parent Company and MOR	(83,492)	(276,520)
- Trade balance (viii)	(83,492)	(276,520)
2) Due to Other State-owned Companies	(111,207)	(897,581)
- Trade balance (viii)	(19,136)	(50,564)
- Non-trade balance (ix)	(92,071)	(847,017)

(vii) As of December 31, 2005, the non-trade receivable balance maintained with the Parent Company was due to the unsettled consideration receivable from the Parent Company for the disposal of the Company's equity investment made in China Railcom mentioned in Note 11.

(viii) The trade balances due from/to the Parent Company, subsidiaries of the Parent Company and MOR and other State-owned Companies mainly represented service fees and charges payable and receivable balances arising from the provision of passenger transportation and cargo forwarding businesses jointly with these related parties within the PRC as described in (vi).

(ix) The non-trade balances due to related parties mainly represented payables arising from unsettled fees for construction projects undertaken for the Group, purchase of fixed assets and provision of other services according to various service agreements entered into between the Group and the parties (see note (b) above).

As of 31 December, 2005, all the balances maintained with related parties are unsecured, non-interest bearing and are repayable on demand, except for those short-term deposits balances maintained with the MOR Deposit-taking Centre disclosed above.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

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34. BANKING FACILITIES

As at 31 December 2005, the Group had unutilized banking facilities of approximately RMB8,100,000,000 granted from certain banks (2004: approximately RMB8,000,000,000) which are designated for the construction of the Fourth Rail-Line mentioned in Note 32(a)).

35. COMPARATIVE FIGURES

The Group adopted new/revised/amended IFRS which are effective for accounting periods commencing on or after 1 January 2005. As mentioned in Note 2(1), this has resulted in changes to the presentation of certain account balances and comparative figures of 2004 and 2003 have been reclassified. In addition, the Group also reclassified for 2004 and 2003 certain cash amounts to restricted cash.

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36. RECONCILIATION OF CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND CONSOLIDATED NET ASSETS BETWEEN IFRS AND US GAAP

The accompanying financial statements conform to IFRS which differ in certain respects from those prepared under Generally Accepted Accounting Principles in the United States of America ("US GAAP"). The major differences between IFRS and US GAAP, which have a significant effect on the consolidated profit attributable to shareholders and the consolidated net assets, are set out below:

<TABLE>
<CAPTION>

	2003	2004	2005	2005
	RMB'000	RMB'000	RMB'000	US$000*
CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS UNDER IFRS	511,762	567,484	613,368	75,724
Reversal of cumulative and current year depreciation charges arising from the revaluation surplus on fixed assets (a (ii))	38,548	38,548	36,397	4,493
Reversal of loss on disposed of track assets attributable to the revaluation surplus recognized (a (iii))	--	--	3,123	386
Adjustment to deferred tax asset relating to reversal of temporary differences (b (ii))	(5,782)	(5,782)	(5,928)	(732)
Adjustment to deferred acquisition and share issuance costs (c)	--	--	(15,601)	(1,926)
CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS UNDER US GAAP	544,528	600,250	631,359	77,945
EARNINGS PER SHARE UNDER US GAAP	RMB0.13	RMB0.14	RMB0.15	US$0.018
EARNINGS PER EQUIVALENT ADS UNDER US GAAP	RMB6.28	RMB6.92	RMB7.28	US$0.90

</TABLE>

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

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(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

36. RECONCILIATION OF CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND CONSOLIDATED NET ASSETS BETWEEN IFRS AND US GAAP (CONT'D)

<TABLE>
<CAPTION>

<S>	2004 RMB'000 <C>	2005 RMB'000 <C>	2005 US$000* <C>
CONSOLIDATED NET ASSETS UNDER IFRS	10,472,186	10,732,816	1,325,039
Minority interest	(51,612)	(48,757)	(6,019)
EQUITY FOR SHAREHOLDERS UNDER IFRS	10,420,574	10,684,059	1,319,020
Impact of US GAAP adjustments:			
Reversal of the revaluation surplus on fixed assets upon group reorganisation (a (i))	(1,492,185)	(1,492,185)	(184,220)
Reversal of cumulative and current year depreciation charges arising from the revaluation surplus on fixed assets (a (ii))	407,980	444,377	54,861
Reversal of loss on disposed of track assets attributable to the revaluation surplus recognized (a (iii))	--	3,123	386
Deferred tax assets arising from original temporary differences on accounting and tax bases of fixed assets (b (i))	223,828	223,828	27,633
Adjustment to deferred tax asset relating to reversal of temporary differences (b (ii))	(61,197)	(67,125)	(8,287)
Adjustment to deferred acquisition and shares issuance costs (c)	--	11,406	1,408
CONSOLIDATED NET ASSETS UNDER US GAAP	9,499,000	9,807,483	1,210,801

</TABLE>

* Translation of amounts from Renminbi ("RMB") into United States dollars ("US$") for the convenience of the reader has been made at US$1.00=RMB8.1, which is rounded from 8.0702, the noon buying rate in the New York City on December 30, 2005 as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the RMB amounts could have been, or could be, converted into US$ at that rate on 31 December 2005.

Note a: As part of the Restructuring of the Group, the fixed assets had been revalued on 6 March 1996 and a revaluation surplus amounting to approximately RMB1,492,185,000 (the "Revaluation Surplus") had been recognised by the Group on that date under both PRC GAAP and IFRS. Due to the fact that the revaluation of fixed assets in the Restructuring was related to a common control transaction, the respective revaluation surplus is not allowed to be recognised under US GAAP. Accordingly, the following adjustments have to be made to restate the profit attributable to shareholders and net assets of the Group from IFRS to US GAAP:

(i) Reversal of the Revaluation Surplus from net assets;

(ii) Reversal of additional depreciation charges provided on fixed assets arising from the Revaluation Surplus in the current year as well as on a cumulative basis;

(iii) Reduction of loss on disposal of fixed assets incurred in 2005 with the attributable portion of the Revaluation Surplus

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

Note b: As a result of the recognition of the Revaluation Surplus under both PRC GAAP and IFRS, a temporary difference arose on the accounting base (reported under US GAAP) and the tax base (reported under PRC GAAP and IFRS) of the fixed assets. Accordingly, the following GAAP adjustments have to be made under US GAAP:

36. RECONCILIATION OF CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND CONSOLIDATED NET ASSETS BETWEEN IFRS AND US GAAP (CONT'D)

(i) Recognition of deferred tax assets associated with the temporary difference resulting from the recognition of the Revaluation Surplus;

(ii) Recognition of the deferred tax impact associated the reversal of the temporary difference when the Group continues to depreciate the fixed assets being revalued.

Note c: In connection with the proposed issue of A Shares, the Company has incurred share issuance costs of approximately RMB27,007,000 which have been recorded as a deduction from reserves under IFRS. However, under US GAAP, since the share issue has not been completed by the year end, costs incurred to date have been recorded as deferred costs until the transaction is completed. This difference impacts the classification in the balance sheet.

Refer to this amount, costs related to services that are indirectly related to the preparation of the Class A share issuance transaction and that will recur periodically after completion of the transaction (due to reporting obligations) have been expensed as incurred under US GAAP. Such costs amounted to approximately RMB15,601,000 for the year ended December 31, 2005 (2004: nil).

In addition, reclassifications have been made for presentation of certain selected financial data in conformity with US GAAP requirements for the following items:

i. Profit from operations

<TABLE>
<CAPTION>

<S>	2003 RMB'000 <C>	2004 RMB'000 <C>	2005 RMB'000 <C>	2005 US$000* <C>
PROFIT FROM OPERATIONS UNDER IFRS	610,054	678,366	759,305	93,741
Add: Aggregate applicable GAAP adjustments to covert to US GAAP (as stated above)	38,548	38,548	39,520	4,879
Less: Other income, net**	(47,341)	(48,193)	(48,505)	(5,988)
PROFIT FROM OPERATIONS UNDER US GAAP	601,261	668,721	750,320	92,632

</TABLE>

ii. Finance costs

<TABLE>
<CAPTION>

<S>	2003 RMB'000 <C>	2004 RMB'000 <C>	2005 RMB'000 <C>	2005 US$000* <C>
FINANCE COSTS UNDER IFRS	2,468	1,136	22,738	2,807
Less: interest income included in other income, net under IFRS**	(29,755)	(42,384)	(53,409)	(6,594)
FINANCE INCOME, NET UNDER US GAAP	(27,287)	(41,248)	(30,671)	(3,787)

</TABLE>

* Translation of amounts from Renminbi ("RMB") into United States dollars ("US$") for the convenience of the reader has been made at US$1.00=RMB8.1, which is rounded from 8.0702, the noon buying rate in the New York City on December 30, 2005 as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the RMB amounts could have been, or could be, converted into US$ at that rate on 31 December 2005.

** Under IFRS, interest income is record as other income and included in profit from operation. While under US GAAP, this income is reclassified to finance cost.

GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except number of shares and ADSs, per share and per ADS data and unless otherwise stated)

37. RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2005, the FASB issued FAS 154, Accounting Changes and Error Corrections, a Replacement of APB Opinion No. 20 and FASB Statement No. 3. This statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. It carries forward without change the previous guidance for reporting the correction of an error and a change in accounting estimate. FAS154 is effective for accounting changes and corrections of errors made in fiscal years beginning after 15 December 2005. The Company does not believe adoption of FAS 154 will have a material effect on its financial position, cash flows or results of operations

In December 2005, the FASB deliberated issues relating to the limited-scope, first phase of its project to reconsider the accounting for postretirement benefits, including pensions. The FASB decided that the objectives and scope of this phase include, among other items, recognizing the overfunded or underfunded status of defined benefit postretirement plans as an asset or a liability in the statement of financial position. The FASB expects to issue an Exposure Draft for the initial phase in the first quarter of 2006. In the second multi-year phase of the project, the FASB expects to comprehensively consider a variety of issues related to the accounting for postretirement benefits, including expense recognition, obligation measurement, and whether postretirement benefit trusts should be consolidated by the plan sponsor. We will review the proposed standards when they are available to determine the impact they may have on our Consolidated Financial Statements.

38. SUBSEQUENT EVENTS

On 20 March 2006, pursuant to an instruction of MOR, the board of directors of the Company resolved to undergo a corporate reorganisation, whereas certain divisions and departments are consolidated and manpower is being redeployed. Up to the date of approval of these financial statements, the whole process had not been completed but the board of directors consider that the process has not lead to any adverse financial impact on the financial statements for the year ended 31 December 2005.

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 29 June 2006.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

GUANGSHEN RAILWAY COMPANY LIMITED

Date: June 29, 2006

By: /s/ Wu Junguang

Wu Junguang
Chairman of the Board of Directors

BOWNE INTEGRATED TYPESETTING SYSTEM Site: BOWNE OF HONG KONG Phone: 852-2526-0688 Operator: BOM99999T Date: 29-JUN-2006 07:36:55.74
Name: GUANGSHEN RAILWAY CO Validation: Y Lines: 66 CRC: 65386 [E/O] BOM H00583 256.00.00.00 0/2
H00583.SUB, DocName: 20-F, Doc: 1, Page: 168

EXHIBIT INDEX

<TABLE>
<CAPTION>

Exhibit Number	Description
<S>	<C>
1.1	Amended and Restated Articles of Association
4.1	Railway Business Related Assets Purchase Agreement dated November 15, 2004 between Guangshen Railway Company Limited and Guangzhou Railway Group Yangcheng Railway Company*
4.2	Land Lease Agreement dated November 15, 2004 between Guangshen Railway Company Limited and Guangzhou Railway (Group) Company*
4.3	Comprehensive Services Agreement dated November 15, 2004 between Guangshen Railway Company Limited and Guangzhou Railway (Group) Company*
4.4	Comprehensive Services Agreement dated November 15, 2004 between Guangshen Railway Company Limited and Guangzhou Railway Group Yangcheng Railway Company*
4.5	Summary of the Conditional Agreement dated August 9, 2005 between Guangshen Railway Company Limited, Qingdao BSP and Bombardier Sweden and China International Tendering Company
4.6	Summary of the Form of the Railway Construction Management Agreement, dated December 15, 2005 for the Fourth Line Construction
4.7	Comprehensive Services Agreement dated January 13, 2006 between Guangshen Railway Company Limited and Guangzhou Railway (Group) Company
4.8	Comprehensive Services Agreement dated January 13, 2006 between Guangshen Railway Company Limited and Guangzhou Railway Group Guangshen Railway Enterprise Development Company
4.9	Summary of the Forms of the Surveying and Design Services Agreements For Railway Construction and the Construction Services Agreements, dated May 15, 2006 for the Fourth Line
4.10	Summary of the Agreement between Guangshen Railway Company Limited and Guangzhou Zhongche Railway Rolling Stock Sales and Services Company Limited for the lease of electric train-sets
7.1	Statements explaining how certain ratios are calculated in this annual report
8.1	List of subsidiaries of Guangshen Railway Company Limited as of December 31, 2005
12.1	Section 302 principal executive officers’ and principal financial officer’s certifications
13.1	Certifications of principal executive officers and principal financial officer pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002.

</TABLE>

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* Incorporated by reference from the Registrant’s annual report on Form 20-F filed with the SEC on June 28, 2005

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* CRC: *
BOM* DOCHDR 2 */*
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<DESCRIPTION>  EX-1.1 Amended and Restated Articles of Association
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EXHIBIT 1.1

ARTICLES OF ASSOCIATION OF GUANGSHEN RAILWAY COMPANY LIMITED

(Approved by Special Resolution passed by the shareholders' general meeting held on March 14, 1996)

(Amended by Special Resolution Adopted at the Shareholders' General Meeting held on June 24, 1997)

(Amended by Special Resolution Adopted at the Interim Shareholders' General Meeting Held on February 8, 2001)

(Amended by Special Resolution Adopted at the Shareholders' General Meeting held on June 28,2002)

(Amended by Special Resolution Adopted at the Shareholders' General Meeting held on June 10, 2004)

(Amended by Special Resolution Adopted at the Interim Shareholders' General Meeting Held on December 30, 2004)

(Amended by Special Resolution Adopted at the Shareholders' General Meeting held on May 12, 2005)

(Amended by Special Resolution Adopted at the Shareholders' General Meeting held on May 11, 2006)

CHAPTER 1: GENERAL PROVISIONS

Article 1. The Company is a joint stock limited company established in accordance with the "Company Law of the People's Republic of China" (the "Company Law"), "State Council's Special Regulations Regarding the Issue of Shares Overseas and the Listing of Shares Overseas by Companies Limited by Shares" (the "Special Regulations") and other relevant laws and regulations of the State.

The Company was established by way of promotion with the approval under the document "Ti Gai Sheng" [1995] No.151 of the Peoples' Republic of China's State Commission for Restructuring the Economic System. It is registered with and has obtained a business licence from the Administration Bureau of Industry and Commerce of Shenzhen, Guangdong Province, the PRC on the sixth (6) day of March 1996. The number of the Company's business licence is Shen Si Zi N12183. The promoter of the Company is Guangzhou Railway (Group) Company.

Article 2. The Company's registered name in Chinese is [CHINESE NAME] and in English is: GUANGSHEN RAILWAY COMPANY LIMITED

Article 3. The Company's address: No. 1052, Heping Road, Shenzhen,

China Zip Code: 518010
Telephone: (0755) 25584891
Facsimile: (0755) 25591480

Article 4. The Company's legal representative is the Chairman of the board of directors of the Company.

Article 5. The Company is a joint stock limited company in perpetual existence.

Article 6. In accordance with the Company Law, the Special Regulations, "Mandatory Provisions for the Articles of Association of Companies to be Listed Outside China" (the "Mandatory Provisions") and other relevant laws and administrative regulations of the State, the Company held a shareholders' general meeting on 14 March 1996 to amend the Company's articles of association which were approved by shareholders' general meeting on 22 January 1996 (the "Original Articles of Association") and to formulate these articles of association of the Company.

Article 7. The Original Articles of Association have taken effect since the completion of registration formalities with the Administration Bureau of Industry and Commerce of Shenzhen, Guangdong Province, the PRC. These articles of association of the Company will take effect after it is approved by the Securities Committee of the State Council and the companies approving department authorized by the State Council.The Original Articles of Association of the Company will be replaced by these articles of association of the Company when the latter take effect. The Company shall, within the period stipulated by laws or administrative regulations, process the registration of changing of mandatory registered items due to the amendment of the Original Articles of Association.

Article 8. From the date of these articles of association becoming effective, these articles of association constitute a legally binding document regulating the Company's organisation and activities, and the rights and obligations between the Company and each shareholder and among the shareholders inter se.

Article 9. These articles of association are binding on the Company and its shareholders, directors, supervisors, general manager, deputy general managers and other senior administrative officers of the Company; all of whom are entitled to claim rights concerning the affairs of the Company in accordance with these articles of association. These articles of association are actionable by a shareholder against the Company and vice versa, by shareholders against each other and by a shareholder against the directors, supervisors, general manager, deputy general managers and other senior administrative officers of the Company. The actions referred to in the preceding paragraph include court proceedings and arbitration proceedings.

Article 10. The Company may invest in other limited liability companies or joint stock limited companies. The Company's liabilities to an investee company shall be limited to the amount of its capital contribution to the investee company.

Article 11. On condition of compliance with applicable laws and administrative regulations of the People's Republic of China ("PRC"), the Company has the power to raise and borrow money which power includes without limitation the issue of debentures, the charging or pledging of part or whole of the Company's business or properties and other rights permitted by PRC laws and administrative regulations.

CHAPTER 2: PURPOSES AND SCOPE OF BUSINESS

Article 12. The business purposes of the Company are: to utilise the public funding in and outside the country for the purpose of improving the Company's standard of technology, the standard of the equipment, the quality of the service, to improve the Company's market competitiveness, to ensure the safety of railway transportation, to accelerate the development of the railway transportation business, to become a first class international railway transportation enterprise and to let the shareholders have a reasonable financial benefit as well as a satisfactory return on capital.

Article 13. The scope of business of the Company shall comply with those items approved by the companies registration authority. The scope of business of the Company includes railway passenger and freight transportation services; technical services for railway facilities; engaging in domestic commercial activities, materials supply (not including monopolized commodities), establishing various enterprises (specific items to be reported separately).

Article 14. The Company may, according to its ability to develop, and upon the approval by special resolution adopted by the shareholders' general meeting and the approval of the relevant state governing authority, adjust its scope of business or investment orientation and method etc.

CHAPTER 3: SHARES AND REGISTERED CAPITAL

Article 15. There must, at all times, be ordinary shares in the Company. Subject to the approval of the companies approving department authorized by the State Council, the Company may, according to its requirements, create other classes of shares.

Article 16. The shares issued by the Company shall have a par value of Renminbi one yuan. The Renminbi referred to in the preceding paragraph is the legal currency of the People's Republic of China.

Article 17. Subject to the approval of the securities authority of the State Council, the Company may issue and offer shares to domestic investors or foreign investors for subscription. Foreign investors referred to in the preceding paragraph mean those investors of foreign countries and regions of Hong Kong, Macau and Taiwan who subscribe for shares issued by the Company. Domestic investors means those investors within the territory of the PRC (excluding investors of the regions referred to in the preceding sentence) who subscribe for shares issued by the Company.

Article 18. Shares issued by the Company to domestic investors for subscription in Renminbi shall be referred to as "Domestic-Invested Shares". Shares issued by the Company to foreign investors for subscription in foreign currencies shall be referred to as "Foreign-Invested Shares". Foreign-Invested Shares which are listed overseas are called "Overseas-Listed Foreign-Invested Shares". The foreign currencies referred to in the preceding paragraph mean the legal currencies (apart from Renminbi) of other countries or districts which are recognized by the foreign exchange control authority of the State and can be used to pay the Company for the share price.

Article 19. Overseas-Listed Foreign-Invested Shares issued by the Company and listed in Hong Kong shall be called "H Shares". H Shares are shares which have been admitted for listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the par value of which is denominated in Renminbi and which are subscribed for and traded in Hong Kong dollars.

Article 20. Subject to the approval of companies approving department authorized by the State Council, the Company may issue 2,904,250,000 shares to Guangzhou Railway (Group) Company (the "Promoter") on the establishment of the Company.

Article 21. The Company made its first increase of capital after its incorporation by issuing 1,431,300,000 H shares, including those by the exercise of over-allotment options. Upon the increase of capital by issuing shares as referred to in the preceding paragraph, the share capital structure of the Company is: 4,335,550,000 ordinary shares, out of which 2,904,250,000 shares are held by the Promoter, representing 66.99% of the total ordinary shares, and 1,431,300,000 shares are held by holders of H Share, representing 33.01% of the total ordinary shares.

Article 22. Upon approval by the securities governing authority of the State Council of the proposal to issue Overseas-Listed Foreign-Invested Shares and Domestic-Invested Shares, the Company's board of directors may make implementing arrangements for separate issues. The Company's proposal to issue separately Overseas-Listed Foreign-Invested Shares, and Domestic-Invested Shares pursuant to the preceding paragraph may be implemented within fifteen (15) months from the date of the approval of Securities Committee of the State Council.

Article 23. In respect of the total number of shares as stated in a shares issuing proposal, where the Company shall separately issue Overseas-Listed Foreign-Invested Shares and Domestic-Invested Shares, these respective shares shall be fully subscribed for at their respective offerings. If the shares cannot be fully subscribed for at their offerings due to some special circumstances, then subject to the approval of the Securities Committee of the State Council the shares may be issued by installments.

Article 24.The Company's registered capital is Renminbi 4,335,550,000.

Article 25. The Company may, based on its requirements for operation and development and in accordance with the relevant provisions of these articles of association, approve an increase of capital. The Company may increase its capital in the following ways:

(1) offering new shares to non-specially-designated investors for subscription;

(2) placing new shares to its existing shareholders;

(3) distributing new shares to its existing shareholders;

(4) any other ways permitted by laws and administrative regulations.

The Company's increase of capital by issuing new shares shall, after being approved in accordance with the provisions of these articles of association, be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations of the State.

Article 26. Unless otherwise provided by law or administrative regulation, shares in the Company are freely transferable and are not subject to any lien.

CHAPTER 4: REDUCTION OF CAPITAL AND REPURCHASE OF SHARES

Article 27. In accordance with the provisions of these articles of association, the Company may reduce its registered capital.

Article 28. When the Company reduces its registered capital, it must draw up a balance sheet and an inventory of assets. The Company shall notify its creditors within ten (10) days of the date of the Company's resolution for reduction of capital and shall publish a notice in a newspaper at least three times within thirty (30) days of the date of such resolution. A creditor has the right within thirty (30) days of receiving the notice from the Company or, in the case of a creditor who does not receive the notice, within ninety (90) days of the date of the first public notice, to demand the Company to repay its debts or provide a corresponding guarantee for such debt.

The Company's registered capital after reduction shall not be less than the statutory minimum amount.

Article 29. The Company may, with approval according to the procedures provided in these articles of association and subject to the approval of the relevant governing authority of the State, repurchase its issued shares under the following circumstances:

(1) cancellation of shares for capital reduction;

(2) merging with another company that holds shares of the Company;

(3) paying shares to its employees as bonus;

(4) repurchasing, upon request, any shares held by any shareholder who is opposed to the Company's resolution for merger or spin-off at a shareholders' general meeting of the Company.

Any repurchase of shares under items (1) to (3) of the foregoing paragraph shall be approved by shareholders' general meeting of the Company. After repurchase of the shares according to the foregoing paragraph by the Company, the shares repurchased under item (1) shall be cancelled within ten days from the date of the repurchase; and the shares repurchased under items (2) and (4) shall be transferred or cancelled in six months.

The shares repurchased by the Company under item (3) of the first paragraph may not exceed 5 per cent of the total of the Company's issued shares. Such repurchase shall be financed by the Company's profit after tax. The shares so repurchased shall be transferred to the employees within one year.

The Company shall not permit the shares of the Company being used as the object of a mortgage. In the event that the regulatory authorities at the place of listing of the overseas-listed foreign shares have different requirements, such requirements shall prevail.

Article 30. The Company may, with the approval of the relevant State governing authority for repurchasing its shares, conduct the repurchase in one of the following ways:

(1) making a pro rata general offer of repurchase to all its shareholders;

(2) repurchasing shares through public dealing on a stock exchange;

(3) repurchase by an off-market agreement.

Article 31. Where the Company repurchases its shares by an off-market agreement, the prior sanction of shareholders' general meeting shall be obtained in accordance with these articles of association. The Company may release or vary a contract so entered into by the Company or waive its rights therein with the prior approval of shareholders' general meeting obtained in the same manner.

A contract to repurchase shares referred to in the preceding paragraph includes (without limitation) an agreement to become obliged to repurchase or an acquisition of the right to repurchase shares of the Company. The Company shall not assign the contract for repurchasing its shares or any rights therein.

Article 32. Shares which shall be cancelled according to the laws, regulations, Articles of Association or resolution of shareholders' general meeting after the repurchase in accordance with the law by the Company, shall be cancelled within the period prescribed by the laws and administrative regulations, and the Company shall apply to the original companies registration authority for registration of the change in its registered capital. The aggregate par value of those cancelled shares shall be reduced from the amount of the Company's registered capital.

Article 33. Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its outstanding shares:

(1) where the Company repurchases shares of the Company at par value, payment shall be made out of book surplus distributable profits of the Company or out of proceeds of a fresh issue of shares made for that purpose;

(2) where the Company repurchases shares of the Company at a premium to its par value, payment up to the par value may be made out of the book surplus distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:

(i) if the shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;

(ii) if the shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose, provided that the amount paid out of the proceeds of the fresh issue shall not exceed the aggregate of premiums received by the Company on the issue of the shares repurchased nor the current amount of the Company's capital common reserve fund account (including the premiums on the fresh issue) at the time of the repurchase;

(3) payment by the Company in consideration of the following shall be made out of the Company's distributable profits:

(i) acquisition of rights to repurchase shares of the Company;

(ii) variation of any contract to repurchase shares of the Company;

(iii) release of any of the Company's obligations under any contract to repurchase shares of the Company;

(4) after the Company's registered capital has been reduced by the total par value of the cancelled shares in accordance with the relevant provisions, the amountdeducted from the distributable profits of the Company for paying up the par-value portion of the shares repurchased shall be transferred to the Company's capital common reserve fund account.

CHAPTER 5: FINANCIAL ASSISTANCE FOR ACQUISITION OF THE COMPANY'S SHARES

Article 34. The Company and its subsidiaries shall not, by any means at any time, provide any kind of financial assistance to a person who is acquiring or is proposing to acquire shares in the Company. The said acquirer of shares of the Company includes a person who directly or indirectly incurs any obligations due to the acquisition of shares in the Company. The Company and its subsidiaries shall not, by any means at any time, provide financial assistance to the said obligor as referred to in the preceding paragraph for the purpose of reducing or discharging the obligations assumed by that person.

This Article shall not apply to the circumstances specified in Article 36 of this Chapter.

Article 35. For the purpose of this Chapter, "financial assistance" includes (without limitation) the following meanings:

(1) gift;

(2) guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), or compensation (other than compensation in respect of the Company's own default) or release or waiver of any rights;

(3) provision of loan or any other agreement under which the obligations of the Company are to be fulfilled before the obligations of another party or the novation of the parties to, or the assignment of rights arising under, such loan or agreement;

(4) any other form of financial assistance given by the Company when the Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent. For the purpose of this Chapter, "incurring any obligations" includes the incurring of obligations by the obligor through changing of the obligor's financial position by way of contract or the making of arrangement (whether enforceable or not, and whether made on its own account or with any other person), or by any other means.

Article 36. The following, shall not be deemed to be activities prohibited by Article 34 of this Chapter.

(1) the provision of financial assistance by the Company where the financial assistance is given in good faith in the interests of the Company, and the principal purpose in giving the financial assistance is not for the acquisition of shares in the Company, or the giving of the financial assistance is an incidental part of some overall plan of the Company;

(2) the lawful distribution of the Company's assets by way of dividend;

(3) the allotment of bonus shares as dividends;

(4) a reduction of registered capital, a repurchase of shares of the Company or a reorganization of the share capital structure of the Company effected in accordance with these articles of association;

(5) the lending of money by the Company within its scope of business for its normal business activities (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits of the Company);

(6) the provision of money by the Company for contributions to staff and workers' shares schemes (provided that thenet assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits of the Company).

CHAPTER 6: SHARE CERTIFICATES AND REGISTER OF SHAREHOLDERS

Article 37. Share certificates of the Company shall be in registered form. The following items shall be stated on the share certificate of the Company:

(1) the Company's name;

(2) the date of registration of the Company;

(3) the class of the share certificate, the par value and the number of shares represented by the share certificate;

(4) the serial number of the share certificate;

(5) other items required to be stated by the stock exchange on which the Company's shares are listed.

Article 38. Share certificates of the Company shall be signed by the Chairman of the Company's board of directors. Where the stock exchange on which the Company's shares are listed requires other senior administrative officer(s) of the Company to sign on the share certificates, the share certificates shall also be signed by such senior administrative officer(s). The share certificates shall take effect after being sealed or printed with the special seal for securities of the Company. The share certificates shall only be sealed with the Company's special seal for securities under the authorization of the board of directors. The signatures of the Chairman of board of directors or other senior administrative officer(s) of the Company may be printed in mechanical form.

Article 39. The Company shall keep a register of its shareholders and enter in the register the following particulars:

(1) the name (title) and address (residence), the occupation or nature of each shareholder;

(2) the class and quantity of shares held by each shareholder;

(3) the amount paid or payable on the shares of each shareholder;

(4) the share certificate numbers of the shares held by each shareholder;

(5) the date on which each person was entered in the register as a shareholder;

(6) the date on which any shareholder ceased to be a shareholder.

Unless contrary evidence is shown, the register of shareholders shall be sufficient evidence of the shareholders' shareholdings in the Company.

Article 40. The Company may, in accordance with the mutual understanding and agreements between the securities governing authority of the State Council and overseas securities regulatory organizations; maintain the register of shareholders of Overseas-Listed Foreign-Invested Shares overseas and appoint overseas agent(s) to manage such share register.

The original share register for holders of H Shares shall be maintained in Hong Kong. A duplicate of the share register for holders of Overseas-Listed Foreign-Invested Shares shall be maintained at the Company's address. The appointed overseas agent(s) shall at all times ensure the consistency between the original and the duplicate of the share register. If there is any inconsistency between the original and the duplicate of the share register for holders of Overseas-Listed Foreign-Invested Shares, the original shall prevail.

Article 41. The Company shall have a complete register of shareholders which shall comprise the following:

(1) a part of the shareholders' register maintained at the Company's address other than those parts mentioned in sub-paragraphs (2) and (3) of this Article;

(2) a part of the shareholders' register in respect of the holders of Overseas-Listed Foreign-Invested Shares of the Company maintained in the place of the overseas stock exchange on which the shares are listed; and

(3) any other parts of the shareholders' register maintained at such other places as the board of directors may consider necessary for the purpose of listing the shares of the Company.

Article 42. Different parts of the shareholders' register shall not overlap. No transfer of any shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.

All the fully paid-up H Shares can be freely transferred in accordance with these articles of association. However, the board of directors may refuse to recognise any instrument of transfer without giving any reason, unless:

(1) a fee (for each instrument of transfer) of two dollars and fifty cents Hong Kong dollars or any higher fee as agreed by the Stock Exchange has been paid to the Company for registration of any transfer instrument or any other document which is related to or will affect ownership of the shares;

(2) the instrument of transfer only involves H Shares;

(3) the stamp duty chargeable on the instrument of transfer has been paid;

(4) the relevant share certificate and upon the reasonable request of the board of directors any evidence in relation to the right of the transferor to transfer the shares have been submitted;

(5) if it is intended to transfer the shares to joint owners, then the maximum number of joint owners shall not exceed four (4);

(6) the Company does not have any lien on the relevant shares.

The alteration and rectification of each part of the shareholders' register shall be carried out in accordance with the laws of the place where the register is maintained.

If the Company refuses to register, any transfer of shares, the Company shall within two months of the formal application for the transfer provide the transferor and the transferee with a notice of refusal to register such transfer.

Article 43. No changes in the shareholders' register due to the transfer of shares may be made within thirty (30) days before the date of a shareholder' general meeting or within five (5) days before the record date for the Company's distribution of dividends.

Article 44. Where the Company decides to convene a shareholders' general meeting distribute dividends, liquidate or carry out other activities which would require the determination of shareholdings, the board of directors shall fix a record date for the purpose of determining shareholdings. A person who is registered in the register as shareholders of the Company at the end of the record date shall be a shareholder of the Company.

Article 45. Any person aggrieved and claiming to be entitled to have his name (title) to be entered in or removed from the register of shareholders may apply to a court of competent jurisdiction for rectification of the register.

Article 46. Any person who is a registered shareholder on the register of shareholders or who claims to be entitled to have his name (title) entered into the register of shareholders in respect of shares in the Company may, if his share certificate (the "original certificate") relating to the shares is lost, apply to the Company for a replacement new share certificate in respect of such shares (the "Relevant Shares").

If a shareholder of domestic shares loses his share certificate and applies for a replacement of new certificate, the Company shall process the application in accordance with Article 144 of the Company Law.

If a shareholder of Overseas-Listed Foreign-Shares loses his share certificate and applies for a replacement new share certificate, it may be dealt with in accordance with the law of the place where the original register of holders of Overseas-Listed Foreign-Invested Shares is maintained, rules of the stock exchange or other relevant regulations. If a shareholder of H Shares loses his share certificate, the issue of a replacement new share certificate shall comply with the following requirements:

(1) The applicant shall submit an application in a standard form prescribed by the Company and accompanied by a notarial certificate or a statutory declaration (i) stating the grounds upon which the application is made and the circumstances and the evidence of the loss of share certificate; and (ii) declaring that no other person is entitled to have his name entered in respect of the Relevant Shares.

(2) Before the Company decides to issue the replacement new share certificate, no statement made by any person

other than the applicant declaring that his name shall be entered in the register of shareholders in respect of such shares has been received.

(3) The Company shall, if it intends to issue a replacement new share certificate to the applicant, publish a notice of its intention at least once every thirty (30) days in a period of ninety (90) consecutive days in such newspapers as may be prescribed by the board of directors.

(4) The Company shall have, prior to publication of its intention to issue a replacement new share certificate, delivered to the stock exchange on which its shares are listed a copy of the notice to be published and may publish the notice upon receiving confirmation from such stock exchange that the notice has been exhibited in the premises of the stock exchange. Such notice shall be exhibited in the premises of Stock Exchange for a period of 90 days. In the case of an application made without the consent of the registered holder of the Relevant Shares, the Company shall deliver by mail to such registered shareholder a copy of the notice to be published;

(5) If, by the expiration of the 90-day period referred to in paragraphs (3) and (4) of this Article, the Company shall not have received from any person notice of any disagreement to such application, the Company may issue a replacement new share certificate to the applicant accordingly.

(6) Where the Company issues a replacement new share certificate under this Article, it shall forthwith cancel the original share certificate and enter the cancellation and issue in the register of shareholders accordingly.

(7) All expenses relating to the cancellation of an original share certificate and the issue of a replacement new share certificate by the Company shall be borne by the applicant and the Company is entitled to refuse to take any action until reasonable security is provided by the applicant.

Article 47. Where the Company issues a replacement new share certificate pursuant to these articles of association, the name (title) of a bona fide purchaser gaining possession of such new share certificate or the person who is subsequently entered in the register of shareholders as holder of such shares (if he is a bona fide purchaser) shall not be removed from the register of shareholders.

Article 48. The Company shall not be liable for any damages sustained by any person by reason of the cancellation of the original share certificate or the issue of the new share certificate, unless the claimant proves that the Company has acted deceitfully.

CHAPTER 7: SHAREHOLDERS' RIGHTS AND OBLIGATIONS

Article 49. A shareholder of the Company is a person who lawfully holds shares in the Company and whose name (title) is entered in the register of shareholders. A shareholder shall enjoy rights and bear obligations according to the class and proportion of the shares held by him; shareholders who hold shares of the same class shall enjoy the same rights and bear the same obligations.

Article 50. The ordinary shareholders of the Company shall enjoy the following rights:

(1) the right to dividends and other distributions in proportion to number of shares held;

(2) the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;

(3) the right of supervisory management over the Company's business operations, and the right to present proposals or enquiries;

(4) the right to transfer shares in accordance with laws, administrative regulations and provisions of these articles of association;

(5) the right to obtain relevant information in accordance with the provisions of these articles of association, including:(i) the right to obtain a copy of these articles of association, subject to payment of the cost of such copy;

(ii) the right to inspect and copy, subject to payment of a reasonable charge:

(a) all parts of the register of shareholders;

(b) personal particulars of each of the Company's directors, supervisors, general manager, deputy general managers and other senior administrative officers, inclining:

(aa) present name and alias and any former name or alias;

(bb) principal address (residence);

(cc) nationality;

(dd) primary and all other part-time occupations and duties;

(ee) identification document and its number;

(c) state of the Company's share capital;

(d) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of shares repurchased by the Company since the end of last accounting year and the aggregate amount paid by the Company for this purpose; and

(e) minutes of shareholders' general meetings;

(6) in the event of the termination or liquidation of the Company, to participate in the distribution of surplus assets of the Company in accordance with the number of shares held;

(7) other rights conferred by laws, administrative regulations and these articles of association.

Article 51. The ordinary shareholders of the Company shall assume the following obligations:

(1) to abide by these articles of association;

(2) to pay subscription monies according to the number of shares subscribed and the method of subscription;

(3) other obligations imposed by laws, administrative regulations and these articles of association. Shareholders are not liable to make any further contribution to the share capital other than as agreed by the

subscriber of the relevant shares on subscription.

Article 52. In addition to the obligations imposed by laws and administrative regulations or required by the listing rules of the stock exchange on which shares of the Company are listed, a controlling shareholder shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of the shareholders generally or of some of the shareholders of the Company:

(1) to relieve a director or supervisor of his duty to act honestly in the best interests of the Company;

(2) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person), in any guise, of the Company's assets, including (without limitation) opportunities beneficial to the Company;

(3) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders including (without limitation) rights to distributions and voting rights save pursuant to a restructuring submitted to the shareholders' general meeting for approval in accordance with these articles of association.

Article 53. For the purpose of the foregoing Article, a "controlling shareholder" means a person who satisfies any one of the following conditions:

(1) he alone or acting in concert with others has the power to elect more than half of the board of directors;

(2) he alone or acting in concert with others has the power to exercise or to control the exercise of 30 per cent or more of the voting rights in the Company;

(3) he alone or acting in concert with others holds 30 per cent or more of the outstanding shares of the Company;

(4) he alone or acting in concert with others in any other manner controls the Company in fact.

Article 54. Subject to the compliance of relevant laws, regulations and rules, where the Company intends to issue preference shares, the rights and obligations of holders of such shares shall be resolved upon by the shareholders in general meeting.

CHAPTER 8: SHAREHOLDERS' GENERAL MEETINGS

Article 55. The shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law.

Article 56. The shareholders' general meeting shall have the following functions and powers:

(1) to decide on the Company's operational policies and investment plans;

(2) to elect and replace directors and decide on matters relating to the remuneration of directors;

(3) to elect and replace the supervisors who are representatives of shareholders and decide on matters relating to the remuneration of supervisors;

(4) to review and approve reports of the board of directors;

(5) to review and approve reports of the supervisory committee;

(6) to review and approve the Company's proposed preliminary and final annual financial budgets;

(7) to review and approve the Company's profit distribution plans and plans for making up for losses;

(8) to resolve any increase or reduction in the Company's registered capital;

(9) to resolve matters such as merger, spin-off, dissolution and liquidation of the Company;

(10) to resolve the issuance of debentures by the Company;

(11) to resolve the appointment, dismissal and disengagement of the accounting firm of the Company;

(12) to amend these Articles of Association;

(13) to consider motions proposed by shareholder(s) who represent(s) 3 per cent or more of the total shares of the Company carrying the right to vote;

(14) to decide on other matters which require resolutions of the shareholders at the general meeting according to the relevant laws, administrative regulations and provisions of these Articles of Association;

(15) to decide on matters which the board of directors may be delegated or authorized to deal with by the shareholders at a general meeting.

Article 57. The Company shall not, without the prior approval of shareholders in general meeting, enter into any contract with any person other than a director, supervisor; general manager, deputy general manager or other senior administrative officer whereby the management and administration of the whole or any substantial part of the business of the Company is to be handed over to such person.

Article 58. Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Shareholders' general meetings shall be convened by the board of directors. Annual general meetings shall be held once every year and within six (6) months from the end of the preceding accounting year. Under any of the following circumstances, the board of directors shall convene an extraordinary general meeting within two (2) months:

(1) when the number of directors is less than the number of directors required by the Company Law or two-thirds of the number of directors specified in these Articles of Association;

(2) when the unrecovered losses of the Company amount to one-third of its total called up share capital;

(3) when the shareholder(s) severally or jointly holding 10 per cent or more of the Company's outstanding shares carrying voting rights request(s) in writing to convene an extraordinary general meeting;

(4) when deemed necessary by the board of directors;

(5) when requested by the supervisory committee.

Article 59. When the company convenes a shareholders' general meeting, a written notice of the meeting shall be given thirty (30) days before the date of the meeting to notify all shareholders whose names are shown in the share register of the matters to be considered and the date and venue of the meeting. A shareholder who intends to attend the meeting shall deliver his written reply concerning the attendance of the meeting to the Company twenty (20) days before the date of the meeting.

Article 60. Shareholders who severally or jointly holding more than 3 per cent of the Company's shares, are entitled to present a new proposal in written form to the board of directors at an annual general meeting. The Company shall include the matters in the proposal within the functions and powers of a shareholders' general meeting in the agenda of the meeting.

Article 61. The Company shall, based on the written replies received twenty (20) days before the date of the shareholders' general meeting from the shareholders, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting reaches one half or more of the Company's total voting shares, the Company may hold the meeting; if not, then the Company shall within five (5) days notify the shareholders again by public notice of the matters to be considered, the place and date for, the meeting. The Company may then hold the meeting after such publication of notice.

An extraordinary general meeting shall not resolve any matter not stated in the notice of such meeting.

Article 62. A notice of meeting of shareholders shall meet the following requirements:

(1) be in writing;

(2) specify the place, the date and time of the meeting;

(3) state the matters to be discussed at the meeting;

(4) provide such information and explanation as are necessary for the shareholders to make an informed decision on the proposals put before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another, to repurchase shares, to reorganize the share capital, or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;

(5) contain a disclosure of the nature and extent, if any, of the material interests of any director, supervisor, general manager, deputy general manager or other senior administrative officer in the proposed transaction and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of the shareholders of the same class;

(6) contain the full text of any special resolution to be proposed at the meeting;

(7) contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a shareholder;

(8) specify the time and place for lodging proxy forms for the relevant meeting.

Article 63. Notice of shareholders' general meeting shall be served on the shareholders (whether or not entitled to vote at the meeting) by delivery or prepaid airmail to their addresses as shown in the register of shareholders. For the holders of Domestic-Invested Shares, notice of the meetings may be issued by way of public notice.

The public notice referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory authority within the interval between thirty (30) days and forty (40) days before the date of the meeting. After the publication of such notice, all holders of domestic shares shall be deemed to have received the notice of the relevant shareholders' general meeting.

Article 64. The accidental omission to give notice of a meeting to, or the failure to receive the notice of a meeting by, any person entitled to receive notice shall not invalidate the meeting and the resolutions made at that meeting.

Article 65. Any shareholder entitled to attend and vote at the shareholders' general meeting shall be entitled to appoint one or more other persons (whether a shareholder or not) as his proxies to attend and vote on his behalf, and a proxy so appointed shall be entitled to exercise the following rights pursuant to the authorization from that shareholder:

(1) the shareholder's right to speak at the meeting;

(2) the right to demand or join in demanding a poll;

(3) the right to vote by hand or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

Article 66. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a legal entity, either under seal or under the hand of a director or attorney duly authorized.

Article 67. The instrument appointing a voting proxy and, if such instrument is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or other authority shall be deposited at the address of the Company or at such other place as is specified for that purpose in the notice convening the meeting, not less than twenty-four (24) hours before the time for holding the meeting at which the proxy propose to vote or the time appointed for the passing of the resolution.

If the appointor is a legal person, its legal representative or such person as is authorized by resolution of its board of directors or other governing body may attend at any meeting of shareholders of the Company as a representative of the appointor.

Article 68. Any form issued to a shareholder by the board of directors of the Company for use by him for appointing a proxy shall be such as to enable the shareholder, according to his free will, to instruct the proxy to vote in favour of or against the motions, such instructions being given in respect of each individual matter to be voted on at the meeting.

Such a form shall contain a statement that in the absence of instructions by the shareholder the proxy may vote as he thinks fit.

Article 69. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that no notice in writing of such death, incapacity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which the proxy is used.

Article 70. A proxy who attends a shareholders' general meeting on behalf of a shareholder shall present his identification document.

If a shareholder who is a legal person appoints its legal representative to attend the meeting, the legal representative shall present his own identification document and a notarially certified copy of the resolution or letter of authorization of the board of directors or other governing body of the appointor appointing such legal representative.

Article 71. Resolutions of shareholders' general meetings shall be divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, votes representing more than one half of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favour of the resolution in order for it to be passed.

To adopt a special resolution, votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favour of the resolution in order for it to be passed.

The shareholders (including proxies) present at the meeting shall expressly state their agreement with or objection to every matter to be determined by voting. If a shareholder abstains from voting or casts an abstention vote, the Company shall disregard such vote as a voting share when counting the result of voting.

Article 72. When shareholders (including their proxies) vote at the shareholders' general meeting, they shall exercise their voting rights according to the number of voting shares that they represent. Each share shall carry one voting right. Any share of the Company held by the Company does not carry any voting right. Where any shareholder is , under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, required to abstain from voting on a particular resolution or restricted to voting only in favour of or against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Article 73. At any general meeting of shareholders, a resolution shall be decided on a show of hands unless a poll is (before or after any vote by show of hands) demanded:

(1) by the chairman of the meeting;

(2) by at least two shareholders entitled to vote present in person or by proxy;

(3) by one or more shareholders present in person or by proxy and individually or collectively representing 10 per cent or more of all shares carrying the right to vote at the meeting.

Unless a poll be so demanded, a declaration by the chairman that a resolution has on a show of hands been carried unanimously, and, an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution. The demand for a poll may be withdrawn by the person who makes such demand.

Article 74. A poll demanded on the election of the chairman of the meeting, or on a question of adjournment of the meeting, shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll. The result of the poll shall be deemed to be a resolution of the meeting at which the poll was demanded.

Article 75. On a poll taken at a meeting, a shareholder (including proxy) entitled to two or more votes need not cast all his votes in the same way.

Article 76. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to one additional vote.

Article 77. The following matters shall be resolved by an ordinary resolution at a shareholders' general meeting:

(1) work reports of the board of directors and the supervisory committee;

(2) plans formulated by the board of directors for distribution of profits and for making up losses;

(3) removal of the members of the board of directors and members of the supervisory committee, their remuneration and method of payment;

(4) annual preliminary and final budgets, balance sheets and profit and loss

statements and other financial statements of the Company;

(5) matters other than those required by the laws and administrative regulations or by these articles of association to be adopted by special resolutions.

Article 78. The following matters shall be resolved by a special resolution at a shareholders' general meeting:

(1) the increase or reduction in share capital and the issue of shares of any class, warrants and other similar securities by the Company;

(2) the issue of debentures by the Company;

(3) the spin-off, merger, dissolution and liquidation of the Company;

(4) the amendments to these Articles of Association;

(5) the alternation of the form of the Company;

(6) any other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company and would need to be adopted by a special resolution.

Article 79. Shareholders calling for an extraordinary general meeting or a class meeting shall follow the following procedures:

(1) Shareholder(s) severally or jointly holding for more than ninety (90) consecutive days an aggregate of 10 per cent or more of the shares carrying the right to vote at the proposed meeting may sign one or more written request(s) requiring the board of directors to convene an extraordinary general meeting or a class meeting and stating the object of the meeting therein. The board of directors shall as soon as possible proceed to convene the extraordinary general meeting or a class meeting thereof after receiving such request.

The number of shares held by the above shareholders shall be calculated as at the date of such request, and evidence of holding the Company's shares for more than ninety (90) consecutive days shall be provided to the Company.

(2) If the board of directors fails to issue a notice of such a meeting within thirty (30) days from the date of receipt of such request, the supervisory committee shall promptly convene an extraordinary general meeting or a class meeting thereof. If the supervisory committee fails to issue a notice convening such meeting within thirty (30) days, the shareholders making such request may themselves convene such a meeting by such procedures as similar as possible as that in which shareholders' meetings are to be convened by the board of directors within four (4) months from the date of receipt of such request by the board of directors.

Any expenses reasonably incurred by such shareholders as a result of convening any such meeting due to the failure of the board of directors in convening such meeting shall be repaid to such shareholders by the Company and any sum so repaid shall be offset against any sum owed by the Company to the directors in default.

Article 80. The Chairman of the board of directors shall convene and take the chair of every shareholders' general meeting. If the Chairman is unable to attend the meeting for any reason, the vice-chairman of the board of directors shall convene and take the chair of the meeting. If both the Chairman and vice chairman of the board of directors are unable to attend the meeting, then the board of directors may designate a director of the Company to convene and take the chair of the meeting.

If no chairman of the meeting has been so designated, shareholders present shall choose one person to be the chairman of the meeting. If for any reason, the shareholders shall fail to elect a chairman, then the shareholder (including proxy) present in person or by proxy and holding the largest number of shares carrying the right to vote thereat shall be the chairman of the meeting.

Article 81. The chairman of the meeting shall be responsible for the determination of whether a resolution is passed. His decision, which is final and conclusive, shall be announced at the meeting and recorded in the minute book.

Article 82. If the chairman of the meeting has any doubt as to the result of a resolution put to the vote of the meeting, he may have the votes counted. If the chairman of the meeting fails to have the votes counted, any shareholder who is present in person or by proxy and who objects to the result announced by the chairman of the meeting may demand that the votes be counted immediately after the declaration of the result, the chairman of the meeting shall have the votes counted immediately.

Article 83. If votes are counted at a shareholder' general meeting, the result of the count shall be recorded in the minute book.

Article 84. Minutes shall be made in respect of all resolutions passed at a shareholders' general meeting and signed by directors present at the meeting. The minutes, shareholders' attendance lists and proxy forms shall be kept at the Company's legal address.

Article 85. Copies of the minutes of proceedings of any shareholders' general meeting shall, during business hours of the Company, be open for inspection by any shareholder without charge. If a shareholder demands from the Company a copy of such minutes, the Company shall send a copy of such minutes to him within seven (7) days after having received reasonable charges.

CHAPTER 9: SPECIAL PROCEDURES FOR VOTING BY A CLASS OF SHAREHOLDERS

Article 86. Those shareholders who hold different types of shares are different classes of shareholders. Apart from the holders of other classes of shares, the holders of the Domestic-Invested Shares and holders of Overseas-Listed Foreign-Invested Shares shall be deemed to be shareholders of different classes. A class of shareholders shall, in accordance with laws, administrative regulations and these articles of association, enjoy rights and bear obligations.

Article 87. Rights conferred on any class of shareholders in the capacity of shareholders ("class rights") may not be varied or abrogated unless approved by a special resolution of shareholders in general meeting and by holders of shares of that class at a separate meeting conducted in accordance with Articles 89 to 93.

Article 88. The following circumstances shall be deemed to be variation or abrogation of the class rights of a class:

(1) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of a class having voting or equity rights or other privileges equal or superior to those of the shares of such class;

(2) to effect an exchange of all or part of the shares of such class into shares of another class or to effect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class;

(3) to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to shares of such class;

(4) to reduce or remove a dividend preference or a liquidation preference attached to shares of such class;

(5) to add, remove or reduce conversion privileges, options, voting rights, transfer or pre-emptive rights, or rights to acquire securities of the Company attached to shares of such class;

(6) to remove or reduce rights to receive payment payable by the Company in particular currencies attached to shares of such class;

(7) to create a new class of shares having voting or equity right or other privileges equal or superior to those of the shares of such class;

(8) to restrict the transfer or ownership of the shares of such class or add to such restriction;

(9) to allot and issue rights to subscribe for, or convert into, shares in the Company of such class or another class;

(10) to increase the rights and privileges of shares of another class;

(11) to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such proposed restructuring;

(12) to vary or abrogate the provisions of this Chapter.

Article 89. Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning sub-paragraphs (2) to (8), (11) and (12) of Article 88, but interested shareholder(s) shall not be entitled to vote at class meetings.

The meaning of "interested shareholder(s)" as mentioned in the preceding paragraph is:

(1) in the case of a repurchase of shares by offers to all shareholders or public dealing on a stock exchange under Article 30, a "controlling shareholder" within the meaning of Article 53;

(2) in the case of a repurchase of share by an off-market contract under Article 30, a holder of the shares to which the proposed contract relates;

(3) in the case of a restructuring of the Company, a shareholder within a class who bears less than a proportionate obligation imposed on that class under the proposed restructuring or who has an interest different from the interest of shareholders of that class.

Article 90. Resolutions of a class meeting of shareholders shall be passed only by votes representing more than two-thirds of the voting rights of shareholders of that class represented at the relevant meeting in accordance with Article 89.

Where any shareholder is, under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, required to abstain from voting on a particular resolution in a class meeting or restricted to voting only in favour of or against any particular resolution in a class meeting, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Article 91. A written notice of a class meeting shall be given thirty (30) days before the date of the class meeting to notify all shareholders whose names are shown in the share register of the class of the matters to be considered, the date and venue of the class meeting. A shareholder who intends to attend the class meeting shall deliver his written reply concerning his attendance at the class meeting to the Company twenty (20) days before the date of the class meeting.

If the number of shares carrying voting rights at the meeting represented by the shareholders who intend to attend the class meeting reaches more than one half of the voting shares at the class meeting, the Company may hold the class meeting; if not, the Company shall within five (5) days notify the shareholders again by public notice of the matters to be considered, the date and the place for the class meeting. The Company may then hold the class meeting after such publication of notice.

Article 92. Notice of class meetings need only be served on shareholders entitled to vote thereat. Meetings of any class of shareholders shall be conducted in a manner as similar as possible to that of general meetings of shareholders. The provisions of these articles of association relating to the manner to conduct any shareholders' general meeting shall apply to any meeting of a class of shareholders.

Article 93. The special procedures for voting at a class of shareholders shall not apply to the following circumstances:

(1) where the Company issues, upon the approval by a special resolution of its shareholders in general meeting, either separately or concurrently once every twelve months, not more than 20 per cent of each of its outstanding Domestic-Invested Shares and Overseas-Listed Foreign-Invested Shares;

(2) where the Company's plan to issue Domestic-Invested Shares and Overseas-Listed Foreign-Invested Shares at the time of its establishment is carried out within fifteen (15) months from the date of approval of the Securities Committee of the State Council.

CHAPTER 10: BOARD OF DIRECTORS

Article 94. The Company shall establish a board of directors. The board shall consist of 9 directors. The board shall have one Chairman.

Article 95. Directors shall be elected at the shareholders' general meeting and serve a term of 3 years. A director may serve consecutive terms if re-elected upon the expiration of his term.

The written notice of an intention to nominate a candidate of director and that of a willingness to accept the nomination by the candidate shall be delivered no earlier than the day after the dispatch of the notice of the meeting for election of the relevant director and end no later than 7 days prior to the date of such meeting. The Chairman of the board shall be elected and removed by the approval of more than half of all the directors of the board. The Chairman of the board shall serve a term of 3 years and may serve consecutive terms if re-elected upon the expiration of his term.

Subject to compliance with relevant laws and regulations, any director may be removed by ordinary resolution before the expiration of his term of office(but without prejudice to any claim for damages under any contract). The directors shall not be required to hold shares of the Company.

Article 96. The board of directors is responsible to the shareholders' general meeting and exercises the following powers:

(1) to be responsible for the convening of the shareholders' general meeting and to report on its work to the shareholders' general meeting;

(2) to implement the resolutions of the shareholders' general meetings;

(3) to decide on the Company's business plans and investment plans;

(4) to formulate the Company's annual preliminary and final financial budgets;

(5) to formulate the Company's profit distribution plans and plan for making up losses;

(6) to formulate proposals for increases or reductions in the Company's registered capital and the issue of debentures of the Company;

(7) to draw up plans for the merger, division or dissolution of the Company;

(8) to decide on the establishment of the Company's internal management structure;

(9) to appoint or dismiss the Company's general manager, and pursuant to the general manager's nominations to appoint or dismiss the deputy general manager and other senior administrative officer (including the financial officer) of the Company and decide on their remuneration;

(10) to establish the Company's basic management system;

(11) to formulate proposals for any amendments of the Company's articles of association;

(12) to exercise any other powers conferred by these Articles of Association or the shareholders' general meetings.

Except the board of directors' resolutions in respect of the matters specified in sub-paragraphs (6), (7) and (11) of this Article which shall be passed by more than two-thirds of the directors, the board of directors' resolutions in respect of all other matters may be passed by more than one half of the directors. The board of directors may formulate rules governing decision making in respect of the financial and investment management of the Company, the formulation of or amendment to such rules shall be passed by more than two-thirds of the directors (at least one of them shall be a non-executive director).

Article 97. The board of directors shall not, without the prior approval of shareholders in a general meeting, dispose or agree to dispose of any fixed assets of the Company where the aggregate of the amount or value of the consideration for the proposed disposition, and the amount or value of the consideration for any such disposition of any fixed assets of the Company that has been completed in the period of four (4) months immediately preceding the proposed disposition, exceeds 33 per cent of the value of the Company's fixed assets as shown in the last balance sheet placed before the shareholders in general meeting.

For the purpose of this Article, disposition includes an act involving the transfer of an interest in assets but does not include the provision of fixed asset by way of security. The validity of a disposition of fixed assets by the Company shall not be affected by the breach of the first paragraph of this Article.

Article 98. The board of directors shall carry out its duties in compliance with the laws, administrative regulations, these articles of association and resolutions of the shareholders' general meetings.

Article 99. The Chairman of the board of directors shall exercise the following powers:

(1) to preside over shareholders' general meetings and to convene and preside over meetings of the board of directors;

(2) to check on the implementation of resolutions of the board of directors;

(3) to sign the securities certificates issued by the Company;

(4) to exercise other powers conferred by the board of directors.

When the Chairman is unable to exercise his powers, the Chairman may designate a director to exercise such powers on the Chairman's behalf.

Article 100. Meetings of the board of directors shall be held at least twice every year and convened by the Chairman of the board of directors. Notice of the meeting shall be served on all directors ten (10) days before the date of the meeting. Upon request of shareholders representing more than one-tenth of the shares carrying the right to vote, or, one- third or more of the directors, the Chairman, the supervisory committee or the general manager, an extraordinary meeting of the board of directors may be convened. The Chairman shall convene and preside at the extraordinary meeting of the board of directors within ten (10) days from the receipt of such request.

Article 101. Meetings of the board of directors shall be notified in the following ways:

(1) No notice of the regular meeting of the board of directors shall be required, if the time and place of regular meetings of the board of directors have been fixed by the board of directors in advance.

(2) Notice of the time and place of a meeting of the board of directors for which the time and place have not otherwise been set in advance by the board of directors shall be sent by the Chairman to each of the directors by telex, telegram, facsimile, EMS, registered mail or personal delivery not less than ten (10) days before such meeting.

(3) Notice shall be written in Chinese and, where necessary, in English also and shall include an agenda of the relevant meeting of the board of directors. Any director may waive his right to receive notice of any meeting of the board of directors.

Article 102. Notice of a meeting of the board of directors shall be deemed to have been given to any director who attends the meeting without protesting against, before or at its commencement, any lack of notice.

Article 103. Any regular or extraordinary meeting of the board of directors may be held by means of conference telephone or similar communication equipment. So long as all directors participating in such meeting can clearly hear and communicate with each other, all such directors shall be deemed to be present in person at such meeting.

Article 104. A meeting of the board of directors shall be held only if more than half of the directors (including any director present by proxy as stipulated in Article 105 below) are present. Each director shall have one vote. Unless otherwise provided for in these articles of association, a resolution of the board of directors must be passed by more than half of all the directors.

Where there is a tie vote regarding a resolution, the Chairman of the board of directors shall have a casting vote. Where a director is interested in any resolution proposed at a board meeting, such director shall not be present at such meeting and shall not have the right to vote. Such director shall not be counted in the quorum of such meeting.

Article 105. Directors shall attend the meetings of the board of directors in person. Where a director is unable to attend a meeting for any reason, he may make another director his proxy at the meeting by a written power of attorney. The power of attorney shall set out the scope of the authority. A director acting as the proxy of another director to attend the meeting shall exercise the rights of a director within the scope of authority conferred by the appointing director. Where a director is unable to attend a meeting of the board of directors and has not appointed a representative to attend the meeting on his behalf, he shall be deemed to have waived his right to vote at the meeting.

In respect of any matter requiring the resolution of any extraordinary meeting of the board of directors, a resolution approved in writing by at least such number of directors as may be required pursuant to Article 96 of these articles of association after the proposed resolution has been reduced into writing and delivered to all directors, shall be deemed to be a valid resolution and a board meeting shall be dispensed with.

Article 106. The board of directors shall keep minutes of resolutions on matters discussed at meetings. The minutes shall be signed by the directors present at the meeting and the person who recorded the minutes. The directors shall be liable for the resolutions of the board of directors. If a resolution of the board of directors violates the law, administrative regulations or these articles of association and results in the Company sustaining serious losses, the directors participating in the adoption of such resolution shall be liable for compensating the Company. However, if it can be proven that a director expressly objected to such resolution when such resolution was voted on, and that such objection is recorded in the minutes of the meeting, such director may be released from such liability.

CHAPTER 11: SECRETARY OF THE BOARD OF DIRECTORS

Article 107. The Company shall have a secretary of the board of directors who shall be a senior administrative officer of the Company.

Article 108. The secretary to the board of directors of the Company shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the board of directors. His primary responsibilities are:

(1) to organise and prepare for shareholders' general meetings and meetings of the board of directors of the Company;

(2) to keep documents and records of shareholders' general meetings and meetings of the board of directors; to ensure that the Company prepares and delivers those reports and documents required by any competent authorities in accordance with the law, and that persons entitled to receive the Company's records and documents receive such records and documents without delay;

(3) to maintain information of the shareholders of the Company and to ensure that the Company's registers of shareholders are properly maintained;

(4) to handle information disclosure issues.

Article 109. A director or other senior administrative officer of the Company may hold the officer of the secretary of the board of directors concurrently. The accountant(s) of the certified public accounting firm retained by the Company shall not act as the secretary of the board of directors. Provided that where the office of secretary is held concurrently by a director, and an act shall be done by a director and a secretary separately, the person who holds the office of director and secretary may not perform the act in dual capacity.

CHAPTER 12: GENERAL MANAGER

Article 110. The Company shall have one general manager, who shall be appointed and dismissed by the board of directors. The Company shall have a number of deputy general managers who should assist the general manager in his work. The term of office of the general manager and deputy general managers is three (3) years and renewable upon re-election and reappointment.

Article 111. The general manager shall be accountable to the board of directors and exercise the following functions and powers:

(1) to be in charge of the Company's production, operation and management and to organize the implementation of the resolutions of the board of directors;

(2) to organize the implementation of the Company's annual business plan and investment plan;

(3) to draft plans for the establishment of the Company's internal management structure;

(4) to establish the Company's basic management system;

(5) to formulate basic rules and regulations of the Company;

(6) to propose the appointment or dismissal of the Company's deputy general manager(s) and other senior administrative officers (including the financial officer);

(7) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the board of directors;

(8) to determine rewards and punishments, promotion and demotion, increase and decrease of salaries, recruitment, appointment, termination of employment and dismissal of the staff and workers of the Company;

(9) other powers conferred by these articles of association and the board of directors.

Article 112. The general manager and deputy general managers shall be present at meetings of the board of directors. However, the general manager and the deputy general manager shall have no voting rights at the meetings unless they are also directors.

Article 113. The general manager and deputy general managers shall not, in exercising their powers, vary the resolutions of shareholders' general meetings and those of the board of directors or exceed the scope of their authorities.

Article 114. The general manager and deputy general managers, in performing their functions and powers shall act honestly and, diligently and in accordance with laws, administrative regulations and these articles of association.

CHAPTER 13: SUPERVISORY COMMITTEE

Article 115. The Company shall have a supervisory committee.

Article 116. The supervisory committee shall be composed of 5 to 7 supervisors. The term of office of supervisors shall be three (3) years renewable upon re-election and re-appointment. The supervisory committee shall have one chairman who is subject to election or removal with the consent of two thirds or more of the members of the supervisory committee. The term of office of the chairman shall be three (3) years renewable upon re-election and re-appointment.

Article 117. The supervisory committee shall comprise of representatives of shareholders and representatives of staff and workers of the Company. The proportion of the latter shall not be less than one-third of the supervisory committee. Representatives of shareholders shall be elected or removed by the shareholders at a general meeting. Representatives of staff and workers shall be elected democratically by the staff and workers at a meeting of the representatives of staff and workers, staff and workers' meeting or through other channels.

Article 118. The directors, general manager, deputy general managers and financial controller shall not act concurrently as supervisors.

Article 119. Meetings of the supervisory committee shall be held at least once every six months, and shall be convened and presided by the chairman of the supervisory committee. If the chairman cannot or fails to perform his/her duties, the meeting of the supervisory committee shall be convened and presided by one supervisor elected by over half the number of the supervisors. Supervisor(s) may propose to convene extraordinary meetings of the supervisory committee.

The supervisory committee shall record the decisions on the matters discussed, which shall be signed by supervisors present at the meeting.

Article 120. The supervisory committee shall be accountable to the shareholders' general meeting and shall exercise the following powers in accordance with the law:

(1) to examine the Company's financial situation;

(2) to supervise the performance of duties of the directors, general manager, deputy general managers and other senior management; to propose the dismissal of directors, general manager, deputy general managers and other senior management who have violated any law, administrative regulations, these Articles of Association or resolutions of the shareholders' general meetings;

(3) to demand a director, general manager, deputy general manager or any other senior management to rectify such breach when the acts of such persons are harmful to the Company's interest;

(4) to propose the convening of shareholders' general meetings, and to convene and chair the shareholders' general meetings if the board of directors fails to perform this duty as stipulated in these Articles of Association;

(5) to propose motions to shareholders' general meetings;

(6) to initiate legal proceedings against any director, general manager, deputy general manager and other senior management in accordance with Article 152 of the Company Law.

Supervisors may attend meetings of the board of directors and question or give advice on the resolutions of the board of directors.

Article 121. Resolutions of the supervisory committee shall be passed by two-thirds or more of all of its members.

Article 122. The supervisory committee may conduct investigation if they find the operation of the Company unusual; and may engage professionals such as lawyers, certified public accountants or practicing auditors to assist if necessary. All reasonable fees so incurred shall be borne by the Company.

Article 123. A supervisor shall carry out his duties honestly and faithfully in accordance with laws, administrative regulations and these articles of association.

CHAPTER 14: THE QUALIFICATIONS AND DUTIES OF THE DIRECTORS, SUPERVISORS, GENERAL MANAGER, DEPUTY GENERAL MANAGERS AND OTHER SENIOR ADMINISTRATIVE OFFICERS OF THE COMPANY

Article 124. A person may not serve as the director, supervisor, general manager, deputy general manager or any other senior management of the Company under any of the following circumstances:

(1) a person who has no civil capacity or has restricted civil capacity;

(2) a person who has committed an offence of corruption, bribery, embezzlement of property, misappropriation of property or sabotaging the order of socialist market economy and has received a criminal sentence because of committing such an offence; or who has been deprived of his political rights because of committing an offence, in each case where less than five (5) years have elapsed since the date of the completion of the execution of his sentence;

(3) a person who was previously the director, factory manager or manager of a company or enterprise which was insolvent and liquidated and who was personally liable for the insolvency of such company or enterprise, where less than three (3) years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

(4) a person who was previously the legal representative of a company or enterprise which had its business licence revoked and was ordered to cease its business due to violation of the law and who was personally liable for the revocation, where less than three (3) years have elapsed since the date of the revocation of the business licence of such company or enterprise;

(5) a person who has a relatively large amount of debts due and outstanding;

(6) a person who is under criminal investigation or prosecution by judicial organs for violation of criminal law which is not yet concluded;

(7) a person who is not eligible for enterprise leadership under the requirements of the laws and administrative regulations;

(8) not a natural person;

a person who is convicted of contravention of provisions of relevant securities regulations by a relevant competent authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five (5) years have elapsed since the date of the conviction.

Any election, appointment or engagement of a director, supervisor, general manager, deputy general manager or any other senior management in violation of the preceding paragraph shall be invalid. The Company shall dismiss any director, supervisor, general manager, deputy general manager or any other senior management who falls within any of the circumstances set out in the first paragraph of this Article during his term of office.

Article 125. The validity of an act of the director, general manager, deputy general manager or other senior administrative officer on behalf of the Company is not, vis-a-vis a bona fide third party, affected by any irregularity in his office, election or any defect in his qualification.

Article 126. In addition to the obligations imposed by laws, administrative regulations or required by the listing rules of the stock exchange on which shares of the Company are listed, each of the Company's directors, supervisors, general manager, deputy general other senior administrative offices owes the following obligations to each shareholder, in the exercise of the functions and powers the Company conferred on him:

(1) not to cause the Company to exceed the scope of business stipulated in its business licence;

(2) to act honestly in the best interest of the Company;

(3) not to expropriate in any guise the Company's property,including (without limitation) usurpation of opportunities advantageous to the Company;

(4) not to expropriate the individual rights of shareholders, including (without limitation) rights to distribution and voting rights, save pursuant to a restructuring of the Company submitted to shareholders for approval in accordance with these articles of association.

Article 127. Each of the Company's directors, supervisors, general manager, deputy general manager and other senior administrative officers owes a duty, in the exercise of his powers and discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Article 128. Each of the Company's directors, supervisors, general manager, deputy general manager and other senior administrative officers shall exercise his powers or carry on his duties in accordance with the principle of fiduciary; and shall not put himself in a position where his duty and his interest may conflict. This principle includes (without limitation) discharging the following obligations:

(1) to act honestly in the best interests of the Company;

(2) to exercise powers within the scope of his powers and not to exceed those powers;

(3) to exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of shareholders given in general meeting, not to delegate the exercise of his discretion;

(4) to treat shareholders of the same class equally and to treat shareholders of

different classes fairly;

(5) except in accordance with these articles of association or with the informed consent of shareholders given in general meeting, not to enter into any contract, transaction or arrangement with the Company;

(6) without the informed consent of shareholders given in general meeting, not to use the Company's property for his own benefit;

(7) not to exploit his position to accept bribes or other illegal income or expropriate the Company's property by any means, including (without limitation) opportunities advantageous to the Company;

(8) without the informed consent of shareholders given in general meeting, not to accept commissions in connection

with the Company's transactions;

(9) to abide by these articles of association, execute his official duties faithfully and protect the Company's interests, and not to exploit his position and power in the Company to advance his own private interests;

(10) not to compete with the Company in any way unless with the informed consent of shareholders given in general meeting;

(11) not to misappropriate the Company's funds or lend such funds to others, not to open accounts in his own name or other names for the deposit of the Company's assets and not to provide a guarantee for debts of a shareholder of the Company or other individual(s) with the Company's assets;

(12) unless otherwise permitted by informed shareholders in general meeting, to keep in confidence information acquired by him in the course of and during his tenure and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other governmental authorities is permitted if:

(i) disclosure is made under compulsion of law;

(ii) the interests of the public require disclosure;

(iii) the interests of the relevant director, supervisor, general manager, deputy general manager or other senior administrative officer require disclosure.

Article 129. Each director, supervisor, general manager, deputy general manager or other senior administrative officer of the Company shall not cause the following persons or institutions ("associates") to do what he is prohibited from doing:

(1) the spouse or minor child of that director, supervisor, general manager, deputy general manager or other senior administrative officer;

(2) a person acting in the capacity of trustee of that director, supervisor, general manager, deputy general manager or other senior administrative officer or any person referred to in the preceding sub-paragraph (1);

(3) a person acting in the capacity of partner of that director, supervisor, general manager, deputy general manager or other senior administrative officer or any person referred to in sub-paragraphs (1) and (2) of this Article;

(4) a company in which that director, supervisor, general manager, deputy general manager or other senior administrative officer, alone or jointly with one or more persons referred to in sub-paragraphs (1), (2) and (3) of this Article and other directors, supervisors, general manager, deputy general managers and other senior administrative officers have a de facto controlling interest;

(5) the directors, supervisors, general manager, deputy general managers and other senior administrative officers of the controlled company referred to in the preceding sub-paragraph (4); and

(6) any associates as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong limited.

Article 130. The fiduciary duties of the directors, supervisors, general manager, deputy general managers and other senior administrative officers of the Company do not necessarily cease with the termination of their tenure. The duty of confidence in relation to trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period as fairness may require depending on the time lapse between the termination and the act concerned and the circumstances under which the relationships between them and the Company are terminated.

Article 131. Subject to Article 52, a director, supervisor, general manager, deputy general manager or other senior administrative officer of the Company may be relieved of liability for specific breaches of his duty by the informed consent of shareholders given at a general meeting.

Article 132. Where a director, supervisor, general manager, deputy general manager or other senior administrative officer of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, (other than his contract of service with the Company), he shall declare the nature and extent of his interests to the board of directors at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal therefor is otherwise subject to the approval of the board of directors.

Unless the interested director, supervisor, general manager, deputy general manager or other senior administrative officer discloses his interests in accordance with the preceding paragraph of this Article and the contract, transaction or arrangement is approved by the board of directors at a meeting in which the interested director, supervisor, general manager, deputy general manager or other senior administrative officer is not counted in the quorum and refrains from voting, a contract, transaction or arrangement in which that director, supervisor, general manager, deputy general manager or other senior administrative officer is materially interested is voidable at the instance of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the interested director, supervisor, general manager, deputy general manager or other senior administrative officer.

For the purposes of this Article, a director, supervisor, general manager, deputy general manager or other senior administrative officer of the Company is deemed to be interested in a contract, transaction or arrangement in which an associate of him is interested.

Article 133. Where a director, supervisor, general manager, deputy general manager or other senior administrative officer of the Company gives to the board of directors a general notice in writing stating that, by reason of the facts specified in the notice, he is interested in contracts, transactions or arrangements of any description which may subsequently be made by the Company, that notice shall be deemed for the purposes of the preceding Article to be a sufficient declaration of his interests, so far as the content stated in such notice is concerned, provided that such general notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration on behalf of the Company.

Article 134. The Company shall not in any manner pay taxes for or on behalf of a director, supervisor, general manager, deputy general manager or other senior administrative officer.

Article 135. The Company shall not directly or indirectly make a loan to or provide any guarantee in connection with the making of a loan to a director, supervisor, general manager, deputy general manager or other senior administrative officer of the Company or of the Company's holding company or any of their respective associates.

However, the following transactions are not subject to such prohibition:

(1) the provision by the Company of a loan or a guarantee of a loan to a company which is a subsidiary of the Company;

(2) the provision by the Company of a loan or a guarantee in connection with the making of a loan or any other funds to any of its directors, supervisors, general manager, deputy general managers and other senior administrative officers to meet expenditure incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him to perform his duties properly, in accordance with the terms of a service contract approved by the shareholders in general meeting;

(3) the Company may make a loan to or provide a guarantee in connection with the making of a loan to any of the relevant directors, supervisors, general manager, deputy general managers and other senior administrative officers or their respective associates in the ordinary course of its business on normal commercial terms, provided that the ordinary course of business of the Company includes the lending of money or the giving of guarantees.

Article 136. A loan made by the Company in breach of the preceding Article shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

Article 137. A guarantee for repayment of loan provided by the Company in breach of Article 135 shall not be enforceable against the Company, unless:

(1) when providing the guarantee in connection with a loan to an associate of any of the directors, supervisors, general manager, deputy general managers and other senior administrative officers of the Company or of the Company's holding company, the lender did not know the relevant circumstances; or

(2) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser. Article 138. For the purposes of the foregoing provisions of this Chapter, a "guarantee" includes an undertaking or property provided to secure the performance of obligations by the obligor.

Article 139. In addition to any rights and remedies provided by the laws and administrative regulations, where a director, supervisor, general manager, deputy general manager or other senior administrative officer of the Company is in breach of his duties to the Company, the Company has a right to:

(1) claim damages from the director, supervisor, general manager, deputy general manager or other senior administrative officer in compensation for losses sustained by the Company as a result of such breach;

(2) rescind any contract or transaction entered into by the Company with the director, supervisor, general manager, deputy general manager or other senior administrative officer or with a third party (where such third party knows or should know that there is such a breach of duties by such director, supervisor, general manager, deputy general manager or other senior administrative officer);

(3) demand the surrender of the profits made by the director, supervisor, general manager, deputy general manager or other senior administrative officer in breach of his duties;

(4) recover any monies received by the director, supervisor, general manager, deputy general manager or other senior administrative officer which should have been received by the Company, including (without limitation) commissions; and

(5) demand a refund of the interest earned or which may have been earned by the director, supervisor, general manager, deputy general manager or other senior administrative officer on the monies that should have been paid to the Company.

Article 140. The Company shall, with the prior approval of shareholders in general meeting, enter into a contract in writing with a director or supervisor wherein his emoluments are stipulated. The aforesaid emoluments include

(1) emoluments in respect of his service as director, supervisor or senior administrative officer of the Company;

(2) emoluments in respect of his service as director, supervisor or senior administrative officer of any subsidiary of the Company;

(3) emoluments in respect of the provision of other services in connection with the management of the affairs of the Company and any of its subsidiaries;

(4) payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office.

Except under a contract entered into in accordance with the foregoing, no proceedings may be brought by a director or supervisor against the Company for any benefit due to him in respect of the matters mentioned in this Article.

Article 141. The contract concerning the emoluments of the directors or supervisors of the Company between the Company and its directors or supervisors should provide that in the event of a takeover of the Company, the Company's directors and supervisors shall, subject to the prior approval of the shareholders in general meeting, have the right to receive compensation or other payment in respect of his loss of office or retirement. A takeover of the Company referred to in this paragraph means any of the following:

(1) an offer made by any person to the general body of shareholders;

(2) an offer made by any person with a view to the offeror becoming a "controlling shareholder" as stipulated in Article 53.

If the relevant director or supervisor does not comply with this Article, any sum so received by him shall belong to those persons who have sold their shares as a result of the said offer made. The expenses incurred in distributing that sum pro rata amongst those persons shall be borne by the relevant director or supervisor and not paid out of that sum.

CHAPTER 15: FINANCIAL AND ACCOUNTING SYSTEMS AND PROFIT DISTRIBUTION

Article 142. The Company shall establish its financial and accounting systems and internal audit system in accordance with laws, administrative regulations and PRC accounting standards formulated by the finance regulatory department of the State Council.

Article 143. At the end of each accounting year, the Company shall prepare financial reports which shall be audited by an accounting firm in accordance with the law.

The financial reports shall be prepared in accordance with the laws, administrative regulations and the requirements of the finance department of the State Council.

Article 144. The board of directors of the Company shall place before the shareholders at every annual general meeting such financial reports as are required by any laws, administrative regulations or directives promulgated by competent regional and central governmental authorities to be prepared by the Company.

Article 145. The Company's financial reports shall be made available for shareholders' inspection at the Company twenty (20) days before the date of every shareholders' annual general meeting. Each shareholder shall be entitled to obtain a copy of the financial reports referred to in this Chapter. The Company shall deliver or send to each shareholder of Overseas-Listed Foreign-Invested Shares by prepaid mail at the address registered in the register of shareholders the said reports not later than twenty-one (21) days before the date of every annual general meeting of shareholders.

Article 146. The financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either international accounting standards, or that of the place outside the PRC where the Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in the financial statements. When the Company is to distribute its after-tax profits, the lower of the after-tax profits as shown in the two financial statements shall be applied.

Article 147. Any interim results or financial information published or disclosed by the Company must also be prepared and presented in accordance with PRC accounting standards and regulations, and also in accordance with either international accounting standards or that of the overseas place where the Company's shares are listed.

Article 148. The Company shall publish its financial reports twice every fiscal year, that is, the interim financial report shall be published within sixty (60) days after the expiration of the first six (6) months of each fiscal year; the annual financial report shall be published within one hundred and twenty (120) days after the expiration of each fiscal year.

Article 149. The Company shall not keep accounts other than those provided by law.

Article 150. The Company shall implement an internal auditing system, and establish an internal auditing organization or provide internal auditing personnel to undertake the internal auditing and supervision over the Company's income and expenses and other economic activities under the leadership of the supervisory committee.

Article 151. The profit after tax of the Company shall be used in the following manners:

(1) making up for losses;

(2) allocation to the statutory common reserve fund;

(3) allocation to the discretionary common reserve fund upon the approval of shareholders at a general meeting;

(4) payment of dividends in respect of ordinary shares.

The board of directors shall, in accordance with the laws and administrative regulations of the State (if any) and the Company's operation and development requirements, determine the proportions of profit distributions to items (3) and (4) above subject to approval of shareholders at the general meeting.

The board of directors shall, in accordance with the laws andadministrative regulations of the State (if any) and the Company'soperation and development requirements, determine the detailproportions of profit distributions in items (2) to (5) above andsubmit its determination to the shareholders' general meeting forapproval.

Article 152. Capital common reserve fund includes the following items:

(1) premium on shares issued at a premium price;

(2) any other income designated for the capital common reserve fund by the regulations of the finance regulatory department of the State Council.

Article 153. The common reserve fund of the Company shall be applied for the following purposes:

(1) making up for losses;

(2) expansion of the production and operation of the Company;

(3) transfer or increase of capital.

When the Company converts its common reserve fund into capital upon the approval of shareholders at a general meeting, the Company shall either issue new shares to each shareholder in proportion to the number of shares currently held by each shareholder, or increase the par value of each share, provided that the statutory common reserve fund after the conversion may not fall below 25 per cent of the registered capital before such conversion. The capital common reserve fund may not be used to make up for losses.

Article 154. The Company may not distribute any dividend before making up for its losses and allocating funds to the statutory common reserve fund.

Article 155. Dividends shall be distributed in accordance with the proportion of shares held by shareholders.

Unless otherwise resolved by the shareholders' general meeting, the Company apart from distributing annual dividends, may by its board of directors acting under the power conferred by the shareholders' general meeting, distribute interim dividends.

Unless otherwise stipulated by laws or administrative regulations, the amount of interim dividends distributed shall not exceed 50 per cent of the distributable profits as stated in the interim profits statement of the Company.

Article 156. The Company may distribute dividends in the following forms:

(1) cash;

(2) shares.

Article 157. Dividends or other payments declared by the Company to be payable to holders of Domestic-Invested Shares shall be declared and calculated in Renminbi, and paid in Renminbi; and those payable to holders of Overseas-Listed Foreign-Invested Shares shall be declared and calculated in Renminbi, and paid in the local currency at the place where such Foreign-Invested Shares are listed (if there is more than one place of listing, then the principal place of listing as determined by the board of directors).

Foreign currency required by the Company for payment of dividends or other sums to holders of Foreign-Invested Shares shall be handled in accordance with the relevant foreign exchange control regulations of the State. If there is no applicable regulation, the applicable exchange rate shall be the average closing rate for the relevant foreign currency announced by the Peoples' Bank of China for the week prior to the announcement of the payment of dividend or other sums.

Article 158. The Company shall, in accordance with the People's Republic of China's tax law, withhold and make payments on behalf of shareholders in respect of their tax payable on their dividends income.

Article 159. The Company shall appoint on behalf of the holders of the Overseas-Listed Foreign-Invested shares receiving agents to receive on behalf of such shareholders dividends declared and all other monies owed by the Company in respect of their shares. The receiving agents appointed by the Company shall comply with the relevant requirements of the law of the place and relevant regulations of the stock exchange where the Company's shares are listed.

The receiving agents appointed on behalf of holders of H Shares shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

CHAPTER 16: APPOINTMENT OF ACCOUNTING FIRM

Article 160. The Company shall engage an independent accounting firm which is qualified under the relevant regulations of the State to audit the Company's annual financial report and review the Company's other financial reports.

The first accounting firm of the Company may be engaged by the inaugural meeting of the Company before the first annual general meeting of shareholders and the accounting firm so appointed shall hold office until the conclusion of the first annual general meeting of shareholders.

If the inaugural meeting fails to exercise its powers under the preceding paragraph, those powers shall be exercised by the board of directors.

Article 161. The accounting firm engaged by the Company shall hold office from the conclusion of the annual general meeting of shareholders at which it is engaged until the conclusion of the next annual general meeting of shareholders.

Article 162. The accounting firm appointed by the Company shall have the following rights:

(1) A right of access at any time to the books and records and vouchers of the Company, and shall be entitled to require from the directors, general manager, deputy general managers and other senior administrative officers of the Company any relevant information and explanation;

(2) A right to require the Company to take all reasonable steps to obtain from its subsidiaries such information and explanation as are necessary for the purposes of discharging its duties;

(3) A right to attend shareholders' general meetings and to receive all notices of, and other communications relating to, any shareholders' general meeting which any shareholder is entitled to receive, and to speak at any shareholders' general meeting in relation to matters concerning its role as the Company's accounting firm.

Article 163. Before the convening of the shareholders' general meeting, the board of directors may fill any casual vacancy in the office of an accounting firm, but while any such vacancy continues, the surviving or continuing firms, if any, may act.

Article 164. The shareholders in general meeting may by ordinary resolution remove an accounting firm before the expiration of its term of office, notwithstanding the stipulations in the contract between the Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

Article 165. The remuneration of an accounting firm or the manner in which such firm is to be remunerated shall be determined by the shareholders in general meeting. The remuneration of an accounting firms appointed by the board of directors shall be determined by the board of directors.

Article 166. The Company's appointment of, removal of and non reappointment of an accounting firm shall be resolved upon by shareholders in general meeting. The resolution of the shareholders' general meeting shall be filed with the securities governing authority of the State Council.

Where it is proposed that any resolution be passed at a shareholders' general meeting concerning the appointment of an accounting firm which is not an incumbent firm to fill a casual vacancy in the office of the accounting firm; re appointment of a retiring accounting firm which was appointed by the board of directors of the Company to fill a casual vacancy; or removal of the accounting firm before the expiration of its term of office, the following provisions shall be complied with:

(1) A copy of the proposal shall be sent before notice of meeting is given to the shareholders to the firm proposed to be engaged or proposing to leave its post or which has left its post in the relevant fiscal year (leaving includes leaving by removal, resignation and retirement).

(2) If the firm leaving its post makes representations in writing and requests the Company to notify the shareholders of such representations, the Company shall, unless the representations are received too late:

(i) in any notice of the resolution given to shareholders, state the fact of the representations having been made; and

(ii) attach a copy of the representations to the notice and deliver it to the shareholders in the manner stipulated in these articles of association.

(3) If the firm's representations are not sent in accordance with the preceding sub-paragraph (2), the relevant firm may (in addition to its right to be heard) require that the representations be read out at the shareholders' general meeting.

(4) An accounting firm which is leaving its post shall be entitled to attend:

(i) the shareholders' general meeting at which its term of office would otherwise have expired;

(ii) the shareholders' general meeting held for the purpose of filling the vacancy caused by its removal; and

(iii) the shareholders' general meeting convened due to its resignation; and to receive all notices of, and other communications relating to, any such meetings, and to speak at any such meeting in relation to matters concerning its role as the former accounting firm of the Company.

Article 167. Prior to the removal or the non-renewal of the appointment of the accounting firm, notice of such removal or non-renewal shall be given to the accounting firm and such firm shall be entitled to make representation at the shareholders' general meeting. Where the accounting firm proposes resigning its post, it shall make clear to the shareholders' general meeting whether there has been any impropriety on the part of the Company.

An accounting firm may resign its office by depositing at the Company's legal residence a written resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice and such notice shall include the following:

(1) a statement to the effect that there are no circumstances connected with its resignation which it considers should be accounted for to the shareholders or creditors of the Company;

(2) a statement of any such circumstances.

Where a written notice is deposited as provided for in the preceding subparagraph, the Company shall within fourteen (14) days thereof send a copy of the notice to the relevant governing authority. If the notice contains a statement under the preceding subparagraph (2), copies of such statement shall be placed at the Company for shareholders' inspection. The Company shall also send a copy of such statement by prepaid mail to every holder of

Overseas-Listed Foreign-Invested Shares who is entitled to receive the issuer's financial status report at the address registered in the register of shareholders.

Where the accounting firm's notice of resignation contains a statement of any circumstances which shall be accounted for to the shareholders or creditors of the Company, it may require the board of directors to convene a shareholders' interim general meeting for the purpose of receiving its explanation of the circumstances connected with its resignation.

CHAPTER 17: INSURANCE

Article 168. The effecting, types of coverage, the insured amounts and periods of the Company's insurance shall be decided at a meeting of the board of directors based on the circumstances of the Company and the practices of similar industries in other countries and the practice and legal requirements in China.

CHAPTER 18: LABOUR AND PERSONNEL MANAGEMENT SYSTEMS

Article 169. The Company shall, in accordance with the relevant provisions of the Labour Law of the People's Republic of China and other relevant laws or regulations of the State, formulate its labour and personnel management systems which shall be appropriate to its particular circumstances.

CHAPTER 19: TRADE UNION

Article 170. The employees of the Company may establish a trade union to carry out trade union activities and protect the legal interests of the employees in accordance with the Trade Union Law of the People's Republic of China. The Company shall provide the trade union with all necessary conditions for its activities and allocate funds to the trade union in accordance with the Trade Union Law of the People's Republic of China. Such fund shall be used by the trade union of the Company in accordance with the "Measures for the Management of Trade Union Funds" formulated by the All China Federation of Trade Unions.

The representatives of the trade union of the Company may, on behalf of the employees of the Company, enter into any collective agreement with the Company in relation to issues including wages, working hours, benefits, insurance, and labor safety and health in accordance with the law. The Company shall seek advice from the trade union before making any material decision on its reform and operation and formulation of regulations and shall convene trade union representatives' meeting or by other means to collect opinions and suggestions of the employees.

According to the Constitution and other relevant laws, the Company exercises democratic management through employees' representatives meeting or other means.

CHAPTER 20: MERGER AND DIVISION OF THE COMPANY

Article 171. In the event of the merger or division of the Company, a plan shall be presented by the Company's board of directors and shall be approved in accordance with the procedures stipulated in these articles of association and then the relevant examining and approving formalities shall be processed as required by law. A shareholder who objects to the plan of merger or division shall have the right to demand the Company or the shareholders who consent to the plan of merger or division to acquire that dissenting shareholder's shareholding at a fair price.

The contents of the resolution for merger or division of the Company shall be made into special documents for shareholders' inspection. Such special documents shall be sent by mail to holders of Overseas-Listed Foreign-Invested Shares.

Article 172. The merger of the Company may be in the form of either acquisition or establishment of a new company. In the event of a merger of the Company, parties to the merger shall enter into a merger agreement and prepare a balance sheet and a list of assets. The Company shall notify its creditors within ten (10) days from the date of the Company's resolution to merge and shall publish a public notice in a newspaper within thirty (30) days from the date of the Company's resolution to merge. A creditor has the right within thirty (30) days upon receipt of such notice from the Company or, if no notice is received, within forty-five (45) days from the date of the first public notice, to demand the Company to settle the debts owed to it or to provide a corresponding guarantee.

Upon completion of the merger of the Company, debts and indebtedness of parties to the merger shall be assumed by the company surviving the merger or the company newly established for such purpose.

Article 173. In the event of a spin-off of the Company, its assets shall be split accordingly. In the event of a spin-off of the Company, parties to such spin-off shall enter into a spin-off agreement and prepare a balance sheet and a list of assets. The Company shall notify its creditors within ten (10) days from the date of the Company's resolution in respect of such spin-off and shall publish a public notice in a newspaper within thirty (30) days from the date of the such resolution.

Unless a written agreement has been entered into by the Company and its creditors in relation to the repayment of debts before the spin-off, companies surviving such spin- off shall jointly assume the indebtedness of the Company which has been incurred before such spin-off.

Article 174. Where there is a change in any of the registered items of the Company as result of its merger or division, the Company shall carry out procedures necessary for changing its registered items with the companies registration authority in accordance with the law. In case of dissolution, the Company shall cancel its registration in accordance with the law. When a new company is established, its establishment shall be registered in accordance with the law.

CHAPTER 21: DISSOLUTION AND LIQUIDATION

Article 175. The Company shall be dissolved upon the occurrence of any of the following events:

(1) a resolution for dissolution is passed by the shareholders at a general meeting;

(2) dissolution is necessary for the purpose of a merger or spin-off of the Company;

(3) revocation of business licence of the Company or the Company is ordered to close down or is dissolved in accordance with the law;

(4) dissolution by the People's Court according to Article 183 of the Company Law;

(5) the Company is unable to repay its due debts in full and is declared bankrupt in accordance with the law.

Article 176. Where the Company is dissolved under sub-paragraphs (1), (3) and (4) of the preceding Article, a liquidation committee shall be set up within fifteen (15) days from the event of dissolution of the Company to commence the liquidation. The composition of the liquidation committee of the Company shall be determined by the directors or an ordinary resolution of shareholders' general meeting. If no liquidation committee is set up within the prescribed period to commence the liquidation, creditors may apply to the People's Court to designate relevant persons to form a liquidation committee in order to carry out the liquidation.

Where the Company is dissolved under sub-paragraph (5) of the preceding Article, the People's Court shall in accordance with the provisions of the relevant laws organise and establish a liquidation committee to carry out the liquidation.

Article 177. Where the board of directors proposes to liquidate the Company due to causes other than where the Company has declared that it is insolvent, the board shall include a statement in its notice of the shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the status of the Company, the board of directors is of the opinion that the Company will be able to pay off its debts within twelve (12) months from the commencement of the liquidation.

Except where the Company has declared that it is insolvent, the liquidation group shall be appointed or dismissed by ordinary resolution of shareholders at a general meeting. Upon the passing of the resolution by the shareholders at a general meeting for the liquidation of the Company, all functions and powers of the board of directors shall forthwith cease.

The liquidation group shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the shareholders' general meeting on its receipts and payments, the business of the Company and the progress of the liquidation; and to present a final report to the shareholders' general meeting on completion of the liquidation.

Article 178. The liquidation committee shall within ten (10) days from its establishment send notice to creditors, and within sixty (60) days from its establishment publish a public notice in a newspaper. A creditor shall within thirty (30) days upon receipt of such notice, or if no notice is received, within forty-five (45) days from the date of the first public notice, declare its creditor's rights to the liquidation committee.

When declaring creditor's rights, the creditor shall give details of the creditor's rights together with the evidence thereof. The liquidation committee shall register creditors' rights and no settlement can be made to the creditors by the liquidation committee during the period for declaration of creditors' rights.

Article 179. During the liquidation period, the liquidation group shall exercise the following functions and powers:

(1) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;

(2) to send notices to creditors or notify them by public notice;

(3) to handle any relevant unfinished business matters of the Company relating to the liquidation;

(4) to pay off all outstanding taxes;

(5) to settle claims and debts;

(6) to dispose of the assets remaining after the Company's debts have been repaid;

(7) to represent the Company in any civil litigation proceedings.

Article 180. After having sort out the Company's assets and prepared the balance sheet and an inventory of assets, the liquidation group shall formulate a liquidation plan and present it to a shareholders' general meeting or to the relevant governing authority for confirmation.

To the extent that the Company's assets are sufficient to pay off its debts, they shall be used to pay all liquidation expenses, wages of staff and workers, labour insurance fees and outstanding taxes, and the Company's debts.

The assets of the Company remaining after its debts have been repaid in accordance with the provisions of the preceding paragraph shall be distributed to its shareholders according to the class and proportion of their shareholdings.

During the liquidation period, the Company shall not commence any new operational activities.

Article 181. If after putting the Company's assets in order and preparing a balance sheet and an inventory of assets in connection with the liquidation of the Company resulting from dissolution, the liquidation group discovers that the Company's assets are insufficient to repay the Company's debts in full, the liquidation group shall immediately apply to the People's Court for a declaration of insolvency.

After a Company is declared insolvent by a ruling of the People's Court, the liquidation group shall turn over liquidation matters to the People's Court.

Article 182. Following the completion of liquidation, the liquidation group shall present a report on liquidation and prepare a statement of the receipts and payments during the period of liquidation and financial books and records which shall be audited by Chinese registered accountant and submitted to the shareholders' general meeting or the relevant governing authority for confirmation. The liquidation group shall also within thirty (30) days after such confirmation, submit the documents referred to in the preceding paragraph to the companies registration authority and apply for cancellation of registration of the Company, and publish a public notice relating to the termination of the Company.

CHAPTER 22 : PROCEDURES FOR AMENDMENT OF THE COMPANY'S ARTICLES OF ASSOCIATION

Article 183. The Company may amend its articles of association in accordance with the requirements of law, administrative regulation and its articles of association.

Article 184. For the amendment of the Company's articles of association, the following procedures shall be followed:

(1) the board of directors shall, in accordance with provisions of these articles of association, adopt a resolution to propose the shareholders' general meeting to amend the Company's articles of association, and formulate the draft amendments to the articles of association;

(2) notice of the draft amendments to these articles of association referred to in the preceding sub-paragraph shall be sent to the Company's shareholders, and a shareholders' general meeting shall be convened to vote on the contents of the amendments;

(3) subject to the compliance of the relevant regulations of these articles of association and the Mandatory Provisions, a special resolution for approval of the draft amendments to these articles of association shall be passed by shareholders at a general meeting.

Article 185. The amendments to the Company's articles of association involving the contents of the Mandatory Provisions shall become effective upon approvals by the Securities Committee of the State Council and the companies approving department authorized by the State Council. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

CHAPTER 23: SETTLEMENT OF DISPUTES

Article 186. The Company shall act according to the following principles to settle disputes:

(1) Whenever any disputes or claims arising between: holders of the Overseas-Listed Foreign-Invested Shares and

the Company; holders of the Overseas-Listed Foreign-Invested Shares and the Company's directors, supervisors, general manager, deputy general managers or other senior administrative officers; or holders of the Overseas-Listed Foreign-Invested Shares and holders of Domestic-Invested Shares, based on these articles of association or any rights or obligations conferred or imposed by the Company Law or any other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration provided that such person is the Company or the Company's shareholder, director, supervisor, general manager, deputy general manager or other senior administrative officer. Disputes in relation to the definition of shareholders and disputes in relation to the shareholders' register need not be resolved by arbitration.

(2) A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its Rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects arbitration at Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

(3) If any disputes or claims of rights are settled by way of arbitration in accordance with sub-paragraph (1) of this Article, the laws of the People's Republic of China shall apply, save as otherwise provided in laws and administrative regulations.

(4) The award of an arbitration body shall be final and conclusive and binding on all parties.

CHAPTER 24: SUPPLEMENTARY

Article 187. Any reference in these articles of association to the publication of public notices in a newspaper shall be interpreted as requiring publication in such newspaper as designated or required in accordance with relevant laws, administrative regulations or rules and, if the relevant notice is required to be given to holder of H Shares, as also requiring the relevant notice to be published in such newspapers as may be required by the term "published in the newspapers" (as defined in the Rules Governing the Listing of Securities on the Stock Exchange).

Article 189. In these articles of association, the meaning of an accounting firm is the same as that of "auditors".

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EXHIBIT 4.5

SUMMARY OF THE CONDITIONAL AGREEMENT

DEFINITIONS:

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"Board"	the board of Directors
"Bombardier Sweden"	Bombardier Transportation Sweden AB, a company which headquarter is located in Sweden and a subsidiary of Bombardier Inc., which owns a 50% interest in the foreign joint venture partner of Qingdao BSP
"CITC"	China International Tendering Company
"Company"	Guangshen Railway Company Limited, a joint stock limited company incorporated in the PRC, the H shares of which are listed on the Stock Exchange (Stock Code: 525) and the American depository shares of which are listed on The New York Stock Exchange, Inc.
"Conditional Agreement"	the purchase agreement dated 30 May 2005 between, inter alia, the Company and the Sellers in respect of the purchase by the Company of the EMUs from the Sellers
"Directors"	the directors of the Company
"EMUs"	twenty sets of Electric Multiple Units train
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	9 September 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange

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"PRC"	The People's Republic of China
"Purchase"	the purchase by the Company of the EMUs from the Sellers pursuant to the Conditional Agreement
"Qingdao BSP"	Bombardier Sifang Power (Qingdao) Transportation Ltd., a sino-foreign joint venture incorporated in the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"Sellers"	Qingdao BSP and Bombardier Sweden
"Shareholders"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

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Description: EXHIBIT 4.5

The Contract consists of four parts. The first part covers the text of the Contract and the exhibits thereto, including the text of the Contract, the scope of supply and a price list, the EMU general delivery plan, a drawing list, the form of performance guarantee, the form of quality warranty and the form of advance payment guarantee; the second part covers the terms and conditions of the Contract; the third part covers the EMU supply technical conditions; and the fourth part covers the localization plan.

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Effective Date	:	The Board passed the resolutions for approving the Purchase on 9 August 2005. The Conditional Agreement shall take effect upon payment by Qingdao BSP and Bombardier Sweden to the Company of a guarantee fund in the aggregate sum of approximately RMB56,758,118.25. Such guarantee fund has been paid on 20 August 2005. The Company shall be entitled to seek remedies out of the above guarantee fund on the Sellers' default in performing any of their respective obligations under the Conditional Agreement. To the best knowledge of the Company, the Sellers have not defaulted in performing any of their respective obligations under the Conditional Agreement up to the Latest Practicable Date. The Company has been advised by its external PRC legal counsel that the Conditional Agreement shall only be effective and legally binding upon fulfilment of all the conditions set out therein.
Parties	:	(1) the Company, as the purchaser (2) Qingdao BSP and Bombardier Sweden, as the Sellers (3) CITC, as the purchaser's agent
Assets to be purchased	:	The Sellers shall deliver the EMUs and the technical data, manuals, spare parts on board and special tools that are related to the design, manufacture, operation, inspection and repair of the EMUs to the Company as well as to provide the Company with the related design liaison, technical training and after-sale services. In particular, Bombardier Sweden shall be paid by the Company to supply imported spare parts and components from outside of PRC to Qingdao BSP and to provide offshore training to the Company. Qingdao BSP shall be responsible for sourcing spare parts and components in the PRC, assembling the EMUs and delivering the EMUs to the Company in stages during the period from May 2007 to December 2007 in accordance with the terms and conditions of the Conditional Agreement.

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Consideration :	A total sum of RMB2,583,001,182.50. The consideration was agreed after arm's length negotiations between the Company and the Sellers with reference to the price submitted during the tender process in which the Sellers were collectively selected.
Payment terms :	Upon the Conditional Agreement becoming unconditional and taking effect, the consideration shall be satisfied in cash in instalments. Payment shall be made in accordance with the terms of the Conditional Agreement upon delivery of the EMUs or the relevant services being rendered (as the case may be).

The Company and CITC entered into an agency agreement under which CITC agreed to provide service to the Company in relation to the Purchase and its implementation, which includes assisting the Company in selecting the Sellers, arranging all necessary government approvals and licenses and providing any other related services to ensure the smooth implementation of the Purchase.

CITC is one of the largest tendering and procurement agents in the PRC. It has extensive experience in international tendering and procurement transactions.

INFORMATION ON THE EMUS AND THE REASONS FOR AND BENEFITS OF THE PURCHASE

The Company is principally engaged in railway passenger and freight transportation businesses between Guangzhou and Shenzhen and certain long-distance passenger transportation services. In order to improve the integrated transportation capacity and to capture a larger market share from the growing passenger transportation market in Guangzhou and Shenzhen, the Company intends to purchase the new EMUs which will be used as Guangzhou-Shenzhen high-speed trains and Hong Kong through-trains. The expected speed of the brand new EMUs is 200 km/h with a passenger capacity of approximately 670 persons per each train set.

The Company considers that the Purchase will strengthen the Group's earning base and will increase the assets and liabilities of the Company. The consideration in respect of the Purchase will be treated as the Company's expenses.

The Directors believe that the new sets of EMUs will strengthen the Group's brand name of providing "safe, fast, comfortable, high-quality" passenger transportation service and enhance the competitiveness and operation efficiency of the Company.

The Directors believe the terms of the transaction are fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION ON THE SELLERS

Qingdao BSP is a sino-foreign joint venture passenger train and EMUs manufacturer in the PRC. Its principal business includes the design and manufacture of high grade and ordinary passenger trains, EMUs, deluxe double-deck passenger trains, high-speed trains and intercity rail cars, sales of products and provision of after-sales service.

Bombardier Sweden is a wholly owned subsidiary of Bombardier Inc., which is a world- leading manufacturer and service company of business jets, regional aircraft and rail transportation equipment.

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Description: EXHIBIT 4.6

Exhibit 4.6

Summary of the Form of the Railway Construction Management Agreement for the Fourth Line Construction

1. Date of signing: December 15, 2005

2. Names of the Management Agreements, Contracting Parties and Agreed Prices

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No.	Name of Agreement	Contracting Party/Parties	Agreed Prices
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1	Gaungzhou-Xintang Railway Line Management Agreement	Project Center of Guangzhou Railway Group Company	RMB 7,886,000
2	Xintang-Pinghu Railway Line Management Agreement	Project Center of Guangzhou Railway Group Company	RMB 9,285,000

</TABLE>

3. Outline for the Project Management Agreements

The agreements consist of nine parts, including the name of the project, the place of the project, the content of the project, the time limit for the project, investment control, the allocation and settlement of construction fund, responsibilities and rights of each party, breach responsibility and others.

4. Scope of services provided by the Contracting Party/Parties

Project Center of Guangzhou Railway Group Company shall be responsible for the overall management of the railway line between Guangzhou and Xintang and between Xintang and Pinghu, including the design and co-ordination of project, the arrangement of expenditure scheme, conducting tendering procedures according to the provisions of the State and the MOR, quality supervision of project, and land acquisition, demolition and relocation.

5. Payment terms

Project management fees shall be settled annually in cash according to the progress of project construction, and the remaining shall be paid after the completion of project.
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EXHIBIT 4.7

COMPREHENSIVE SERVICES AGREEMENT BY AND BETWEEN GUANGZHOU RAILWAY (GROUP) COMPANY AND GUANGSHEN RAILWAY COMPANY LIMITED

DATED AS OF January 13, 2006

TABLE OF CONTENTS

This Comprehensive Services Agreement (this "Agreement") is entered into this 13th day of January 2006 in Shenzhen by and between:

(1) GUANGZHOU RAILWAY (GROUP) COMPANY (hereinafter referred to as "Party A"), a group company registered in Guangzhou of Guangdong Province with its enterprise legal person business license number being 4400001007908 and its legal address being at No. 151 First Zhongshan Road, Guangzhou; and

(2) GUANGSHEN RAILWAY COMPANY LIMITED (hereinafter referred to as "Party B"), a joint-stock limited company registered in Shenzhen of Guangdong Province with its publicly-held shares being listed on Hong Kong Stock Exchange, its enterprise legal person business registration number being 19241166-3 and its legal address being at No. 1052 Heping Road, Shenzhen.

For the purpose of the better provision of such services to Party B as transportation, rail line maintenance and repairs, materials purchase agent, and accounts settlement etc., so as to ensure the normal operation of Party B's transportation business, Party A and Party B hereby reach the following agreement after consultations and by adhering to the principle of equality:

ARTICLE 1 SCOPE OF THE COMPREHENSIVE SERVICES

1.1 The services to be provided to Party B by Party A hereunder shall include transportation, rail line maintenance and repairs, locomotives and cars repair in depot, materials purchase agent, accounts settlement, hygienic and anti-epidemic services, and any other services that are consistent with the purposes of this Agreement (hereinafter referred to as the "Comprehensive Services").

1.2 For purposes of this Agreement, unless otherwise expressly provided herein, references to "Party A" shall include Party A itself, or any company, entity and department (other than Guangshen Railway Enterprise Development Company ofGuangzhou Railway Group Company and any companies, entities or departments controlled or managed by it) that are owned, controlled, managed or used by Party A during the term of this Agreement, including any institutions, equipment, facilities, locations, buildings and employees that are owned, controlled, managed or used by the above company, entity or department.

ARTICLE 2 UNDERTAKINGS AND WARRANTIES

2.1 Party A agrees to provide the Comprehensive Services to Party B and its employees pursuant to this Agreement and hereby undertakes and warrants to Party B as follows:

(a) Party A shall have complete and unrestricted ownership, control, management rights and use rights to any entity subordinate to it and that its rights, control, management and use, or the size, scope, quality or quantity of any of such entity shall not be reduced during the term hereof.

(b) The quality, quantity and contents of any Comprehensive Services to be provided hereunder shall not be inferior to the standard of the same type of services, enjoyed by Party A itself and its employees prior to the date hereof and after the effectiveness hereof (if applicable), or provided to any third party by Party A after the effectiveness hereof.

(c) Party A shall guarantee the quality of any Comprehensive Services to be provided to Party B hereunder and provide the Comprehensive Services to Party B at the most competitive quality and price then available.

(d) All fees received from Party B as specified herein for the Comprehensive Services provided hereunder shall not be used for any purpose other than the benefit of the entities that have actually provided the Comprehensive Services hereunder.

2.2 Party B agrees to receive the Comprehensive Services from Party A pursuant to this Agreement and hereby undertakes and warrants to Party A as follows: (a) Party B shall pay Party A the fees actually incurred by Party A in the provision of the Comprehensive Services as specified hereunder.

(b) Subject to any contrary provisions herein, any and all of the fees payable by Party B shall be prepaid by Party B by the month and settled by the quarter. Party B warrants that it shall pay Party A the fees payable by it at the payment date and in the amount specified herein and shall pay delay payment interest for any payment overdue at a rate of 0.03% for each day of delay.

2.3 With respect to any fees that shall be settled by the month, the annual aggregate thereof shall be the total of the monthly payment for 12 months and the quarterly aggregate thereof shall be the total of the monthly payment for three months.

In case Party B provides any services to Party A and shall receive any fees from Party A therefor, the above undertakings and warranties of one party to the other in respect of payment shall be equally applicable to both parties.

2.4 References to "expenses", "complete costs" or "costs" shall mean costs inclusive of taxes and be composed of the "expenses" or "costs" set forth in the audited financial statements and the taxes and charges payable by the service provider for the service fees received by it. Such taxes and charges shall include business tax at a rate of 5%, urban construction tax at a rate of 1%, education surcharge at a rate of 3%.

The party receiving services may, subject to a 30-day's prior notice to the party providing services, in conjunction with the party providing services, retain an accounting firm to audit the said costs and expenses, and the result of such audit shall be the conclusive evidence for the determination of the said costs and expenses.

2.5 In order to ensure the effective, timely and full implementation of this Agreement, both parties shall cooperate with the other party and provide conveniences to the other party. Where there is any change to the circumstances under which the Comprehensive Services are provided, Party A shall promptly notify Party B thereof. Party B shall also have the right to make reasonable inquiries into Party A's specific entities or institutions who provide the relevant services.

2.6 Both parties agree that this Agreement shall be valid from the effective date hereof until December 31, 2008.. Within the period of validity, in case that Party B successfully completed M&A of the railway operation assets of Yangcheng Railway Enterprise Development Company through the A share issue, this agreement shall be replaced by the Comprehensive Service Agreement which was entered into an agreement on November 15th, 2004.

ARTICLE 3 TRANSPORTATION SERVICES

3.1 The transportation services to be provided by Party A to Party B hereunder shall include production coordination, safety management, dispatch and lease of passenger and freight trains.

3.2 All of the passenger and freight trains leased to Party B by Party A must be well-equipped and of a high quality, satisfy the conditions for operation, comply with the Railway Technical Procedures, the Technical Procedures for the Use of Passenger Trains, the Detailed Rules for Air-conditioned Passenger Trains and provisions in relevant rules and regulations of the Ministry of Railway as well as Party B's technical standards and requirements.

The rental payable by Party B to Party A for the lease of passenger and freight train from Party A shall be treated in accordance with the settlement methods published by the Ministry of Railway.

3.3 Party A's such controlled subsidiaries as Sanmao Railway Company, Guangmeishan Railway Co., Ld., Shichang Railway Co., Ltd. and will provide Party B with the transportation services including (but not limited to) the following and Party B will provide the same services to such subsidiaries of Party A:

(a) passenger transportation services at railway stations including directing passengers' entrance into railway stations, departure waiting at railway stations, ticket verification and train boarding, and water supply services to incoming and outgoing trains;

(b) use rights to rail lines;

(c) tractor services for both passenger and freight trains;

(d) passenger trains (including air-conditioned cars, non-air-conditioned cars, buffet cars, power generation cars and luggage cars), car inspection conductors, and powergeneration and gas supply services for air-conditioned cars;

(e) train maintenance services;

(f) ticket sales agency;

(g) any other services related to passenger and freight train transportation.

3.4 Party A hereby undertakes that the above-mentioned transportation services provided to Party B by its above-listed controlled subsidiaries including Sanmao Railway Company, Guangmeishan Railway Co., Ld. must comply with the relevant technical standards and requirements set by the Ministry of Railway; provided that where no such technical standards or requirements are available, such services must reach the service standards regularly applied in the railway industry.

3.5 The rate of the fees payable for the services to be provided to Party B by Party A's controlled subsidiaries including Sanmao Railway Company, Guangmeishan Railway Co., Ld., and for the services to be provided to such subsidiaries of Party A by Party B shall be determined according to the following order of priority:

(a) with respect to any item of services for which there is a prevailing market price, the rate of the fees payable for such item of services shall be determined by and among the relevant parties based on such prevailing market price;

(b) with respect to any item of services for which there is no prevailing market price but the Ministry of Railway has formulated settlement methods or set a uniform guiding price, the rate of the fees payable for such item of services shall be determined pursuant to such settlement methods or guiding price;

(c) with respect to any item of services that cannot be determined pursuant to items (a) and (b) above, the rate of the fees for such item of services shall be equal to: complete costs of such item of services x (1+8% rate of profit).

3.6 According to the past trade sum, it is estimated that the Comprehensive Service fees of year 2006,2007 and 2008 shall be RMB74.91 million, RMB76.41 million and RMB77.94 million, separately. The final settlement was determined by the actual fees occurred.

ARTICLE 4 RAIL LINE MAINTENANCE SERVICES

4.1 Party A shall, upon entrustment of Party B, provide such services to Party B as main line repair and maintenance services (track lifting, track lining, tamping and dynamic stabilization) with large-sized track maintenance machinery, track replacement overhaul for jointless lines, track overhaul cleaning and other services including overhaul of track bridge equipment.

4.2 During the period when Party A is performing the said rail line repair and maintenance services for Party B, Party B shall, at the expense of Party A, provide Party A with detailed basic technical materials about the relevant track bridge equipment, places for the storage of the camping vehicles and the communications equipment used by Party A's relevant employees and shall supply water and power to Party A's relevant employees required for their everyday life. In addition to that, Party B shall coordinate the efforts of each of its dispatch, track maintenance, telecommunication and signaling, station and public security departments involved in Party A's implementation of relevant projects as part of the entrusted services as so ensure the successful completion of relevant projects, the time period required for the closing for project implementation and the punctual operation of Party A's engineering trains and commuter buses.

4.3 The fees for the main line repair and maintenance services with large-sized track maintenance machinery to be provided by Party A to Party B shall be equal to the complete costs for any given service project x (1+8% rate of profit).

For purposes of 2005, the complete costs for track tamping shall be temporarily deemed as RMB 7,100/kilometer, and for switch tamping, shall be temporarily deemed as RMB 7,600/pair; and the complete costs for rail grinding shall be temporarily deemed as RMB 12,000/kilometer. Party A hereby warrants to Party B that the rate of service fees applied by Party A against Party B hereunder shall not be higher than the rate of service fees applied by Party A against any of Party A's affiliates or any independent third party. Otherwise, Party B shall have the right to entrust a third party to perform the services to be provided by Party A hereunder.

4.4 Party A shall ensure any and all of Party B's lines to which it has performed repair and maintenance services hereunder must be able to be operated safely and soundly and free from error. Party A shall compensate Party B for its direct economic loss arising from Party A's repair and maintenance services or any accident occurring during Party A's implementation of the service projects immediately after it is determined that Party A shall be responsible for such accident.

4.5 Party B shall be solely responsible for any loss arising from its failure to comply with the standards required by the relevant quality standards. Party B shall compensate Party A for any economic loss incurred by Party A due to Party A's inability to implement a service project, whether in whole or in part, caused by any reason on the part of Party B.

4.6 The fees for such services to be provided by Party A to Party B hereunder as track replacement overhaul for jointless lines, track overhaul cleaning and other services including overhaul of track bridge equipment shall be determined by Party A and Party B through consultations by referring to the standard of fees for such services published by the Ministry of Railway. Where there is no such a standard of fees available, such fees shall be calculated according to the following formula: Total amount of fees payable = repair and maintenance costs x (1+8% rate of profit)

4.7 The track replacement overhaul for jointless lines, track overhaul cleaning and other services including overhaul of track bridge equipment specified in this Article may also be provided by an entity selected through bidding based on the actual situation. In case Party A is the winning bidder, the specific items of services and rate of service fees shall be determined by Party A and Party B pursuant to the contents of the bidding documents and conditions for bid winning and shall not be subject to any limit set forth in Items from 4.1 to 4.6 above.

4.8 According to the past trade sum, it is estimated that the Comprehensive Service fees of year 2006,2007 and 2008 shall be RMB74.91 million, RMB76.41 million and RMB77.94 million, separately. The final settlement was determined by the actual fees occurred.

ARTICLE 5 CAR REPAIR IN DEPOT AND WHEEL REPAIR SERVICES

5.1 Party B shall entrust Party A with the performance of the car repair in depot on Party B's trains in operation on the basis of the actual situation and its own needs. Such repair services shall include but not be limited to:

(a) disassembly, inspection, repair and replacement of bogies(including the brake system);

(b) inspection and repair of air conditioners, diesel engines and power generators;

(c) inspection and repair of electrical systems (control cabinets);

(d) inspection and repair of car interior furnishings;

(e) inspection and maintenance of car exterior furnishings; and

(f) inspection and repair of hook and buffer zones (ends).

Subject to mutual agreement after consultations, Party A may accept other train repair services not covered in the above scope of car repair in depot.

5.2 Materials, parts and instruments required for car repair in depot shall be provide by Party A in the course of the repair services where the train to be repaired is of a model fixed by the Ministry of Railway, or by Party B with its own effort where the train is not of a model fixed by the Ministry of Railway, or purchased or processed by Party A at the request and entrustment of Party B.

5.3 Party A shall provide all of the repair and maintenance services to Party B pursuant to the Procedures for Train Repair in Depot, the Procedures for Railway Technical Management, the Procedures for Car Inspection and Repair and documents, rules, drawings, circulars and other materials concerning technical standards for car repair in depot. Where any car to be repaired in depot is not of a model fixed by the Ministry of Railway, Party B shall provide Party A with complete technical materials concerning such car prior to the commencement of the repair.

5.4 Party A shall conduct a self-test of the cars repaired by it in depot after having completed all of the required repair services, and will not deliver the same to Party B for test and acceptance until after having verified that the quality of each of the parts on the cars so repaired meet the relevant standards. Party A's technical materials for and conclusions on quality re-test of the cars repaired by Party A in depot shall be complete and accurate and be promptly delivered to Party B for operational analysis and appraisal.

5.5 The rate of fees payable to Party A for car repair in depot performed by Party A shall be determined by Party A and Party B through consultations on the basis of the actual conditions of the cars to be repaired, the specific items of services performed during car repair in depot and the degree of difficulty of the repair services and by referring to the standard of fees for repair in depot of trains in operation. Where for any item of repair in depot there is no such a standard of fees, the fees for such item of repair in depot shall be calculated according to the following formula: Total amount of fees payable = repair and maintenance costs x (1+8% rate of profit)

5.6 After having completed the car repair in depot entrusted to it by Party B, Party A will request Party B to settle the bills for the fees therefore on the basis of the price mutually agreed between them. Party B shall pay such fees within 10 days as of its receipt of, and verification of the correctness of, the bills for such fees submitted by Party A.

5.7 Party A shall ensure any and all of Party B's trains to which it has performed car repair in depot hereunder must be able to be operated safely and soundly and free from latent quality defect. In case Party A fails to perform any car repair in depot in compliance with the standards required by the quality standards for car repair in depot, Party A shall repay the fees paid to it for such car repair in depot or re-perform the car repair in depot till the quality of the cars repaired by it reach the relevant quality standards. Party B shall compensate Party A for any economic loss incurred by Party A due to Party A's inability to punctually complete the car repair in depot or any adverse impact on the car repair depot, caused by any reason on the part of Party B.

5.8 The car repair in depot specified in this Article may also be performed by an entity selected through bidding based on the actual situation. In case Party A is the winning bidder, the specific items of services and rate of service fees shall be determined by Party A and Party B pursuant to the contents of the bidding documents and conditions for bid winning and shall not be subject to any limit set forth in Items from 5.1 to 5.7 above.

5.9 According to the past trade sum, it is estimated that the Comprehensive Service fees of year 2006,2007 and 2008 shall be RMB74.91 million, RMB76.41 million and RMB77.94 million, separately. The final settlement was determined by the actual fees occurred.

ARTICLE 6 RAILWAY MATERIALS PROCUREMENT AGENCY

6.1 In case Party B entrusts Party A with the procurement of portion of the railway materials, the quantity and categories of such railway material shall be set forth in a list provided to Party A by Party B and shall not become valid until after being confirmed by both parties.

6.2 The quality of any of the materials procured by Party A on behalf of Party B must be good and reach the standards set by the State, the relevant ministry or relevant enterprises.

6.3 In the course of the arrangement for the procurement of materials for Party B, Party A shall select sources for such materials at the preferential price and conditions offered by Party A to other relevant railway entities and the price of any materials supplied to Party B may not be higher than the price of such materials offered to any of Party A's subsidiaries, controlled entities or any independent third parties under the same conditions.

6.4 The specific schedule and terms of the payment of the consideration for the materials to be procured by Party A shall be determined by Party A and Party B after consultations subject to the actual situation of the relevant batch of materials.

6.5 Subject to the provisions set forth in Clause 6.3, for any materials procured by Party A for Party B, Party B shall pay service fees to Party A which shall be equal to a certain percentage of the consideration for such materials. Such percentage shall be determined as follows depending on the actual category of the materials procured by Party A for Party B:

(a) 1.5% of the consideration for the procured materials, for the procurement of diesel, steel rails, tires, axles, steel grinding wheels, lubricating oil (fat) for use for special purposes;

(b) 5% of the consideration for the procured materials, for the procurement of any category of materials other than the categories as listed in (a) above. Such service fees shall be settled by the quarter and paid to Party A by Party B in the amount as confirmed by Party A and Party B within 15 days as of the beginning of the forthcoming quarter.

6.6 According to the past trade sum, it is estimated that the Comprehensive Service fees of year 2006,2007 and 2008 shall be RMB74.91 million, RMB76.41 million and RMB77.94 million, separately. The final settlement was determined by the actual fees occurred.

ARTICLE 7 SETTLEMENT SERVICES BY THE RAILWAY SETTLEMENT CENTER

7.1 In order to increase Party B's capital gains and reduce settlement fees and financing costs, Party B hereby agrees that the Guangzhou Railway Settlement Center under the management of Party A shall provide the relevant settlement services to Party B, which shall cover:

(a) accounts settlement between Party B and Party A and any other enterprises subordinate to the Ministry of Railway;

(b) the provision of necessary assistance and convenience to Party B in its depositing of fixed-term and current deposits according to the negotiated preferential deposit interest agreed between Guangzhou Railway Settlement Center and banks; and

(c) the provision of financing conditions to Party B in accordance with the rules of Guangzhou Railway Settlement Center for allocation of internal funds.

7.2 Party A hereby undertakes to Party B that Guangzhou Railway Settlement Center under its management shall:

(a) ensure the safety and intactness of Party B's funds in its accounts opened with Guanghzhou Railway Settlement Center;

(b) accounts settlement between Party B and Party A and any other enterprise subordinate to the Ministry of Railway shall be conducted in accordance with the relevant rules of the Ministry of Railway. With respect to any settlement service that is not expressly stipulated by the Ministry of Railway, Party B shall not be charged any settlement service fees therefor. With respect to any settlement service that falls into the category of paid services, the rate of fees charged therefor shall not be higher than the rate of fees for the same category of services applied by banks;

(c) the rate of interest on Party B's current and fixed-term deposits placed in the cooperative bank under Guangzhou Railway Settlement Center shall be no lower than the deposit interest rate for the same period as published by the People's Bank of China.

(d) In the case of any allocated funds obtained by Party B through the internally allocated funds Guangzhou Railway Settlement Center, the rate of fees for the occupancy of such allocated funds payable by Party B may not be higher than the loan interest rate for the same period as published by the People's Bank of China.

7.3 According to the past trade sum, it is estimated that the Comprehensive Service fees of year 2006,2007 and 2008 shall be RMB74.91 million, RMB76.41 million and RMB77.94 million, separately. The final settlement was determined by the actual fees occurred.

ARTICLE 8 HYGIENIC AND ANTI-EPIDEMIC AND CONVALESCENCE SERVICES

8.1 Party A hereby agrees to provide Party B, its employees and their family members with planned immunization, occupational disease prevention and treatment, environmental monitoring, disease control, recuperation and convalescence as well as other related services through its disease control centers, hygienic supervision institutions, convalescence and recuperation houses and other related entities. Party A must ensure that it shall:

(a) make arrangements for Party B's employees and their family members to enjoy timely convalescences and recuperation;

(b) make sure the service quality and facilities shall as same as the level of local medical institution ;

(c) put diseases under strict control and provide technical hygienic services in a timely manner;

(d) monitor various hygienic practices, environmental protection, and prevention and treatment of occupational diseases and tuberculosis in accordance with law to make sure that all of such work is performed strictly in compliance with relevant laws and regulations; and

(e) give health education to Party B's employees.

8.2 Both parties to share the costs and expenses of the disease control center and hygienic supervision institutions affiliated to Party A or the subsidies paid by Party A to the disease control center and hygienic supervision institutions, in ratio of the number of Party B's employees to that of Party A's in Guangdong province. The formula is: the expenses due to the Party B =the number of Party B's employees/ Party A's (Party B's is included, the same below) x cost and expenses or subsidies paid by Party A to the disease control center and hygienic supervision institutions.

8.3 if the Party B's employees need the cure of occupational diseases, tuberculosis and convalescences and recuperation, they shall pay the expenses to the relevant institutions of Party A, after the treatment apply for the reimbursement from the former institution.

8.4 Should Party B suffer from an unexpected accident or natural disaster and need relevant departments under Party A to provide additional hygienic and anti-epidemic services, Party A shall actively provide such services and Party B shall pay Party A the fees for such services at the amount actually incurred by Party A.

ARTICLE 9 NURSERY AND KINDERGARTEN SERVICES

9.1 Party A agrees to provide Party B's employees with nursery and kindergarten services through its own nurseries and kindergartens and ensure that:

(a) children of Party B's employees can go to the nurseries and kindergartens as close to them as possible;

(b) quality of education and facilities in Party A's nurseries and kindergartens shall be no less than the same in the other local nurseries and kindergartens of the same level; and

(c) children of Party B's employees can enjoy the equal treatment in Party A's nurseries and kindergartens as other children therein.

9.2 Fees for nursery and kindergarten services provided to Party B by party A shall be calculated according to the following formula: fees payable by Party B for nursery and kindergarten services = total expenses (costs) incurred by Party A's nurseries and kindergartens / number of all of the children therein x number of children of Party B's employees therein.

9.3 Any and all other miscellaneous expenses charged by nurseries and kindergartens against certain children therein for personal purposes in accordance with relevant local regulations shall be paid by Party B's individual employees whose children enter nurseries or kindergartens. Party A shall not charge Party B's employees any kind of so-called "education development fees" or any other fees of the same nature or for the same purpose.

ARTICLE 10 LIABILITIES FOR BREACH OF CONTRACT

10.1 Both parties shall perform their respective obligations hereunder voluntarily and in good faith. Should this Agreement be rendered unable to be performed either in whole or in part due to any breach of either party, the breaching party shall assume the liabilities for such breach. Should both parties breach this Agreement, each of the parties shall assume its respective liabilities in proportion to its own fault; provided that, the assumption of the liabilities for breach of contract shall not prejudice the right of the non-breaching party to request the breaching party to continue to perform its obligations.

10.2 Subject to the provisions set forth in Clause 2.6. In the event that any of Party A's wholly-owned or controlled subsidiaries or controlled entities who performs any of Party A's obligations hereunder pursuant to this Agreement or any supplementary agreement hereto commits a breach, such subsidiary or entity shall assume its respective liabilities for such breach and Party A shall assume joint liabilities therefor.

10.3 For any fees payable by Party B to Party A or any of its wholly-owned or controlled subsidiaries or controlled entities hereunder, invoices or receipts shall be issued to Party B in accordance with PRC tax laws or other relevant laws or regulations. Party A or any of its wholly-owned or controlled subsidiaries or controlled entities shall fully indemnify Party B against any loss arising from any penalty imposed upon or any claim brought against Party B due to the violation by any of Party A or its wholly-owned or controlled subsidiaries or controlled entities of any relevant stipulations.

ARTICLE 11 MISCELLANEOUS PROVISIONS

11.1 This Agreement shall come into effect upon:

(a) execution and affixture with the company seals by the legal or authorized representatives of both parties;

(b) Party B's carrying out of the resolution procedures for affiliated transactions, receipt of the approval to this Agreement from its independent shareholders or the exemption from Hong Kong Stock Exchange to the affiliated transactions involved herein in accordance with Party B's Articles of Association and the Listing Rules of the Hong Kong Stock Exchange;

(c) Party B's receipt of the approval to its proposed initial public offering of A shares inside the PRC and the entrance of all of the funds raised through such offering into Party B's account; and

(d) The effectiveness of the Railway Operating Assets Purchase Agreement By and Between Guangzhou Railway (Group) Company and Guangzhou Railway Group Yangcheng Railway Company and the consummation of the acquisition of assets and business contemplated thereunder.

11.2 This Agreement, upon becoming effective, shall supercede any and all of the agreements or arrangements in respect of the Comprehensive Services hereunder prior to the effective date hereof by and between Party A or any of Party A's wholly-owned or controlled subsidiaries or other controlled entities or companies (other than Guangzhou Railway Group Yangcheng Railway Company and Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company) and Party B.

11.3 Provisions of this Agreement may be amended by the parties hereto after consultations if required by the changes to the actual circumstances, provided that such amendment shall be made in writing. Neither Party A nor Party B may add any provision to, delete any provision from or otherwise amendment this Agreement, unless by mutual agreement between them in writing.

11.4 Headings used herein are inserted only for purpose of convenience and shall not impair the meaning of this Agreement or any provision herein.

11.5 Any documents referred to herein shall be incorporated into this Agreement by such reference.

11.6 In the event that either Party A or Party B intends to assign an of its rights or obligations hereunder to any of its wholly-owned or controlled subsidiaries or other controlled entities or companies, it shall notify the other party thereof, and the party who makes such assignment shall assume joint liabilities for the performance of this Agreement by the assignee. Except in such case, neither Party A nor Party B may assign any of its interests hereunder to any third party at its own discretion without prior written consent from the other party.

11.7 In case either party breaches any of its obligations hereunder and causes any economic loss to the other party, the other party shall have the right to request the breaching party to make a remedy within a specified time limit, perform relevant obligations pursuant hereto or make compensation for various losses, and may rescind any relevant portion of this Agreement or this Agreement in whole when necessary, except when such breach is caused by a force majeure event.

11.8 The execution, effect, interpretation, performance of, and resolution of any dispute arising from, this Agreement shall be governed and protected by the laws of the People's Republic of China. Any dispute arising from the performance of this Agreement shall be resolved between the parties through consultations. Should any dispute fail to be resolved through such consultations, such dispute shall be submitted to any competent court for resolution.

11.9 This Agreement shall be a framework agreement between Party A and Party B in respect of the matters regarding the Comprehensive Services. Party B and Party A or any of its wholly-owned or controlled subsidiaries or other controlled entities or companies may execute supplementary agreements for any specific items of services on the basis of the principles set forth herein; provided that, such supplementary agreements may not materially conflict with this Agreement in respect of the major provisions and Party B shall perform its obligations for the disclosure of such supplementary agreements or obtain the required exemption in accordance with the provisions of the regulatory authorities in the jurisdictions in which Party B's securities are listed. Such supplementary agreements shall constitute an integral part of this Agreement and shall have the equal legal effect as this Agreement.

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11.10 For purposes of this Agreement, "day" shall refer to a business day other than weekends and public holidays in the PRC.

11.11 This Agreement shall be executed in four copies with each of Party A and Party B to hold two.

PARTY A: GUANGZHOU RAILWAY (GROUP) COMPANY (company seal)

Legal or authorized representative: ---------------------

PARTY B: GUANGZHOU RAILWAY (GROUP) COMPANY (company seal)

Legal or authorized representative: ---------------------

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EXHIBIT 4.8

COMPREHENSIVE SERVICES AGREEMENT BY AND BETWEEN GUANGZHOU RAILWAY GROUP GUANGSHEN RAILWAY ENTERPRISE DEVELOPMENT COMPANY AND GUANGSHEN RAILWAY COMPANY LIMITED

DATED AS OF JANUARY 13, 2006

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This Agreement is entered into by and between:

(1) GUANGZHOU RAILWAY GROUP GUANGSHEN RAILWAY ENTERPRISE DEVELOPMENT COMPANY ("Party A")
Legal address: No. 1048 Heping Road, Shenzhen and

(2) GUANGSHEN RAILWAY COMPANY LIMITED ("Party B")
Legal address: No. 1052 Heping Road, Shenzhen

on January 13, 2006 at Shenzhen.

Whereas: In order to insure Part B's transportation and operation, therefore, in accordance with the Contract Law of the People's Republic of China (the "PRC") and other relevant PRC laws and regulations, Party A and Party B, after consultations and by adhering to the principle of equality and free will, hereby reach the following agreement regarding Party A's provision of the Comprehensive Services to Party B:

ARTICLE 1 SCOPE OF THE COMPREHENSIVE SERVICES

1.1 The services to be provided to Party B by Party A hereunder shall include security services, property management, buildings maintenance and repair, and any other services that are consistent with the purposes of this Agreement (hereinafter referred to as the "Comprehensive Services"). The property management services shall include the management of the employee dormitories (for bachelor or family numbers) and apartments.

1.2 For purposes of this Agreement, unless otherwise expressly provided herein, references to "Party A" shall include Party A itself, and any company, entity and department that are owned, controlled, managed or used by Party A during the term of this Agreement, including any institutions, equipment, facilities, premises, buildings and employees that are owned, controlled, managed or used by such company, entity or department.

ARTICLE 2 UNDERTAKINGS AND WARRANTIES

2.1 Party A agrees to provide the Comprehensive Services to Party B pursuant to this Agreement and hereby undertakes and warrants to Party B as follows:

2.1.1 Party A shall, and shall cause the companies, entities and departments that are owned, controlled, managed or used by it to, provide the Comprehensive Services to Party B pursuant to the provisions contained herein.

2.1.2 Unless otherwise provided herein, Party A shall have complete and unrestricted ownership, control, management rights and use rights to any entity subordinate to it; and that its rights, control, management and use, or the size, scope, quality or quantity of any of such entity shall not be reduced during the term hereof.

2.1.3 The quality, quantity and contents of any Comprehensive Services to be provided hereunder shall not be inferior to the standard of the same type of services provided by Party A within its own organization prior to the date hereof, or provided to any third party by Party A after the effectiveness hereof.

2.1.4 In the provision of the Comprehensive Services hereunder, Party A may not discriminate against Party B or deliberately make things difficult for Party B to do or otherwise unfairly treat Party B, and shall provide the Comprehensive Services to Party B as a top priority and at the most competitive quality and price if practicable.

2.1.5 All fees received from Party B as specified herein for the Comprehensive Services provided hereunder shall not be used for any purpose other than the benefit of the entities that have actually provided the Comprehensive Services hereunder.

2.2 Party B agrees to receive the Comprehensive Services from Party A pursuant to this Agreement and hereby undertakes and warrants to Party A as follows:

2.2.1 Party B shall pay Party A the agreed fees for the Comprehensive Services provided by Party A hereunder.

2.2.2 Subject to any contrary provisions herein, any and all of the service fees payable by Party B shall be prepaid each month and settled per quarter. The fees for each year shall be prepaid by Party B in 12 installments with one installment of an agreed amount for each month. After the effectiveness of this Agreement, the installment of the service fees for each month shall be paid to an account designated by Party A within the first five days (which shall be

BOWNE INTEGRATED TYPESETTING SYSTEM Site: BOWNE OF HONG KONG Phone: 852-2526-0688 Operator: BOM99999T Date: 29-JUN-2006 07:36:55.74
Name: GUANGSHEN RAILWAY CO Validation: Y Lines: 100
[E/O] CRC: 39531
BOM H00583 704.08.01.00-2E 0/3
H00583.SUB, DocName: EX-4.8, Doc: 6, Page: 1
Description: EXHIBIT 4.8

extended accordingly if any holiday falls within such five days) of such month. Where any portion of any installment becomes overdue, delay payment interest shall accrue thereon at a rate of 0.03% for each day of delay.

2.2.3 In case Party B provides any services to Party A and shall receive any fees from Party A therefor, the above undertakings and warranties of one party to the other in respect of payment shall be equally applicable to both parties.

ARTICLE 3 SECURITY SERVICES

3.1 Party A agrees to provide Party B with security services through those railway public security departments subordinate to Party A, including but not limited to the duty of guarding, railway stations and trains during Party B's daily operation and spring-festival operation, maintaining the public order and security when passengers buy tickets, board or get off trains, enter or leave railway stations and when owners of goods receive, consign or transport the goods, following up and investigating and handling such offenses as striking trains with stones, placing obstacles on tracks and stealing railway materials, assisting Party B in handling such disasters and accidents as rail line bodily injury or death and traffic accidents caused by motor vehicles, supervising railway fire-fighting work and preventing fire and explosion.

3.2 Party A shall ensure that those railway public security departments subordinate to it shall diligently perform the services set forth in 3.1 above for Party B to protect Party B's legal interests.

ARTICLE 4 OTHER SERVICES

4.1 Party B hereby retains Party A to provide property management and related services to Party B's employee dormitories (for bachelor or family numbers) and other housing including but not limited to housing repair, maintenance and management, and related daily water and electrical power supply, greening, cleaning, fire-prevention, theft-prevention, road maintenance and public lighting.

4.2 The housing property management and related services provided by Party A to Party B's employees shall be at least of the same level (same management fees, same service standards and opportunities) as the same services provided by Party B to employees of Guangzhou Railway (Group) Company and other group companies.

4.3 Party B may, based on its actual needs, retain Party A to provide it with building repair and maintenance services. Such repair and maintenance services must comply with the regulatory standards set by the State or the relevant industry and Party B's own technical and quality requirements.

4.4 Subject to mutual agreement between Party A and Party B after consultations, Party A and Party B may execute separate lease contracts regarding Party A's lease of property such as office buildings and residential buildings to Party B; provided that the rate of rental for such lease shall be no higher than the prevailing market price or the rate of rental offered to any third party by Party A.

ARTICLE 5 COMPREHENSIVE SERVICES FEES

5.1 For the services stated in Article 3 and Article 4, the settlement of two parties are based on cost and expenses of the service provided Party A to Party B and a profit of 8%. During the period from year 2006 to year 2008, it is estimated that the base of settlement shall increase 2% per year on the base of RMB68.00 million of year 2005.Under any instances, it is estimated that the Comprehensive Service fees of year 2006,2007 and 2008 shall not exceed RMB74.91 million, RMB76.41 million and RMB77.94 million, separately. The final settlement was determined by the actual fees occurred.

5.2 In the event that the scope of the Comprehensive Service fees changed, the two parties agree to negotiate about the standard of service fees according to the principles aforesaid.

5.3 "Expense", "complete cost" or "cost" referenced in this Agreement are cost containing taxes. In detail, ii is the "expense" or "cost" recorded in the audited financial statement plus the tax fees calculated upon the service fees received by main body that offers services. The taxes include Business Tax of 5%, City Construction Tax of 1% and Education Additional Tax of 3%.

5.4 Where a notice is made thirty days in advance, the service receiver, together with the service provider, can appoint an accountant office to audit those costs or expenses. The audited result is priority.

ARTICLE 6 LIABILITIES FOR BREACH OF CONTRACT

6.1 Both parties shall perform their respective obligations hereunder voluntarily and in good faith. Should this Agreement be rendered unable to be performed either in whole or in part due to any breach of either party, the breaching party shall assume the liabilities for such breach. Should both parties breach this Agreement, each of the parties shall assume its respective liabilities in proportion to its own fault; provided that, the assumption of the liabilities for breach of contract shall not prejudice the right of the non-breaching party to request the breaching party to continue to perform its obligations.

6.2 In the event that any of Party A's wholly-owned or controlled subsidiaries or controlled entities who performs any of Party A's obligations hereunder pursuant to this Agreement or any supplementary agreement hereto commits a breach, such subsidiary or entity shall assume its respective liabilities for such breach and Party A shall assume joint

liabilities therefor.

6.3 For any fees payable by Party B to Party A or any of its wholly-owned or controlled subsidiaries or other controlled entities hereunder, invoices or receipts shall be issued to Party B in accordance with PRC tax laws or other relevant laws or regulations. Party A or any of its wholly-owned or controlled subsidiaries or other controlled entities shall fully indemnify Party B against any loss arising from any penalty imposed upon or any claim brought against Party B due to the violation by any of Party A or its wholly-owned or controlled subsidiaries or controlled entities of any relevant stipulations.

ARTICLE 7 MISCELLANEOUS PROVISIONS

7.1 This Agreement shall come into effect upon:

7.1.1 execution and affixture with the company seals by the legal or authorized representatives of both parties;

7.1.2 Party B's carrying out of the resolution procedures for affiliated transactions, receipt of the approval to this Agreement from its independent shareholders or the exemption from Stock Exchange of Hong Kong Limited to the affiliated transactions involved herein in accordance with Party B's Articles of Association and the Listing Rules of the Stock Exchange of Hong Kong limited;

7.2 This Agreement, upon becoming effective, shall supercede any and all of the agreements or arrangements by and between Party A and Party B in respect of the Comprehensive Services hereunder prior to the effective date hereof.

7.3 Headings used herein are inserted only for purpose of convenience and shall not impair the meaning of this Agreement or any provision herein.

7.4 Neither Party A nor Party B may assign any of its interests hereunder to any third party at its own discretion without prior written consent from the other party. This Agreement shall be binding upon the permitted assignees of both Party A and Party B and the successors of the rights and obligations of each of Party A and Party B resulted from the division, consolidation or any other kind of legal person change of each of Party A and Party B. For purposes of this Article, the companies and entities controlled, managed or otherwise under the regulation by either Party A or Party B shall not be considered a "third party".

7.5 In case either party breaches any of its obligations hereunder and causes any economic loss to the other party, the other party shall have the right to request the breaching party to provide a remedy within a specified time limit, continue to perform this Agreement or make compensation for various losses, and may rescind any relevant portion of this Agreement or this Agreement in whole when necessary.

7.6 The execution, effect, interpretation, performance of, and resolution of any dispute arising from, this Agreement shall be governed and protected by the laws of the People's Republic of China.

7.7 Where the implementation of this Agreement are materially affected by the enactment of any new law, regulation or order, or any amendment made to any existing law, regulation or order, or any new interpretation of any existing law, regulation or order, or any adjustment to state policies, operation, management and transportation product distribution of the Ministry of Railway and carrying trade, Party A and Party B shall immediately conduct negotiations on any necessary amendment to this Agreement to ensure that each party will receive the originally intended benefits hereunder. Where either party's interests are still subject to substantial damage even after such amendment to this Agreement, this Agreement may be terminated by agreement between Party A and Party B after consultations.

7.8 This Agreement shall be a framework agreement between Party A and Party B in respect of the matters regarding the Comprehensive Services. Party A and Party B may execute supplementary agreements for the criterions, contents, fees and standards of each service separately. Such supplementary agreements shall constitute an integral part of this Agreement and shall have the equal legal effect as this Agreement. In case of any discrepancy between any of such supplementary agreements and this Agreement, this Agreement shall prevail, unless otherwise provided in such supplementary agreement.

7.9 This Agreement shall be valid from the effective date to December 31, 2008.

7.10 For purposes of this Agreement, "day" shall refer to a business day other than weekends and public holidays in the PRC.

7.11 This Agreement shall be executed in eight copies with each of Party A and Party B to hold three and two copy to be submitted to Guangzhou Railway (Group) Company. Each of the copies shall have equal legal effect.

PARTY A: (company seal)

Legal or authorized representative: ____________________

PARTY B: (company seal)

Legal or authorized representative: --------------------

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EXHIBIT 4.9

SUMMARY OF THE FORMS OF THE SURVEYING AND DESIGN SERVICES AGREEMENTS FOR RAILWAY CONSTRUCTION AND THE CONSTRUCTION SERVICES AGREEMENTS FOR THE FOURTH LINE

SUMMARY OF THE FORM OF SURVEYING AND DESIGN SERVICES AGREEMENTS FOR RAILWAY CONSTRUCTION

1. Date of signing: May 15, 2006

2. Names of projects, contracting parties and prices of agreements

<TABLE>
<CAPTION>

No.	Name of Projects	Contracting Party/Parties	Prices of Agreements (RMB10,000)
1	Xintang-Pinghu of the Fourth Railway Line	The Fourth Survey & Design Institute of China Railway	3,172
2	Guangzhou-Xintang Rural Passenger Line (K0+796~K2+080, K32+600~K43+900)	The Fourth Survey & Design Institute of China Railway	732
3	Guangzhou-Xintang Rural Passenger Line (K2+080~K32+600)	Guangzhou Institute of the Fourth Survey & Design Institute of China Railway	1270
4	Guangzhou-Xintang Rural Passenger Line Electrification Works	China Railway Electrification Survey Design & Research Institute	238
5	Xintang-Pinghu of the Fourth Railway Line Electrification Works	China Railway Electrification Survey Design & Research Institute	468
6	Guangzhou-Xintang Rural Passenger Line Communication and Signals Works	China National Railway Signal & Communication Corporation	460
7	Xintang-Pinghu Rural Fourth Railway Line Communication and Signals Works	China National Railway Signal & Communication Corporation	657

</TABLE>

3. Outline of contracts

The contracts consist of 11 parts, including the basis on which the contracts are concluded, the sketch of projects and the phases and content of surveying and design, the basis of surveying and design, the basis for documentation, rights and obligations of both parties, breach responsibilities, the delivery of designing document, surveying and design fees and their payment, settlement of dispute, the effect of agreements and others, project management.

4. Scope of service:

(a) conducting feasibility studies;

(b) surveying, including preliminary surveying, final surveying and supplemental surveying; and

(b) design of construction works plans.

4. Payment terms:

A 20% of the contracted sum to be paid within seven days of the agreement becoming effective; a further 20% of the contracted sum to be paid within seven days of the approval of the preliminary design documents; a further 50% of the contracted sum within seven days of the submission of the construction works plans and documents; the remaining 10% to be settled within seven days from completion of the construction works.

SUMMARY OF THE FORM OF THE CONSTRUCTION SERVICES AGREEMENTS

1. Date of signing: Date of signing: May 15, 2006

2. Names of projects, contracting parties and prices of agreements

<TABLE>
<CAPTION>

No.	Name of Projects	Contracting Party/Parties	Prices of Agreements (RMB10,000)
<S>	<C>	<C>	<C>
1	Xintang-Pinghu Segment ZH-4 Construction Services Agreement	China Railway 3rd Bureau Group Corporation Limited)	53426.4871
2	Xintang-Pinghu Segment ZH-6 Construction Services Agreement	China Railway 13th Bureau Group Corporation Limited)	52281.162
3	Guangzhou-Pinghu Segment TXD-7 Construction Services Agreement	China Railway 11th Bureau Group Electric Engineering Corporation Limited; and China Railway 25th Bureau Group Electric Engineering Corporation Limited	34898.556
4	Guangzhou-Pinghu Segment TXD-8 Construction Services Agreement	The Second Engineering Corporation Ltd of China Railway Electrification Bureau Group	28449.3681
5	Guangzhou-Xintang Segment ZH-3 Construction Services Agreement	China Railway 13th Bureau Group Corporation Limited	11141.0722
6	Guangzhou-Xintang Segment ZH-1 Construction Services Agreement	China Railway 25th Bureau Group Corporation Limited	19214.2167
7	Guangzhou-Xintang Segment ZH-2 Construction Services Agreement	China Railway 18th Bureau Group Corporation Limited	11698.5079
8	Xintang-Pinghu Segment ZH-5 Construction Services Agreement	China Railway 25th Bureau Group Corporation Limited	49687.2047

</TABLE>

3. Outline of contracts

The contracts consist of 48 parts, including the sketch of projects, time limit for the projects, prices of the projects, quality of projects, designing document, bodies and representatives of both parties at the scene of the projects, the job of Party A, the job of Party B, the scheme of the progress, delay of the start of projects, the extending of project period, the moving up of the start of project, examination of project quality, examination and certification of hidden projects, the change of design, the material and equipment provided by Party A, the material and equipment purchased by Party B, the change of agreement prices, down payment for the projects, examination and pricing of construction, payment of project expenses, completion and examination of project, completion final budget and transfer of fixed assets, sub-contract of project, environmental protection, protection of cultural relics, rationalization proposals, construction safety, force majeure, stop and suspense of project, breach, claim, settlement of disputes, supplemental agreements, appendix to agreements, copies of agreements, deposit for fulfilling the agreement, settlement of breaches, bonus fund, contract management, co-ordination and cooperation, the adjustment of project period, agreement files and the sequent of explanation, building of honesty, project management.

3. Scope of service:

The contracting parties No. 1, 2, 4, 5, 6 and 7 shall provide such services:

(1) demolition and relocation;

(2) construction works, including construction of roadbeds, bridges and culverts, railway tracks, power network and buildings;

(3) installation works, including installation of power network and other operational equipment; and

(4) provision of construction tools and equipment.

The contracting party No. 3 shall provide such services:

(1) demolition and relocation;

(2) construction works, including construction of communications and signaling systems, power network and buildings; and

(3) installation works, including installation of communications and signaling systems and power network.

4. Payment terms:

(1) Monthly pre-payment: 30% of the budget for each quarter will be paid to the Contracting Party each month;

(2) Quarterly and yearly assessment and payment: the balance of any outstanding payment is settled on a quarterly and yearly basis, based on assessment reports submitted by the Contracting Party and approved by the Company;

(3) Final assessment and payment: 95% of the total contracted sum is settled based on the final assessment report submitted by the Contracting Party and approved by the Company.

(4) A 5% of the total of each periodic payment is retained and shall be paid in accordance with the terms set out in the Construction Services Agreement, including the satisfaction of the relevant quality standards and completion of procedures for the transfer of the relevant fixed assets.
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H00583.SUB, DocName: EX-4.10, Doc: 8, Page: 1
Description: Exhibit 4.10

Exhibit 4.10

SUMMARY OF THE AGREEMENT BETWEEN GUANGSHEN RAILWAY COMPANY LIMITED AND GUANGZHOU ZHONGCHE RAILWAY ROLLING STOCK SALES AND SERVICES COMPANY LIMITED FOR THE LEASE OF ELECTRIC TRAIN-SETS

Lessor: Guangzhou Zhongche Railway Rolling Stock Sales and Service Company Limited

Lessee: Guangshen Railway Company Limited

Execution Date: June, 2006

Effective Date: June, 2006

Subject of Lease: 200km/h AC Drive Electrical Passenger Train Sets ("Train Sets"), altogether eight sets, with each set having one motor unit, one trailer unit and one control unit.

Purpose: The Lessee shall work as passenger train vehicle for Guangshen Railway (including Jingjiu Railway).

Lease Term: A renewal of twelve (12) months from the expiration date set forth in the original Lease Contract for 200km/h AC Drive Electrical Passenger Train Sets, pursuant to which the lease term for the first train set shall be from June 30, 2006 to July 1, 2007, and the lease term for the eighth train set shall be from December 15, 2006 to December 16, 2008.

Lease Price:

(i) RMB1,123,750 per month for each "Train Set", including the maintenance fees to be born by the Lessor.

(ii) RMB8,990,000 per month for eight "Train Sets"

Term and Method for the Payment of Rent

(i) Term for the Payment of Rent: The monthly rent for each "Train Set" shall be settled according to the actual month for lease. The rent for the previous month shall be paid in the current month. 95% of the monthly rent for the previous month shall be paid in the first instance with the remaining 5% to be settled and paid in the following month based on the actual calculation after the calculation pursuant to the terms with respect to examination and assessment set forth in the contract.

Liability for Maintenance and Repair for "Train Sets"

The Lessor shall be responsible for overhaul and intermediate overhaul and the Lessee shall be responsible for routine maintenance.

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EXHIBIT 7.1
TO ANNUAL REPORT
ON FORM 20-F

STATEMENT EXPLAINING HOW CERTAIN RATIOS WERE CALCULATED IN ANNUAL REPORT

1. The operating ratio of Guangshen Railway is the ratio of its total railway operating expenses in 2005 (in the amount of RMB2,375.8 million, compared to RMB2,241.8 million in 2004) to its total railway revenues in 2005 (in the amount of RMB3,099.5 million, compared to RMB2,871.5 million in 2004).

2. Guangshen Railway's total railway operating income ratio is 1 minus the operating ratio.

3. Guangshen Railway's overall operating income ratio is 1 minus the ratio of its operating costs in 2005 (in the amount of RMB2,566.1 million, compared to RMB2,408.0 million in 2004) to its business revenues in 2005 (in the amount of RMB3,276.9 million, compared to RMB3,038.1 million in 2004).

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EXHIBIT 8.1
TO ANNUAL REPORT
ON FORM 20-F

LIST OF SUBSIDIARIES OF GUANGSHEN RAILWAY COMPANY LIMITED

The following table lists information concerning the subsidiaries of Guangshen Railway Company Limited as of December 31, 2005:

<TABLE>
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NAME	COUNTRY OF INCORPORATION	PERCENTAGE OF INTEREST HELD BY GUANGSHEN RAILWAY
<S>	<C>	<C>
DIRECTLY HELD BY THE COMPANY		
Guangzhou East Station Dongqun Trade and Commerce Service Company	PRC	100%
Shenzhen Fu Yuan Enterprise Development Company	PRC	100%
Shenzhen Guangshen Railway Civil Engineering Company(1)	PRC	100%
Shenzhen Guangshen Railway Travel Service Ltd.	PRC	100%
Shenzhen Jian Kai Trade Company(2)	PRC	100%
Shenzhen Jing Ming Industrial & Commercial Company Limited	PRC	100%
Shenzhen Railway Station Travel Service Company(3)	PRC	75%
Shenzhen Longgang Pinghu Qun Yi Railway Store Loading and Unloading Company	PRC	55%
Dongguan Changsheng Enterprise Company	PRC	51%
Shenzhen Railway Station Passenger Services Company Limited	PRC	100%
INDIRECTLY HELD BY THE COMPANY		
Shenzhen Nantie Construction Supervision Company	PRC	100%
Shenzhen Guangshen Railway Economic and Trade Enterprise Company	PRC	100%
Shenzhen Railway Property Management Company Limited	PRC	100%
Shenzhen Yuezheng Enterprise Company Limited	PRC	100%
Shenzhen Road Multi-modal Transportation Company Limited	PRC	60%

</TABLE>

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(1) We entered a share transfer agreement with Guangzhou Railway Economic and Technological Development General Company on June 13, 2006, pursuant to which, we transferred a portion of the equity interest in Shenzhen Guangshen Railway Civil Engineering Company held by us (and one of our subsidiaries, Shenzhen Fu Yuan Enterprise Development Company) to Guangzhou Railway Economic and Technological Development General Company. Following the completion of such transfer, we hold 49% of the equity interest in Shenzhen Guangshen Railway Civil Engineering Company.

(2) A public announcement was made that the subsidiary had to be put under liquidation on May 20, 2005 and the formal liquidation process also commenced on that date. As at December 31, 2005, the relevant legal procedures had not been completed but the directors consider that the impact of the liquidation process did not bear any material impact on the Financial Statements as a whole.

(3) A Sino-foreign co-operative joint venture.
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EXHIBIT 12.1
TO ANNUAL REPORT
ON FORM 20-F

CERTIFICATION OF CO-PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Wu Junguang, co-principal executive officer of Guangshen Railway Company Limited, or Guangshen, certify that:

1. I have reviewed this annual report on Form 20-F of Guangshen;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of Guangshen as of, and for, the periods presented in this annual report;

4. Guangshen's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for Guangshen and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c. disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. Guangshen's other certifying officers and I have disclosed, based on our most recent evaluation, to Guangshen's auditors and the audit committee of Guangshen's board of directors (or persons performing the equivalent function):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting; and

6. Guangshen's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 29, 2006

By: /s/ Wu Junguang

Wu Junguang
Chairman of the Board of Directors

CERTIFICATION OF CO-PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Yang Yiping, co-principal executive officer of Guangshen Railway Company Limited, or Guangshen, certify that:

1. I have reviewed this annual report on Form 20-F of Guangshen;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of Guangshen as of, and for, the periods presented in this annual report;

4. Guangshen's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for Guangshen and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c. disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. Guangshen's other certifying officers and I have disclosed, based on our most recent evaluation, to Guangshen's auditors and the audit committee of Guangshen's board of directors (or persons performing the equivalent function):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting; and

6. Guangshen's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 29, 2006

By: /s/ Yang Yiping

Yang Yiping
General Manager

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Yao Xiaocong, principal financial officer of Guangshen Railway Company Limited, or Guangshen, certify that:

1. I have reviewed this annual report on Form 20-F of Guangshen;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of Guangshen as of, and for, the periods presented in this annual report;

4. Guangshen's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for Guangshen and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c. disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. Guangshen's other certifying officers and I have disclosed, based on our most recent evaluation, to Guangshen's auditors and the audit committee of Guangshen's board of directors (or persons performing the equivalent function):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting; and

6. Guangshen's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 29, 2006

By: /s/ Yao Xiaocong

Yao Xiaocong
Chief Accountant

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EXHIBIT 13.1
TO ANNUAL REPORT
ON FORM 20-F

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Guangshen Railway Company Limited, or the Company, on Form 20-F for the period ending December 31, 2005, as filed with the Securities and Exchange Commission on the date hereof, or the Report, the undersigned hereby certify that to the best of our knowledge:

1. the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 29, 2006 By: /s/ Wu Junguang

Wu Junguang
Chairman of the Board of Directors

A signed original of this written statement required by Section 906 has been provided to Guangshen Railway Company Limited and will be retained by Guangshen Railway Company Limited and furnished to the Securities and Exchange Commission or its staff upon request.

BOWNE INTEGRATED TYPESETTING SYSTEM Site: BOWNE OF HONG KONG Phone: 852-2526-0688 Operator: BOM99999T Date: 29-JUN-2006 07:36:55.74
Name: GUANGSHEN RAILWAY CO Validation: Y Lines: 28 [E/O] CRC: 19550 BOM H00583 713.01.02.00 0/2
H00583.SUB, DocName: EX-13.1, Doc: 12, Page: 2
Description: EXHIBIT 13.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Guangshen Railway Company Limited, or the Company, on Form 20-F for the period ending December 31, 2005, as filed with the Securities and Exchange Commission on the date hereof, or the Report, the undersigned hereby certify that to the best of our knowledge:

1. the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 29, 2006 By: /s/ Yang Yiping

Yang Yiping
General Manager

A signed original of this written statement required by Section 906 has been provided to Guangshen Railway Company Limited and will be retained by Guangshen Railway Company Limited and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Guangshen Railway Company Limited, or the Company, on Form 20-F for the period ending December 31, 2005, as filed with the Securities and Exchange Commission on the date hereof, or the Report, the undersigned hereby certify that to the best of our knowledge:

1. the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 29, 2006 By: /s/ Yao Xiaocong

Yao Xiaocong
Chief Accountant

A signed original of this written statement required by Section 906 has been provided to Guangshen Railway Company Limited and will be retained by Guangshen Railway Company Limited and furnished to the Securities and Exchange Commission or its staff upon request.
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