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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Guangshen Railway Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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廣 深 鐵 路 股 份 有 限 公 司

Guangshen Railway Company Limited

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 525)

CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

BNP PARIBAS PEREGRINE

A letter from the Board is set out on pages 4 to 12 of this circular.

A letter from the Independent Board Committee is set out on page 13 of this circular.

A letter from BNP Paribas Peregrine Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and Independent Shareholders is set out on pages 14 to 22 of this circular.

A notice dated 13 January 2006 convening an EGM of the Company to be held at the Meeting Room, 3/F., No.1052 Heping Road, Shenzhen, Guangdong Province, the PRC on 3 March 2006 at 9:30 a.m. is set out on pages 28 to 29 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. If you intend to attend the EGM, you are required to complete and return the reply slip to the registered office of Guangshen Railway Company Limited at No.1052 Heping Road, Shenzhen, Guangdong Province, the PRC before 11 February 2006. The proxy form should be returned to the registered office of the Company not less than 24 hours before the time appointed for the holding of the EGM (or any adjournment thereof).

27 January 2006

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquired Assets”	the railway transportation business between Guangzhou and Pingshi currently operated by Yang Cheng and all assets and liabilities relating to such business
“Acquisition”	the acquisition of the Acquired Assets pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement entered into between Yang Cheng and the Company dated 15 November 2004 in relation to the Acquisition
“ADSs”	American depository shares, each representing 50 H Shares
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Guangshen Railway Company Limited (廣深鐵路股份有限公司), a joint stock limited company incorporated in the PRC, the H Shares of which are listed on HKSE and the ADSs of which are listed on NYSE
“Continuing Connected Transactions”	collectively, the transactions contemplated under the Provisional Parent Comprehensive Services Agreement and the GS Comprehensive Services Agreement
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 9:30 a.m. on 3 March 2006
“GDP”	Gross domestic product
“Group”	the Company and its subsidiaries
“GS”	Guangshen Railway Enterprise Development Company (廣深鐵路實業發展總公司), a wholly-owned subsidiary of the Parent Company

DEFINITIONS

“GS Comprehensive Services Agreement”	the conditional comprehensive services agreement entered into between GS and the Company dated 13 January 2006 in relation to the provision of certain services by GS
“H Share(s)”	overseas listed foreign Share(s), which are subscribed for and traded in Hong Kong dollars on HKSE
“HKSE”	The Stock Exchange of Hong Kong Limited
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising Mr. Chang Loong Cheong, Ms. Deborah Kong and Mr. Wilton Chau Chi Wai who are independent non-executive Directors
“Independent Financial Adviser”	BNP Paribas Peregrine Capital Limited, a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap 571)
“Independent Shareholders”	Shareholders other than the Parent Company and its associates
“Latest Practicable Date”	20 January 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on HKSE
“MOR”	Ministry of Railways (鐵道部), PRC
“NYSE”	The New York Stock Exchange, Inc.
“Parent Company”	Guangzhou Railway (Group) Company (廣州鐵路(集團)公司), a state-owned enterprise under the administration of the MOR and also the controlling shareholder of the Company

DEFINITIONS

“Parent Comprehensive Services Agreement”	the conditional comprehensive services agreement entered into between the Parent Company and the Company dated 15 November 2004 in relation to the mutual provision of services by the Parent Company and/or its associates to the Company or vice versa upon completion of the Acquisition
“PRC”	The People’s Republic of China
“Provisional Parent Comprehensive Services Agreement”	the conditional comprehensive services agreement entered into between the Parent Company and the Company dated 13 January 2006 in relation to the mutual provision of services by the Parent Company and/or its associates to the Company or vice versa
“Relevant Ratio”	any of the five ratios (other than the profits ratio in the case of connected transactions) as set out in Rule 14.07 of the Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	shares of nominal value RMB1.00 each in the share capital of the Company
“Yang Cheng”	Guangzhou Railway Group Yang Cheng Railway Company (廣州鐵路集團羊城鐵路公司), a PRC state-owned enterprise and a wholly-owned subsidiary of the Parent Company
“Yang Cheng Comprehensive Services Agreement”	the conditional comprehensive services agreement entered into between Yang Cheng and the Company dated 15 November 2004 in relation to the mutual provision of services by Yang Cheng and/or its associates to the Company or vice versa upon completion of the Acquisition
“%”	per cent

LETTER FROM THE BOARD



廣 深 鐵 路 股 份 有 限 公 司

Guangshen Railway Company Limited

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 525)

Board of Directors:

Executive Directors

Wu Junguang

Li Kelie

Yang Jinzhong

Registered office:

No.1052 Heping Road

Shenzhen, Guangdong Province

The People's Republic of China

Postal Code: 518010

Non-executive Directors

Hu Lingling

Wu Houhui

Wen Weiming

Independent Non-executive Directors

Chang Loong Cheong

Deborah Kong

Wilton Chau Chi Wai

Company Secretary:

Guo Xiangdong

27 January 2006

Dear Shareholder(s),

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

On 13 January 2006, the Board announced that the Company has entered into two agreements in respect of the Continuing Connected Transactions with the Parent Company and GS respectively.

The purpose of this circular is to provide you with further information in relation to the Continuing Connected Transactions and to seek your approval of the resolutions set out in the notice of the EGM at the end of this circular.

LETTER FROM THE BOARD

BACKGROUND

The master agreements entered into by the Company with the Parent Company, its subsidiaries and controlled companies in relation to certain 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 continuing connected transactions will all expire in March 2006.

In November 2004, the Company has, in connection with the Acquisition, entered into, inter alia, two conditional comprehensive services agreements in relation to certain continuing connected transactions with the Parent Company and its associates (excluding GS and all the companies, units or departments controlled or managed by GS). Such agreements and the related annual caps have been approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 30 December 2004 and will only become unconditional upon completion of the Acquisition. As it is not possible to anticipate the completion date of the Acquisition, which is conditional upon, amongst other things, completion of the A Share Issue, it is necessary to enter into the Provisional Parent Comprehensive Services Agreement with the Parent Company to govern these continuing connected transactions between the Parent Company and its associates during the period between March 2006 and completion of the Acquisition.

CONTINUING CONNECTED TRANSACTIONS

In light of the above, on 13 January 2006, the Company entered into: (a) the Provisional Parent Comprehensive Services Agreement with the Parent Company; and (b) the GS Comprehensive Services Agreement with GS. These agreements have been entered into on a continuing and regular basis, in the ordinary and usual course of business of the Group, and on arm's length basis between the relevant parties.

GS is a wholly-owned subsidiary of the Parent Company, which is the controlling Shareholder. As at the Latest Practicable Date, the Parent Company and its associates beneficially own 66.99% of the issued share capital of the Company. Each of the Parent Company and GS is hence a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Provisional Parent Comprehensive Services Agreement and the GS Comprehensive Services Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The GS Comprehensive Services Agreement and the Provisional Parent Comprehensive Services Agreement will 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 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.

LETTER FROM THE BOARD

Each of the Provisional Parent Comprehensive Services Agreement and the GS Comprehensive Services Agreement will be valid upon the Independent Shareholders' approval being obtained until 31 December 2008. 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 will become effective.

1 Provisional Parent Comprehensive Services Agreement

1.1 Date:

13 January 2006

1.2 Parties:

- (a) the Parent Company (which by definition shall, for the purpose of the Provisional Parent Comprehensive Services Agreement only, include all the companies, units or departments owned, controlled, managed or used by it during the term of the Provisional Parent Comprehensive Services Agreement, save and except GS and all the companies, units or departments controlled or managed by GS)
- (b) the Company

1.3 Services to be provided:

The comprehensive service arrangement involves a mutual provision of certain services between the Parent Company and the Company. Services to be provided by the Parent Company to the Company include (a) transportation services; and (b) railway related services, whereas services to be provided by the Company to the Parent Company include certain transportation and related services.

1.4 Term:

The agreement will be valid upon Independent Shareholders' approval until 31 December 2008 or the date on which completion of the Acquisition takes place, whichever is earlier.

LETTER FROM THE BOARD

1.5 Pricing and cap determination:

Types of Services	Historical Figures		Estimated		Proposed Annual Caps		
	for the year ended		Figures for		for the year ending		
	31 December		the year ended		31 December (Note 4)		
	2002	2003	2004	2005	2006	2007	2008
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)
I. Services to be provided by the Parent Company							
Transportation services (Note 1)	194.40	204.30	229.90	274.30	372.36	409.60	450.56
					(Note 5)		
Railway related services (Note 2)	36.30	54.20	136.10	125.64	138.20	152.02	167.23
II. Services to be provided by the Company							
Transportation services (Note 3)	39.20	46.81	60.70	72.50	79.75	87.73	96.50

Note 1: Transportation services to be provided by the Parent Company to the Company shall include:

- (a) production co-ordination, safety management, the prices of which are determined with reference to the unit cost and the actual volume of services provided by the Parent Company;
- (b) leasing of passenger coaches and freight trains, the prices of which are determined in accordance with the settlement method issued by the MOR;
- (c) passenger co-ordination, locomotive traction, train repair and ticket sale services, etc., the prices of which are determined in accordance with the following principles:
 - (i) market price (if available);
 - (ii) if market price is not available, settlement method or pricing standards issued by the MOR; and
 - (iii) if neither (i) or (ii) is available, the pricing shall be determined with reference to the full cost incurred by the Parent Company for the provision of such services plus a mark-up of 8%. Such mark-up is determined on an arm's length basis taking into account the past dealings between the parties, and such pricing policy is the same as the pricing arrangement since the Company was listed on HKSE in 1996.

LETTER FROM THE BOARD

Note 2: Railway related services to be provided by the Parent Company to the Company shall include:

- (a) maintenance service of large scale railroad machinery, track replacement and overhauling services for railroads and bridges, and train repair and maintenance services, the prices for all of which (in case no standard set by the MOR for charging fees is available for track replacement and overhauling services or train repair and maintenance services) are determined with reference to the costs incurred by the Parent Company for the provision of such services plus a mark-up of 8%. Such mark-up is determined on an arm's length basis taking into account the past dealings between the parties; and such pricing policy is the same as the pricing arrangement since the Company was listed on HKSE in 1996;
- (b) agency services for purchase of railway transportation related materials on behalf of the Company, the service fees for which are: (i) 1.5% of the purchased amount for diesel, steel tracks, wheel band, wheel axis, rolled steel wheels and special purpose lubricant for railroads; and (ii) 5% for other materials. Such service fees are determined on an arm's length basis taking into account the past dealings between the parties; and
- (c) settlement related services, such as settlement service, provision of financial facilities at prices or on terms either in accordance with the standards set by the MOR, or not less favourable than that offered by or available to the People's Bank of China or other banks.

Note 3: Transportation and related services to be provided by the Company to the Parent Company shall include passenger co-ordination, locomotive traction, train repair and ticket sale services, etc., to the Parent Company, the prices of which are determined in accordance with the principles set out in Note 1(c) above.

Note 4: The proposed caps are determined after taking into account the following factors: (i) the historical and estimated figures as set out in the table above; and (ii) an expected annual growth rate of approximately 10%, with reference to the 2004 GDP growth rate in Guangdong Province (which was approximately 14.2%). The Directors are of the view that the projected growth rates adopted for determining the above caps are fair and reasonable.

Note 5: The proposed cap for transportation services provided by the Parent Company to the Company for year 2006 represents a growth rate of 35.7% as compared with the estimated figure for year 2005. This relatively larger increase is due to the new train services operated by the Company starting in 2006 which requires supporting transportation services from the Parent Company. The aggregate amount of these additional supporting transportation services is expected to be approximately RMB70.63 million in 2006 which is estimated based on similar transportation services changed by the the Parent Company. It is noted that if such amount is deducted from the proposed cap for 2006, the adjusted annual growth rate from 2005 to 2006 is approximately 10% only.

Pre-payment will be made each month in an amount equals to the proposed annual cap amount divided by 12, with the balance to be settled quarterly.

LETTER FROM THE BOARD

2 GS Comprehensive Services Agreement

2.1 *Date:*

13 January 2006

2.2 *Parties:*

(a) GS (which by definition shall, for the purpose of the GS Comprehensive Services Agreement only, include companies, units or departments owned, controlled, managed or used by it during the term of the GS Comprehensive Services Agreement)

(b) the Company

2.3 *Services to be provided:*

Services to be provided by GS shall include security, property management, property construction and maintenance and other services.

2.4 *Term:*

The agreement will be valid upon Independent Shareholders' approval until 31 December 2008.

2.5 *Pricing and cap determination:*

Types of Services	Historical Figures for the year ended		Estimated Figures for the year ended		Proposed Annual Caps for the year ending		
	31 December		31 December		31 December (Note 2)		
	2002	2003	2004	2005	2006	2007	2008
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Security and other services (Note 1)	66.74	68.07	94.25	73.44	74.91	76.41	77.94

Note 1: Security and other services provided by GS to the Company shall include security services, property management, and construction and maintenance services of property, etc, the prices of which are determined with reference to the costs incurred by GS for the provision of such services plus a mark-up of 8%. Such mark-up is determined on an arm's length basis taking into account the past dealings between the parties; and such pricing policy is the same as the pricing arrangement since the Company was listed on HKSE in 1996.

LETTER FROM THE BOARD

Note 2: The proposed caps are determined after taking into account the following factors: (i) the historical and estimated figures as set out in the table above and (ii) an expected annual growth rate of approximately 2%, with reference to the historical growth in cost of services (during the period from 2002 to 2005, the compound annual growth rate was approximately 3.2%). The amount for the security and other services provided to the Company for the year 2004 was significantly higher than the amount for the year 2003, representing a growth rate of approximately 38.5%. This increase was mainly due to the aggregate amount of approximately RMB23.50 million incurred for non-recurring items in 2004. The Directors are of the view that the projected growth rate adopted for determining the above caps is fair and reasonable.

Pre-payment will be made each month in an amount equals to the proposed annual cap amount divided by 12, with the balance to be settled quarterly.

FURTHER DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS

As the aggregate annual amount of the Continuing Connected Transactions is expected to exceed 2.5% of the Relevant Ratio, the Continuing Connected Transactions are subject to the reporting, announcement and independent shareholders' approval requirements as prescribed under Chapter 14A of the Listing Rules.

The Board considers that the Continuing Connected Transactions are entered into on a continuing and regular basis and in the ordinary and usual course of business of the Group, on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. As these types of transactions have been conducted between the Group and its Parent Company in the past, the Continuing Connected Transactions will not have any impact on the earnings and assets/liabilities of the Company.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Company is principally engaged in railway passenger and freight transportation businesses between Guangzhou and Shenzhen and certain long-distance passenger transportation services.

The Parent Company (including GS) controls the operation of railway transportation businesses in Guangdong Province, Hunan Province and Hainan Province. With this background and its special role in the railway transportation industry, the Parent Company is the only available provider in the market for certain services that the Company requires in its operations. For services that are possibly available in the market, they are provided by the Parent Company on a cost basis (plus a mark-up of 8%, where applicable) and on terms no less favourable than those obtainable from independent third parties. In addition, certain support or cooperation service arrangements are also required, as a matter of course, from the Parent Company which administers and controls the operation of the neighbouring railway lines. It is therefore not only beneficial but also necessary for the Company to enter into the Continuing Connected Transactions in order to facilitate the operations of the Company.

LETTER FROM THE BOARD

ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

The Company undertakes to comply with the rules in relation to the annual review of continuing connected transactions set out in Rules 14A.37 to 14A.41 of the Listing Rules. The Company further undertakes, upon any variation or renewal of the Continuing Connected Transactions, to comply in full with all applicable requirements set out in Chapter 14A of the Listing Rules.

INDEPENDENT SHAREHOLDERS' APPROVAL

It is proposed that an EGM is to be convened on 3 March 2006, at which a resolution to approve the Continuing Connected Transactions will be proposed. In this connection, the Parent Company and its associates will abstain from voting for the resolution in respect of such Continuing Connected Transactions.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM at which an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, to approve, inter alia, the Continuing Connected Transactions and all matters relating thereto is set out on pages 28 and 29 of this circular.

The voting in respect of the approval of the resolution will be conducted by way of a poll. The Parent Company and its associates will abstain from voting for such resolution.

A reply slip for confirming attendance at the EGM and a form of proxy for use at the EGM are enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. If you intend to attend the EGM, you are required to complete and return the reply slip to the registered office of Guangshen Railway Company Limited at No.1052 Heping Road, Shenzhen, Guangdong Province, the PRC before 11 February 2006. The proxy form should be returned to the registered office of the Company not less than 24 hours before the time appointed for the holding of the EGM (or any adjournment thereof).

An announcement will be made by the Company following the conclusion of the EGM to inform you of the results of the EGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Chang Loong Cheong, Ms. Deborah Kong and Mr. Wilton Chau Chi Wai, none of whom is interested or involved in the Continuing Connected Transactions, has been established to advise the independent Shareholders in respect of the Continuing Connected Transactions. Your attention is drawn to the advice from the Independent Board Committee set out in its letter dated 27 January 2006 on page 13 of this circular.

LETTER FROM THE BOARD

INDEPENDENT FINANCIAL ADVISER

BNP Paribas Peregrine Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions. Your attention is drawn to the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders dated 27 January 2006 on pages 14 to 22 of this circular.

RECOMMENDATION

The Board considers that the terms of the Continuing Connected Transactions (including the proposed annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM.

Having regard to the opinion of the Independent Financial Adviser, the Independent Board Committee is of the opinion that the Continuing Connected Transactions (including the proposed annual caps) are in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Company Shareholders as a whole. The Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Continuing Connected Transactions and the annual caps thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendix to this circular.

Yours faithfully,
Wu Junguang
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



廣 深 鐵 路 股 份 有 限 公 司

Guangshen Railway Company Limited

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 525)

27 January 2006

To Independent Shareholders

Dear Sir/ Madam,

CONTINUING CONNECTED TRANSACTIONS

As the Independent Board Committee, we have been appointed to advise you as to whether, in our opinion, the terms of the Continuing Connected Transactions (including the proposed annual caps) are fair and reasonable so far as the Independent Shareholders are concerned and the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole. We refer to the circular to the Shareholders dated 27 January 2006 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

BNP Paribas Peregrine Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions.

Having considered the terms of the Continuing Connected Transactions and the opinion and advice of BNP Paribas Peregrine Capital Limited in relation thereto as set out on pages 14 to 22 of the Circular, we are of the opinion that the terms of the Continuing Connected Transactions (including the proposed annual caps) are fair and reasonable so far as the Independent Shareholders are concerned and the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Continuing Connected Transactions and the annual caps thereof.

Yours faithfully,

For and on behalf of

the Independent Board Committee

Chang Loong Cheong

Deborah Kong

Wilton Chau Chi Wai

Independent Non-executive Directors

BNP PARIBAS PEREGRINE

27 January 2006

The Independent Board Committee and the Independent Shareholders
Guangshen Railway Company Limited
No. 1052 Heping Road
Shenzhen, Guangdong Province
The People's Republic of China

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions, details of which are set out in the letter from the Board contained in the circular of the Company dated 27 January 2006 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

In anticipation of the expiry of the master agreements (the "Master Agreements") entered into by the Company with the Parent Company, its subsidiaries and/or 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 these continuing connected transactions in March 2006, the Company has entered into: (a) the Provisional Parent Comprehensive Services Agreement with the Parent Company; and (b) the GS Comprehensive Services Agreement with GS. The Provisional Parent Comprehensive Services Agreement and the GS Comprehensive Services Agreement are conditional upon the Independent Shareholders' approval being obtained and will, once become unconditional, 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 to the extent that they covered the same services including the Master Agreements. However, the Provisional Parent Comprehensive Services Agreement will cease to have any effect on 31 December 2008 or, upon completion of the Acquisition at which time the Parent Comprehensive Services Agreement and the Yang Cheng Comprehensive Services Agreement entered in relation to the Acquisition in November 2004 will become effective, whichever is earlier. The Directors confirmed that these agreements have been entered into on a continuing and regular basis, in the ordinary and usual course of business of the Group, and on arm's length basis between the relevant parties.



BNP Paribas Peregrine Capital Limited
59th-63rd Floor, Two International Finance Centre, 8
Finance Street, Central, Hong Kong
Tel: (852) 2825 1888 Fax: (852) 2845 5300

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

GS is a wholly-owned subsidiary of the Parent Company, which is the controlling shareholder of the Company. As at the date of this circular, the Parent Company and its associates beneficially own 66.99% of the issued share capital of the Company. Each of the Parent Company and GS is hence a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Provisional Parent Comprehensive Services Agreement and the GS Comprehensive Services Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the aggregate amount of such transactions are expected to be over 2.5% of certain Relevant Ratio, they will also be subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Parent Company and its associates will abstain from voting on the resolutions to approve the Continuing Connected Transactions. Under the Listing Rules, the voting in respect of the approval of such resolutions must be taken by poll at the EGM. The Independent Board Committee has been formed by the Company for the purposes of considering the terms of the Continuing Connected Transactions and advising the Independent Shareholders in relation to the Continuing Connected Transactions. This letter contains our advice to the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the Continuing Connected Transactions.

Apart from normal professional fees for our services to the Company as described above, no arrangement exists whereby we will receive any fees or benefits from the Company, the Parent Company, their respective subsidiaries, or any of their respective associates (as defined under the Listing Rules). We are independent of the directors, chief executive or substantial shareholders of the Company, the Parent Company, any of their respective subsidiaries or any of their respective associates (as defined under the Listing Rules). We consider ourselves suitable to give independent financial advice to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions. As at the Latest Practicable Date, BNP Paribas Arbitrage (HK) Ltd, a member of a group of companies to which we belong, held 5,321,514 H Shares, representing approximately 0.12% of the issued share capital of the Company. We do not consider this shareholding interest would affect the objectivity of our advice, given the fact that the interests of so held in the Company is the same as the independent shareholders of the Company in respect of the transactions; the value of the H Shares is immaterial in terms of either the consolidated gross or net assets of BNP Paribas group taken as a whole.

In arriving at our advice, we have relied on the statements, information and facts supplied, the opinions expressed and the representations made by the Directors and management of the Company and assumed that all statements, intentions, opinions and representations made were true, complete and accurate at the time they were made and continue to be so in all respects at the date of the Circular. We have assumed that all of the expectations of the Directors can be met. We have also relied on the assumptions described in the Circular and certain information available to the public and we have assumed such information to be accurate and reliable. We

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

have reviewed, inter alia: (1) the Master Agreements; (2) the Parent Comprehensive Services Agreement; (3) the Yang Cheng Comprehensive Services Agreement; (4) the Provisional Parent Comprehensive Services Agreement; and (5) the GS Comprehensive Services Agreement. We consider that we have reviewed sufficient information to enable us to reach an informed view. We have not, however, carried out any independent verification of such information, nor have we conducted an independent investigation into the business and affairs of the Company or the Parent Company. We have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Circular and we have no reasons to believe that any material information has been withheld, or doubt the truth or accuracy of the information provided.

Our opinion is necessarily based upon market, economic and other conditions as they existed and could be evaluated on, and on the information publicly available to us as of the date of the opinion. We have no obligation to update this opinion to take into account events occurring after this opinion is delivered to the Independent Board Committee and the Independent Shareholders.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our view on the Continuing Connected Transactions, we have taken into consideration the principal factors and reasons as set out below.

Reasons for entering into the Continuing Connected Transactions

The Company is principally engaged in railway passenger and freight transportation businesses between Guangzhou and Shenzhen and certain long-distance passenger transportation services.

The Parent Company (including GS) controls the operation of railway transportation businesses in Guangdong Province, Hunan Province and Hainan Province. With this background and its special role in the railway transportation industry, the Parent Company is the only available provider in the market for the services that the Company requires in its operations. Under the agreements for the services that are possibly available in the market, they will be provided by the Parent Company on a cost basis (plus a mark-up of 8%, where applicable) and on terms no less favourable than those obtainable from independent third parties. In addition, certain support or cooperation service arrangements are also required, as a matter of course, from the Parent Company which administers and controls the operation of the neighbouring railway lines. It is therefore not only beneficial but also necessary for the Company to enter into the Continuing Connected Transactions in order to facilitate the operations of the Company.

We note that the nature of the Continuing Connected Transactions form a necessary part of the everyday business of the Group. In fact, the Provisional Parent Comprehensive Services Agreement with the Parent Company and GS Comprehensive Services Agreement with GS are entered into in anticipation of the expiry of the Master Agreements. It is noted that the relevant waiver was granted by the HKSE ever since listing of the Company.

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In connection with the Acquisition, the Company has also in November 2004 entered into, inter alia, two conditional comprehensive services agreements in relation to certain similar continuing connected transactions. It is further noted that the Independent Shareholders had duly approved the two conditional comprehensive services agreements and the related annual caps at the extraordinary general meeting of the Company held on 30 December 2004.

Having considered the rationale of entering into the Continuing Connected Transactions, we concur with the Directors' view that they are entered into on a continuing and regular basis and in the ordinary course of business of the Group.

Provisional Parent Comprehensive Services Agreement

The Provisional Parent Comprehensive Services Agreement has been entered into between the Parent Company (which by definition shall, for the purpose of the Provisional Parent Comprehensive Services Agreement only, include all the companies, units or departments owned, controlled, managed or used by it during the term of the Provisional Parent Comprehensive Services Agreement, save and except GS and the Vendor and all the companies, units or departments controlled or managed by GS) and the Company.

The Provisional Parent Comprehensive Services Agreement is for a period from the date on which the Independent Shareholders' approval is obtained until 31 December 2008. It will replace all the existing agreements or arrangements which have been entered into between the Company and the Parent Company, its subsidiaries and controlled entities to the extent that they covered the same services including the Master Agreements. However, 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 in relation to the Acquisition in November 2004 will become effective.

The comprehensive service arrangement involves a mutual provision of certain services between the Parent Company and the Company. Services to be provided by the Parent Company to the Company include (a) transportation services; and (b) railway related services, whereas services to be provided by the Company to the Parent Company include certain transportation and related services. The pricing principles are set out as follows:

1. Services to be provided by the Parent Company to the Company

1.1 Transportation services

- (a) production co-ordination, safety management, the prices of which are determined with reference to the unit cost and the actual volume of services provided by the Parent Company;

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- (b) leasing of passenger coaches and freight trains, the prices of which are determined in accordance with the settlement method issued by the MOR;
- (c) passenger co-ordination, locomotive traction, train repair and ticket sale services, etc, the prices of which are determined in accordance with the following principles:
 - (i) market price (if available);
 - (ii) if market price is not available, settlement method or pricing standards issued by the MOR; and
 - (iii) if neither (i) or (ii) is available, the pricing shall be determined with reference to the full cost incurred by the Parent Company for the provision of such services plus a mark-up of 8%. Such mark-up is determined on an arm's length basis taking into account the past dealings between the parties; and such pricing policy is same as the pricing arrangement since the Company was listed on HKSE in 1996.

1.2. Railway related services

- (a) maintenance service of large scale railroad machinery, track replacement and overhauling services for railroads and bridges, and train repair and maintenance services, the prices for all of which (in case no standard set by the MOR for charging fees is available for track replacement and overhauling services or train repair and maintenance services) are determined with reference to the costs incurred by the Parent Company for the provision of such services plus a mark-up of 8%. Such mark-up is determined on an arm's length basis taking into account the past dealings between the parties; and such pricing policy is same as the pricing arrangement since the Company was listed on HKSE in 1996;
- (b) agency services for purchase of railway transportation related materials on behalf of the Company, the service fees for which are:
 - (i) 1.5% of the purchased amount for diesel, steel tracks, wheel band, wheel axis, rolled steel wheels and special purpose lubricant for railroads; and
 - (ii) 5% for other materials.

Such service fees are determined on an arm's length basis taking account of the past dealings between the parties; and

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- (c) settlement related services, such as settlement service, provision of financial facilities at prices or on terms either in accordance with the standards set by the MOR, or not less favourable than that offered by or available to the People's Bank of China or other banks.

2. *Services to be provided by the Company to the Parent Company*

2.1 *Transportation and related services*

Passenger co-ordination, locomotive traction, train repair and ticket sale services, etc, to the Parent Company, the prices of which are determined in accordance with the principles set out in 1.1.(c) above.

Given that the basis for determining the Provisional Parent Comprehensive Services Agreement is either market price, settlement method or pricing standards issued by the MOR or at costs plus a mark-up of 8%, which in turn is determined by the arm's length negotiation of the Company and the Parent Company with regard to: (i) the guideline issued by the local taxation authority in Guangdong Province which suggests that for the purpose of calculating enterprise's business operating tax, the acceptable basis would be at cost plus a mark-up of 10%; and (ii) the fact that the 8% mark-up has been the basis upon which the comprehensive services have been or are currently provided by GS to the Company, we are of the view that the terms of the Provisional Parent Comprehensive Services Agreement are fair and reasonable and the transaction is in the interests of the Independent Shareholders.

GS Comprehensive Services Agreement

The GS Comprehensive Services Agreement has been entered into between GS (which by definition shall, for the purpose of the GS Comprehensive Services Agreement only, include companies, units or departments owned, controlled, managed or used by it during the term of the GS Comprehensive Services Agreement) and the Company. The GS Comprehensive Services Agreement is for a period from the date where the agreement becomes valid upon Independent Shareholders' approval up to 31 December 2008. It will replace all the existing agreements or arrangements which have been entered into between the Company and GS to the extent that they covered the same services including the Master Agreements.

Services to be provided by GS shall include security services, property management, property construction and maintenance of property and other services, the prices of which are determined with reference to the costs incurred by GS for the provision of such services plus a markup of 8%. Such mark-up is determined on an arm's length basis taking into account the past dealings between the parties; and such pricing policy is same as the pricing arrangement since the Company was listed on HKSE in 1996.

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Given that the basis for determining the prices of the GS Comprehensive Services Agreement have been negotiated by the Company and GS with regard to: (i) the guideline issued by the local taxation authority in Guangdong Province which suggests that for the purpose of calculating enterprise's business operating tax, the acceptable basis would be at cost plus a mark-up of 10%; and (ii) the fact that the 8% mark-up has been the basis upon which the comprehensive services have been or are currently provided by GS to the Company, we are of the view that the terms of the GS Comprehensive Services Agreement are fair and reasonable and the transaction is in the interests of the Independent Shareholders.

Proposed annual caps for the Continuing Connected Transactions

Each type of the Continuing Connected Transactions will be subject to, among other things, the relevant annual cap for each of the three financial years ending 31 December 2008. As referred to in the letter from the Board contained in the Circular, the Company proposes to set the following annual cap for each of these categories of Continuing Connected Transactions for the Group:

	Historical Figures for the year ended 31 December			Estimated Figures for the year ended 31 December	Proposed Annual Caps for the year ending 31 December			Growth Rate		
	2002	2003	2004	2005	2006	2007	2008	2006	2007	2008
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)			
Provisional Parent Comprehensive Services Agreement										
1. Services to be provided by the Parent company to the Company										
1.1 Transportation services	194.40	204.30	229.90	274.30	372.36	409.60	450.56	35.7%	10%	10%
1.2 Railway related services	36.30	54.20	136.10	125.64	138.20	152.02	167.23	10%	10%	10%
2. Services to be provided by the Company to the Parent company										
Transportation and related services	39.20	46.81	60.70	72.50	79.75	87.73	96.50	10%	10%	10%
GS Comprehensive Services Agreement										
Security and other services	66.74	68.07	94.25	73.44	74.91	76.41	77.94	2%	2%	2%

In determining whether the above annual caps proposed by the Company are fair and reasonable in so far as the Independent Shareholders are concerned, we have discussed with the Directors the basis for setting the annual caps for the above Continuing Connected Transactions and have taken into account the reasons and factors as set out below.

1. Provisional Parent Comprehensive Services Agreement

As stated in the letter from the Board contained in the Circular, the proposed caps are determined based on: (i) the historical and estimated figures as set out in the table above; and (ii) an expected annual growth rate of approximately 10%, with reference to

the 2004 GDP growth rate in Guangdong Province (which was approximately 14.2%). The Directors are of the view that the projected growth rates adopted for determining the above caps are fair and reasonable.

It should be noted that the cap for transportation services provided to the Company for the year 2006 is significantly greater than the estimated aggregate figure for the year 2005, representing a growth rate of approximately 35.7%. As stated in the letter from the Board contained in the Circular, this increase is due to the new train services operated by the Company starting in 2006 which requires supporting transportation services from the Parent Company. The aggregate amount of these additional supporting transportation services is expected to be approximately RMB70.63 million in 2006 which was estimated based on similar transportation services charged by the Parent Company. It is noted that if such amount is deducted from the proposed cap for 2006, the adjusted annual growth rate from 2005 to 2006 is approximately 10% only. On this basis, we are of the view that this exceptional growth rate is justifiable by virtue of the anticipated growth of the Group's business in 2006.

2. *GS Comprehensive Services Agreement*

As stated in the letter from the Board contained in the Circular, the proposed caps are determined based on: (i) the historical and estimated figures as set out in the table above and (ii) an expected annual growth rate of approximately 2%, with reference to the historical growth in cost of services (during the period from 2002 to 2005, the compound annual growth rate was approximately 3.2%). It should be noted that the amount for the security and other services provided to the Company for the year 2004 was significantly higher than the amount for the year 2003, representing a growth rate of approximately 38.5%. As stated in the letter from the Board contained in the Circular, this increase was mainly due to the aggregate amount of approximately RMB23.50 million incurred for non-recurring items in 2004. The Directors are of the view that the projected growth rate adopted for determining the above caps is fair and reasonable.

Given that: (i) the services to be provided in the Provisional Parent Comprehensive Services Agreement and the GS Comprehensive Services Agreement are generally related to the operations of the railway business; (ii) transportation demand (including railway) is related to the general economic activity of a country; and (iii) based on the review of recent publicly available information in regards to the trend of the economic growth of China, the ascribed growth rate of GDP by the Company is within the common range while Guangdong Province, in the past 3 years, recorded one of the highest GDP growth among provinces in China (in 2004, the Guangzhou province recorded a GDP growth rate of approximately 14.2%), and having reviewed the aforesaid bases of determination of the annual caps, we consider the bases and assumptions to be fair and reasonable, and the annual cap for the Continuing Connected Transactions is fair and reasonable in so far as the Company and the Independent Shareholders are concerned.

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We note that upon the expiry of the three-year period of the annual caps as approved by the Independent Shareholders by poll at the EGM, the Company shall fully comply with the then requirement of the Listing Rules. We consider this provides the Shareholders with an opportunity to review and reconsider the renewal of the annual caps upon the expiry of the terms, and hence is fair and reasonable in so far as the Independent Shareholders are concerned.

CONCLUSION

Having considered the principal reasons and factors set out in this letter, we are of the view that the terms of the Continuing Connected Transactions and their annual caps are fair and reasonable and in the interest of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee and the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Continuing Connected Transactions and their annual caps.

Yours faithfully,
For and on behalf of
BNP Paribas Peregrine Capital Limited
Isadora Li
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS**(a) Interests and short positions of the Directors, Supervisors and chief executive in the securities of the Company and its associated corporations**

As at the Latest Practicable Date, there was no record of interests and short positions of the Directors, Supervisors or the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) in the register required to be kept under section 352 of the SFO. The Company had not received notification of such interests and short positions from any Director, Supervisor or the chief executive of the Company as required to be made to the Company and HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Listing Rules. The Company has not granted to any of the Directors, Supervisors or the chief executive of the Company or their spouses or children under the age of 18 any right to subscribe for any Shares or debentures of the Company.

(b) Interests and short positions of Shareholders discloseable under the SFO

So far as is known to the Directors, Supervisors and the chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than the Directors, Supervisors or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to

be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Names of Shareholders	Class of Shares	Number of Shares held	Capacity	Type of interest	Percentage of	Percentage of total
					class of shares (%)	share capital (%)
Guangzhou Railway (Group) Company	Domestic Shares	2,904,250,000 (L)	Beneficial Owner	Corporate	100.00	66.99
Sumitomo Life Insurance Company (Note)	H Shares	113,964,000 (L)	Interest of controlled corporation	Corporate	7.96	2.63
Sumitomo Mitsui Asset Management Company, Limited	H Shares	128,406,000 (L)	Investment Manager	Corporate	8.97	2.96
Mondrian Investment Partners Ltd. (formerly known as Delaware International Advisers Limited)	H Shares	117,856,000 (L)	Investment Manager	Corporate	8.23	2.72

Note: As at the Latest Practicable Date, Sumitomo Life Insurance Company was deemed to be interested in 113,964,000 H Shares (representing approximately 7.96% of the total H Shares of the Company or 2.63% of the total share capital of the Company) held by the Sumitomo Mitsui Asset Management Company, Limited, a controlled corporation of Sumitomo Life Insurance Company.

The letter “L” denoted a long position.

Save as disclosed in this circular, as at the Latest Practicable Date, so far as is known to the Directors, Supervisors and the chief executive of the Company, no other person had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

(c) Miscellaneous

None of the Directors, Supervisors or the chief executive of the Company has any director or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2004, being the date to which the latest published audited financial statements of the Company were made up.

None of the Directors, Supervisors or the chief executive of the Company is materially interested in any contract or arrangement entered into by the Company subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

3. COMPETING BUSINESS INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors, Supervisors or the chief executive of the Company and their respective associates had any interest in a business which competes or may compete with the business of the Group.

4. QUALIFICATION

The following is the qualification of the expert who has given an opinion or advice on the information contained in this circular:

Name	Qualifications
BNP Paribas Peregrine Capital Limited	a corporation licensed under the SFO to carry out types 1 and 6 regulated activities

As at the Latest Practicable Date, BNP Paribas Peregrine Arbitrage (HK) Ltd, a member of a group of companies to which BNP Paribas Peregrine Capital Limited belongs held 5,321,514 H Shares, representing approximately 0.12% of the issued share capital of the Company. Save as disclosed above, as at the Latest Practicable Date, BNP Paribas Peregrine Capital Limited was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and nor had any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. CONSENT

BNP Paribas Peregrine Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears herein.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, being the date to which the latest published audited financial statements of the Group were made up.

7. LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

8. MISCELLANEOUS

- (a) As at the Latest Practicable Date, none of the Directors or Supervisors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by any member of the Group within one year without payment of compensation, other than statutory compensation).
- (b) The company secretary of the Company is Guo Xiangdong.
- (c) The registered address of the Company is at No.1052 Heping Road, Shenzhen, Guangdong Province, PRC, Postal Code: 518010.
- (d) The Hong Kong share registrar of the Company is Hong Kong Registrars Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) All references to times in this circular refer to Hong Kong times.
- (f) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

9. PROCEDURE FOR DEMANDING A POLL BY COMPANY SHAREHOLDERS

A resolution put to a vote of general meeting 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; or
- (3) by one or more Shareholders present in person or by proxy and individually or collectively representing 10% 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.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of Norton Rose at 38th Floor, Jardine House, Central, Hong Kong from 27 January 2006 to 13 February 2006 (both days inclusive):

- (a) Provisional Parent Comprehensive Services Agreement ; and
- (b) GS Comprehensive Services Agreement.

NOTICE OF EXTRAORDINARY GENERAL MEETING



廣 深 鐵 路 股 份 有 限 公 司

Guangshen Railway Company Limited

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 525)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**Extraordinary General Meeting**”) of Guangshen Railway Company Limited (the “**Company**”) will be held at 9:30 a.m. on 3 March 2006 in the meeting room of the Company at 3/F., No.1052 Heping Road, Shenzhen, Guangdong Province, The People's Republic of China (the “**PRC**”) to consider and, if thought fit, approve the following ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** each of the new conditional services agreements, both dated 13 January 2006 (collectively, the “**New Services Agreements**”) entered into between (i) the Company and Guangzhou Railway (Group) Company (廣州鐵路(集團)公司); and (ii) the Company and Guangshen Railway Enterprise Development Company (廣深鐵路實業發展總公司) respectively (copies of which have been produced to the meeting and marked “A” and “B” respectively), the continuing connected transactions referred to therein, together with the proposed annual caps in relation to each type of continuing connected transactions, be and are hereby approved, confirmed and ratified and that the directors of the Company be and are hereby authorised to do all such further acts and things and execute all such further documents and take all such steps as they may consider necessary, desirable or expedient to implement and/or give effect to the terms of the New Services Agreements and/or the continuing connected transactions with such changes as the directors of the Company may consider necessary, desirable or expedient.”
2. “**THAT** subject to the passing of the special resolutions at the extraordinary general meeting of the shareholders of the Company to be held on 20 January 2006 of the proposal for the application for the public issue of Renminbi-denominated ordinary shares of the Company (the “**A Share Issue**”) (Details of the A Share Issue are set out in the Company's circulars dated 5 December 2004 and 8 December 2005) and completion of the A Share Issue, the proposal that the existing and the new shareholders of the Company will be entitled to sharing the undistributed retained profits of the Company be and is hereby approved.”

Notes:

- (1) Holders of the H shares of the Company are advised that the register of members of the Company's H shares will be closed from 1 February 2006 to 3 March 2006 (both days inclusive), during which no transfer of H shares will be registered. Shareholders of the Company whose names appear on the registers of members of the Company at 4:00 p.m. on 27 January 2006, or their proxies, are entitled to attend the Extraordinary General Meeting by presenting their identity cards or passports.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (2) Each shareholder entitled to attend and vote at the Extraordinary General Meeting may appoint one or more proxies (whether a shareholder or not) to attend the meeting and vote on his behalf.
- (3) Where a shareholder appoints more than one proxy, his proxies may only exercise the voting right when a poll is taken.
- (4) The instrument appointing a proxy must be in writing and signed by the appointer or his attorney duly authorized in writing. If the proxy form is signed by an attorney on behalf of the appointor, the power of attorney or other authority must be notarially certified. To be valid, the proxy form, together with a notarially certified copy of the power of attorney or other authority, must be delivered to the registered address of the Company not less than 24 hours before the commencement of the Extraordinary General Meeting or any adjournment thereof (as the case may be).
- (5) Shareholders who intend to attend the Extraordinary General Meeting are requested to deliver the attendance confirmation reply form to the registered office of the Company in person, by post or by facsimile on or before 11 February 2006.
- (6) The Extraordinary General Meeting is expected to last for half a day. Shareholders and proxies attending the Extraordinary General Meeting shall be responsible for their own traveling, accommodation and other related expenses.

Registered Office of the Company:

No. 1052 Heping Road

Shenzhen, Guangdong Province

The People's Republic of China

Telephone: 86-755-25587920 or 25588146

Facsimile: 86-755-25591480

By Order of the Board

Guo Xiangdong

Company Secretary

Shenzhen, the PRC

13 January 2006