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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 your licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China South Locomotive & Rolling Stock Corporation Limited**, you should at once hand this circular, the enclosed form of proxy for the EGM and reply slip for attending the meeting to the purchaser or the transferee or to the bank, licensed dealer in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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中國南車股份有限公司

CHINA SOUTH LOCOMOTIVE & ROLLING STOCK CORPORATION LIMITED

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

(Stock Code: 1766)

PROPOSED ISSUE OF MEDIUM-TERM NOTES

A notice convening the EGM of China South Locomotive & Rolling Stock Corporation Limited to be held at Empark Grand Hotel, No. 69 Banjing Road, Haidian District, Beijing, the PRC at 9:30 a.m. on Friday, 7 August 2009 (registration will begin at 8:30 a.m.) is set out on pages 5 to 8 of this circular.

Whether or not you are able to attend the EGM, you are advised to read the notice of the EGM and to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company as soon as possible. For H Shareholders, the proxy form should be returned to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, and for A Shareholders, the proxy form should be returned to the Company's Board Office in person or by post not less than 24 hours before the time stipulated for convening the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending, and voting at, the EGM or at any adjourned meeting if you so wish.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip to Computershare Hong Kong Investor Services Limited (for H Shareholders) or to the Company's Board Office (for A Shareholders) on or before Friday, 17 July 2009.

22 June 2009

CONTENTS

	<i>Pages</i>
DEFINITIONS	ii
LETTER FROM THE BOARD	1
NOTICE OF EGM	5

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“A Share(s)”	means domestic share(s) of a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Shanghai Stock Exchange (Stock Code: 601766);
“Articles of Association”	means the articles of association of the Company;
“Board”	means the board of Directors of the Company;
“Company”	means China South Locomotive & Rolling Stock Corporation Limited, a joint stock limited company incorporated in the PRC with limited liability, the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively;
“Director(s)”	means the director(s) of the Company;
“EGM”	means the extraordinary general meeting of the Company to be held at Empark Grand Hotel, No. 69 Banjing Road, Haidian District, Beijing, the PRC at 9:30 a.m. on Friday, 7 August 2009 (registration will begin at 8:30 a.m.) to consider and approve the proposed issue of Medium-term Notes by the Company;
“H Share(s)”	means overseas listed foreign invested share(s) of a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars (Stock Code: 1766);
“Hong Kong” or “HK”	means the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	means The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Medium-term Notes”	means the medium-term notes in an aggregate principal amount of not more than RMB4 billion proposed to be issued by the Company;
“PRC”	means the People’s Republic of China; and
“Shareholder(s)”	means the shareholder(s) of the Company.

LETTER FROM THE BOARD



中國南車股份有限公司
CHINA SOUTH LOCOMOTIVE & ROLLING STOCK CORPORATION LIMITED
(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1766)

Executive Directors

Mr. Zhao Xiaogang
Mr. Zheng Changhong
Mr. Tang Kelin
Mr. Liu Hualong

Registered office

No. 16, Central West Fourth Ring Road,
Haidian District,
Beijing,
the PRC
Postal code: 100036

Independent Non-executive Directors

Mr. Zhao Jibin
Mr. Yang Yuzhong
Mr. Chen Yongkuan
Mr. Dai Deming
Mr. Tsoi, David

Place of Business in Hong Kong

Unit H
41/F., Office Tower
Convention Plaza
No. 1, Harbour Road
Hong Kong

22 June 2009

To the Shareholders

Dear Sir or Madam,

PROPOSED ISSUE OF MEDIUM-TERM NOTES

1. INTRODUCTION

Reference is made to the announcement of the Company dated 15 June 2009 in respect of the resolutions of the Board regarding, amongst other things, the proposed issue of Medium-term Notes in the PRC.

The purpose of this circular is to provide you with further information relating to the above proposal in order to enable you to make an informed decision on the voting in respect of such resolution at the EGM.

LETTER FROM THE BOARD

2. BACKGROUND

Considering the current capital status, financing requirement and financial sources of the Company, as well as the recent PRC bond market status, the Board resolved on 15 June 2009 to submit to the Shareholders for consideration and approval the proposed issue of Medium-term Notes with an aggregate principal amount of no more than RMB4 billion by the Company at the EGM. The Medium-term Notes are not convertible or exchangeable into any shares of the Company.

According to the Articles of Association and the applicable PRC laws and regulations, the proposed issue of the Medium-term Notes is subject to the approval of Shareholders (including the holders of H Shares and A Shares). As such, the proposed issue of the Medium-term Notes will be submitted for the approval of the Shareholders at the EGM by way of a special resolution.

3. PROPOSED ISSUE OF MEDIUM-TERM NOTES

The major terms of the proposed issue of Medium-term Notes are as follows (such terms are subject to the conditions of the PRC bond market):

(1) **Size of issue**

The aggregate principal amount of the proposed issue of Medium-term Notes will not exceed RMB4 billion. The Medium-term Notes will be registered all at once and will be issued in one or multiple tranches according to actual capital requirements.

(2) **Term of issue**

Three years.

(3) **Interest rate**

The interest rate for the issue of Medium-term Notes will be determined with reference to the prevailing market conditions at the time of the issue and upon negotiations with the lead underwriter(s), on the conditions that the rate is approved by relevant regulatory authorities in the PRC.

(4) **Target investors**

Institutional investors in the national inter-bank market.

(5) **Use of proceeds**

Including but not limited to using the proceeds to supplement working capital and to satisfy other various capital needs.

LETTER FROM THE BOARD

(6) Conditions precedent to the issue

- (1) Approval by way of a special resolution at the general meeting of the Company; and
- (2) The National Association of Financial Market Institutional Investors accepting the Company's registration of the Medium-term Notes.

4. GRANTING OF AUTHORIZATION TO DEAL WITH MATTERS RELATING TO THE PROPOSED ISSUE OF MEDIUM-TERM NOTES

It is proposed that a general and unconditional mandate be granted to the committee of the Board comprising Zhao Xiaogang and Zheng Changhong, being the Directors of the Company, to determine and to deal with the following matters pursuant to applicable laws and the then market conditions:

- (1) to determine the details of the issue of the Medium-term Notes and to formulate and implement detailed issue plan which includes, but not limited to, an issue size of not more than RMB4 billion, the issue of the Medium-term Notes in tranche(s), the amount and period of each tranche, the maturity and method of repayment of the principal and interests, the interest rates of the Medium-term Notes or its determination mechanism, the provision of guarantees, determination of the specific arrangements and use of proceeds based on the actual situation in accordance with the use of proceeds described above and the selection of qualified professional institutions to participate in the issue of the Medium-term Notes;
- (2) to enter into all negotiations in relation to the issue of Medium-term Notes, to sign and execute all relevant agreements and other documents for and on behalf of the Company and to comply with the relevant information disclosure procedures pursuant to the requirements of regulatory bodies and the Hong Kong Listing Rules (if necessary);
- (3) to apply for approvals to the relevant regulatory authorities in respect of the issue of the Medium-term Notes and to make suitable adjustments to the specific issue plan in accordance with the opinions of the regulatory authorities (if any); and
- (4) to take all such actions as necessary and in the interest of the Company and to determine or to deal with specific matters in relation to the issue of the Medium-term Notes.

The above general mandate will remain effective for 24 months commencing from the date on which the resolution is considered and approved at the EGM of the Company.

LETTER FROM THE BOARD

5. RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that the proposed issue of Medium-term Notes by the Company in the PRC is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders vote in favor of the relevant resolution set out in the notice of the EGM.

6. EGM

A notice convening the EGM of China South Locomotive & Rolling Stock Corporation Limited to be held at Empark Grand Hotel, No. 69 Banjing Road, Haidian District, Beijing, the PRC at 9:30 a.m. on Friday, 7 August 2009 (registration will begin at 8:30 a.m.) is set out on pages 5 to 8 of this circular.

Whether or not you are able to attend the EGM, you are advised to read the notice of the EGM and to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company as soon as possible. For H Shareholders, the proxy form should be returned to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, and for A Shareholders, the proxy form should be returned to the Company's Board Office in person or by post not less than 24 hours before the time stipulated for convening the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending, and voting at, the EGM or at any adjourned meeting if you so wish.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip to Computershare Hong Kong Investor Services Limited (for H Shareholders) or to the Company's Board Office (for A Shareholders) on or before Friday, 17 July 2009.

7. CLOSURE OF H SHARE REGISTER OF MEMBERS OF THE COMPANY

The H share register of members of the Company will be closed from Wednesday, 8 July 2009 to Friday, 7 August 2009 (both days inclusive), during which period no transfer of H Shares will be effected. Any holders of H Shares, whose names appear on the Company's register of members at the close of business on Tuesday, 7 July 2009, are entitled to attend and vote at the EGM after completing the registration procedures for attending the EGM.

Yours faithfully,

By order of the Board of

China South Locomotive & Rolling Stock Corporation Limited

Zhao Xiaogang

Chairman

NOTICE OF EGM



中國南車股份有限公司
CHINA SOUTH LOCOMOTIVE & ROLLING STOCK CORPORATION LIMITED
(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1766)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of China South Locomotive & Rolling Stock Corporation Limited (the “**Company**”) will be held at Empark Grand Hotel, No. 69 Banjing Road, Haidian District, Beijing, the PRC at 9:30 a.m. on Friday, 7 August 2009 (registration will begin at 8:30 a.m.) for the purpose of considering and approving, if appropriate, the following resolution (Unless otherwise indicated, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 22 June 2009):

SPECIAL RESOLUTION

1. To consider and approve the following resolution in relation to the proposed issue of Medium-term Notes (“**Medium-term Notes**”) of the Company:

“**THAT:**

- (a) subject to the conditions of the PRC bond market, the Company be authorized to issue Medium-term Notes on the following major terms:

- (1) **Size of issue**

The aggregate principal amount of the proposed issue of Medium-term Notes will not exceed RMB4 billion. The Medium-term Notes will be registered all at once and will be issued in one or multiple tranches according to actual capital requirements.

- (2) **Term of issue**

Three years.

- (3) **Interest rate**

The interest rate for the issue of Medium-term Notes will be determined with reference to the prevailing market conditions at the time of the issue and upon negotiations with the lead underwriter(s), on the conditions that the rate is approved by relevant regulatory authorities in the PRC.

NOTICE OF EGM

(4) Target investors

Institutional investors in the national inter-bank market.

(5) Use of proceeds

Including but not limited to using the proceeds to supplement working capital and to satisfy other various capital needs.

(6) Conditions precedent to the issue

- (i) Approval by way of a special resolution at the general meeting of the Company;
and
 - (ii) The National Association of Financial Market Institutional Investors accepting the Company's registration of the Medium-term Notes.
- (b) a general and unconditional mandate be granted to the committee of the Board comprising Zhao Xiaogang and Zheng Changhong, being the Directors of the Company, to determine and to deal with the following matters pursuant to applicable laws and the then market conditions:
- (1) to determine the details of the issue of the Medium-term Notes and to formulate and implement detailed issue plan which includes, but not limited to, an issue size of not more than RMB4 billion, the issue of the Medium-term Notes in tranche(s), the amount and period of each tranche, the maturity and method of repayment of the principal and interests, the interest rates of the notes or its determination mechanism, the provision of guarantees, determination of the specific arrangements and use of proceeds based on the actual situation in accordance with the use of proceeds described above and the selection of qualified professional institutions to participate in the issue of the Medium-term Notes;
 - (2) to enter into all negotiations in relation to the issue of Medium-term Notes, to sign and execute all relevant agreements and other documents for and on behalf of the Company and to comply with the relevant information disclosure procedures pursuant to the requirements of regulatory bodies and the Hong Kong Listing Rules (if necessary);
 - (3) to apply for approvals to the relevant regulatory authorities in respect of the issue of the Medium-term Notes and to make suitable adjustments to the specific issue plan in accordance with the opinions of the regulatory authorities (if any); and

NOTICE OF EGM

- (4) to take all such actions as necessary and in the interest of the Company and to determine or to deal with specific matters in relation to the issue of the Medium-term Notes.

The above general mandate will remain effective for 24 months commencing from the date on which the resolution is considered and approved at the EGM of the Company.”

By order of the Board of
China South Locomotive & Rolling Stock Corporation Limited
Zhao Xiaogang
Chairman

Beijing, the PRC
22 June 2009

As at the date of this notice, the executive Directors are Mr. Zhao Xiaogang, Mr. Zheng Changhong, Mr. Tang Kelin and Mr. Liu Hualong; and the independent non-executive Directors are Mr. Zhao Jibin, Mr. Yang Yuzhong, Mr. Chen Yongkuan, Mr. Dai Deming and Mr. Tsoi, David.

Notes:

1. The H Share register of members of the Company will be closed from Wednesday, 8 July 2009 to Friday, 7 August 2009 (both days inclusive), during which period no transfer of H Shares will be registered. In order to attend the EGM, all share transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Tuesday, 7 July 2009. H Shareholders whose names appear on the Register of Members of the Company maintained by Computershare Hong Kong Investor Services Limited on or before the above date will be eligible to attend the EGM.
2. Shareholders who intend to attend the EGM in person or by proxy should return the reply slip for the EGM to the Board Office of the Company (for A Shareholders) or the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders), by hand, by post or by fax on or before Friday, 17 July 2009. The Company's Board Office is located at No. 16, Central West Fourth Ring Road, Haidian District, Beijing, the PRC, 100036 (Telephone: (86) 10 5186 2188, Fax: (86) 10 6398 4785). The Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, is located at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (Telephone: (852) 2862 8628).
3. In order to be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, should be completed and deposited at the Company's Board Office (for A Shareholders) or the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited (for H Shareholders), at least 24 hours before the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude a Shareholder from attending in person and voting at the EGM or any adjournment thereof should he/she so wish.
4. Any Shareholder entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies to attend and vote on behalf of him/her. A proxy needs not be a Shareholder of the Company.

NOTICE OF EGM

5. In case of joint shareholdings and the shareholder or the proxy attending the EGM is more than one person, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names appear in the register of members of the Company in respect of the joint shareholdings.

6. The EGM is expected to last for about half a day. Shareholders who attend the meeting in person or by proxy shall bear their own travelling and accommodation expenses. Shareholders or their proxies shall produce their identity documents when they attend the EGM.