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)

2008 ANNUAL RESULTS ANNOUNCEMENT

The board of directors of China South Locomotive & Rolling Stock Corporation Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008. This announcement, containing the main text of the 2008 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") in relation to information to accompany preliminary announcements of annual results. The annual report of the Company and its printed version will be published and delivered to the H share holders of the Company and available for view on the websites of Hong Kong Stock Exchanges at http://www.hkex.com.hk and of the Company at http://www.csrgc.com.cn on or before 30 April 2009.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
REVENUE	3	**35,092,796**	26,803,519
Cost of sales		**(29,278,774)**	(22,785,003)
Gross Profit		**5,814,022**	4,018,516
Other income and gains	3	**525,131**	430,140
Selling and distribution costs		**(787,350)**	(641,067)
Administrative expenses		**(3,382,117)**	(2,633,676)
Other expenses, net	4	**13,102**	(103,823)
PROFIT FROM OPERATIONS		**2,182,788**	1,070,090
Finance costs		**(430,630)**	(314,448)
Share of profits and losses of associates and jointly-controlled entities		**178,374**	192,318
PROFIT BEFORE TAX	4	**1,930,532**	947,960
Tax	5	**(244,929)**	(73,235)
PROFIT FOR THE YEAR		**1,685,603**	874,725
DISTRIBUTIONS AND DIVIDEND	6	**378,880**	1,657,670

Attributable to:			
Equity holders of the parent		**1,384,240**	613,031
Minority interests		**301,363**	261,694
		1,685,603	874,725
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	7		
— Basic		**15.7 cents**	8.9 cents
— Diluted		**15.7 cents**	8.9 cents

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**10,242,102**	7,067,638
Lease prepayments		**3,112,164**	2,804,055
Goodwill		**48,115**	3,150
Other intangible assets		**363,156**	296,547
Interests in jointly-controlled entities		**517,384**	409,565
Interests in associates		**27,419**	163,490
Available-for-sale investments		**30,640**	82,346
Deferred tax assets		**60,507**	19,765
Other non-current assets		**27,071**	52,940
Total non-current assets		**14,428,558**	10,899,496
CURRENT ASSETS			
Inventories		**8,389,453**	5,839,556
Trade receivables	8	**5,995,583**	4,020,423
Bills receivable		**399,650**	487,309
Prepayments, deposits and other receivables		**4,417,719**	3,172,613
Financial assets at fair value through profit or loss		**100,000**	—
Tax recoverable		**62,516**	—
Pledged deposits		**657,593**	479,038
Cash and cash equivalents		**11,065,179**	7,792,483
Total current assets		**31,087,693**	21,791,422

CURRENT LIABILITIES			
Trade payables	9	**8,415,044**	6,229,873
Bills payable		**3,127,130**	1,612,181
Other payables and accruals		**7,986,766**	7,061,711
Interest-bearing bank and other borrowings		**3,747,420**	6,278,989
Defined benefit obligations		**200,970**	252,280
Tax payable		**34,133**	54,478
Provision for warranties		**86,901**	127,005
Government grants		**53,794**	66,155
Total current liabilities		**23,652,158**	21,682,672
NET CURRENT ASSETS		**7,435,535**	108,750
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,864,093**	11,008,246
NON-CURRENT LAIBILITIES			
Interest-bearing bank and other borrowings		**664,996**	2,086,368
Defined benefit obligations		**2,141,570**	2,251,750
Provision for warranties		**82,571**	—
Government grants		**317,495**	268,480
Deferred tax liabilities		**10,066**	10,525
Other non-current liabilities		**4,818**	10,196
Total non-current liabilities		**3,221,516**	4,627,319
NET ASSETS		**18,642,577**	6,380,927
EQUITY			
Equity attributable to equity holders of the parent		**16,021,128**	4,311,021
Minority interests		**2,621,449**	2,069,906
Total equity		**18,642,577**	6,380,927

NOTES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretation Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirement of the Hong Kong Companies Ordinance. These financial statements have been prepared under a historical cost convention, except for certain financial assets as further explained below. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

1.2 IMPACT OF NEW AND REVISED IFRSs

The principal accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the accountants' report included in the Company's prospectus dated 8 August 2008, except that the Group has adopted the following new interpretations and amendments to IFRSs during the year. Adoption of these new interpretations and amendments has had no significant effect on these financial statements of the Group. They did however give rise to additional disclosures.

IAS 39 and IFRS 7 Amendments	Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets
IFRIC-Int 11	IFRS 2 - Group and Treasury Share Transactions
IFRIC-Int 12	Service Concession Arrangements
IFRIC-Int 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction

The principal effects of adopting these new and revised IFRSs are as follows:

(a) Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures-Reclassification of Financial Assets

The amendments to IAS 39 permit an entity to reclassify a non-derivative financial assets classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to IFRS 7 require extensive disclosures of any financial asset reclassified in the situation described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) IFRIC-Int 11/IFRS 2 - Group and Treasury Share Transactions

IFRIC-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. IFRIC-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. The adoption of this interpretation has had no material impact on the financial position and results of operations of the Group.

(c) IFRIC-Int 12 - Service Concession Arrangements

IFRIC-Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, the interpretation has had no impact on the financial position or results of operations of the Group.

(d) IFRIC-Int 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC-Int 14 addresses how to assess the limit under IAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. The adoption of this interpretation has had no impact on the financial position or results of operations of the Group.

1.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs and IFRIC interpretations, that have been issued but are not yet effective, in these financial statements.

IFRS 1 (Revised)	First-time Adoption of IFRSs[2]
IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 First-time Adoption of IFRSs and IAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
IFRS 2 Amendments	Amendments to IFRS 2 Share-based payment - Vesting Conditions and Cancellations[1]
IFRS 3 (Revised)	Business Combinations[2]
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments - Disclosures[1]
IFRS 8	Operating Segments[1]
IAS 1 (Revised)	Presentation of Financial Statements[1]
IAS 23 (Revised)	Borrowing Costs[1]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
IAS 32 and IAS 1 Amendments	Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation[1]
IAS 39 Amendment	Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items[2]
IFRIC-9 and IAS 39 Amendments	Amendments to IFRIC-9 - Reassessment of Embedded Derivatives and IAS 39 Financial Instruments Recognition and Measurement - Embedded Derivatives[2]
IFRIC-Int 13	Customer Loyalty Programmes[3]
IFRIC-Int 15	Agreements for Construction of Real Estate[1]
IFRIC-Int 16	Hedges of a Net Investment in a Foreign Operation[4]
IFRIC-Int 17	Distribution of Non-cash Assets to Owners[2]
IFRIC-Int 18	Transfer of Assets from Customers[5]

Apart from the above, the IASB has also issued Improvements to IFRSs* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to IFRS 5 which is effective for the annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 July 2009

[3] Effective for annual periods beginning on or after 1 July 2008

[4] Effective for annual periods beginning on or after 1 October 2008

[5] Effective for transfers of assets from customers received on or after 1 July 2009

* Improvements to IFRSs contains amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41.

IFRS 1 (Revised) has an improved structure that does not contain any changes to the substance of accounting and this standard does apply to the Group.

The IAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The IFRS 1 Amendment allows a first-time adopter of IFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements. The Group expects to adopt the IAS 27 Amendment from 1 January 2009. The amendments have no impact on the consolidated financial statements. As the Group is not a first-time adopter of IFRSs, the IFRS 1 Amendment is not applicable to the Group.

The IFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, the amendments are unlikely to have significant implications on its accounting for share-based payments.

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effect of Changes in Foreign Exchange Rate, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures.

The Group expects to adopt IFRS 3 (Revised) and IAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect future acquisitions, loss of control and transactions with minority interests.

The amendments to IFRS 7 are made to enhance disclosures about fair value measurement and liquidity risk. The Group expects to adopt the amendments to IFRS 7 from 1 January 2009.

IFRS 8, which will replace IAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt IFRS 8 from 1 January 2009.

IAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group expects to adopt IAS 1 (Revised) from 1 January 2009.

IAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

The IAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. IAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments are unlikely to have any financial impact on the Group.

The amendment to IAS 39 addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

The amendments to IFRIC-9 and IAS 39 are made in response to the earlier amendments to IAS 39 and IFRS 7 regarding reclassification of financial assets. The Group expects to adopt the amendments to IFRIS-9 and IAS 39 from 1 July 2009.

IFRIC-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award credits scheme, IFRIC-Int 13 is not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

IFRIC-Int 15 will replace Interpretation 3 Revenue - Pre-completion Contracts for the Sale of Development Properties. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with IAS 11 Construction Contracts or an agreement for the sale of goods or services in accordance with IAS 18 Revenue. As the Group currently is not involved in any construction of real estate, the interpretation is unlikely to have any financial impact on the Group.

IFRIC-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation is unlikely to have any financial impact on the Group.

IFRIC-Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 January 2010 prospectively. The Interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to IAS 10 Events after the Balance Sheet Date and IFRS 5 Non-current Assets held for Sale and Discontinued Operations. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

IFRIC 18 applies to all entities that receive from customers of an item of property, plants and equipments or cash for the acquisition or construction of such items. These assets must then be used to connect the customers to a network or to provide ongoing access to a supply of goods or services, or both. The Group expects to apply the interpretation from 1 July 2009 prospectively.

Improvements to IFRSs

In May 2008 the IASB issued its first improvements to IFRSs which set out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2009. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

2. SEGMENT INFORMATION

Segment information is required by IAS 14 Segment Reporting to be presented by way of two segment formats: (1) on a primary segment reporting basis, which the Group has determined to be by business segment; and (2) on a secondary segment reporting basis, which the Group has determined to be by geographical segment.

The Group is principally engaged in the manufacturing, maintenance, upgrading and refurbishment of mainline rail vehicles, including locomotives, passenger carriage, freight wagons, multiple units as well as key components used in these vehicles. All of the Group's products are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are attributable to a single business segment. In addition, the Group's revenue, expenses, profits, assets and liabilities and capital expenditures are principally attributable to a single geographical region, which is the PRC. Therefore, no analysis by business or geographical segment is presented.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, represents the net invoiced value of goods sold, after allowance for returns and trade discounts, and excludes sales taxes and intra-group transaction.

An analysis of revenue, other income and gains is as follows:

	2008	2007
	RMB'000	*RMB'000*
Revenue		
Sales of goods and services	**35,092,796**	26,803,519
Other income		
Interest income	**97,910**	115,926
Dividend income	**349**	6,147
Profit from sales of scrap materials	**47,285**	23,095
Value-added tax refunds	**130,487**	115,124
Government grants	**190,983**	129,835
Total	**467,014**	390,127
Gains		
Gain on disposal of a subsidiary, net	**19**	53
Gain on disposal of available-for-sale investments	**32,169**	18,477
Others	**25,929**	21,483
Total	**58,117**	40,013

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2008	2007
	RMB'000	*RMB'000*
Cost of inventories sold	**29,278,774**	22,785,003
Depreciation of items of property, plant and equipment	**666,980**	654,170
Amortisation of lease prepayments	**65,917**	9,340
Amortisation of other intangible assets	**60,601**	54,764
Staff costs (including directors' and supervisors' remuneration)		
Wages, salaries and other employees' benefits	**3,500,879**	2,788,444
Contribution to government-operated pension schemes	**413,478**	383,769
Contribution to annuity pension schemes	**57,213**	43,694
Defined benefit obligations — interest costs	**94,540**	89,220
Included in other expenses, net:		
Loss on disposal of items of property, plant and equipment, net	**23,250**	12,727
Loss/(gain) on disposal of items of other intangible assets, net	**(2,200)**	76
Realised losses on derivative financial instrument transactions	**8,998**	—

5. TAX

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% is applied to the Group for the year ended 31 December 2008 (year ended 31 December 2007: 33%), except for certain subsidiaries which were either exempted from tax or entitled to different preferential tax rates during the years. The effect of the changes has been reflected in the calculation of deferred income tax at 31 December 2007.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2008.

6. DISTRIBUTIONS AND DIVIDEND

The distributions and dividend for the year ended 31 December 2008 and 2007 are set out below:

	2008	2007
	RMB'000	*RMB'000*
Distribution to CSRG		
— Cash and bank balances	**–**	1,030,619
— Non-cash net assets	**–**	299,293
Special distribution*	**–**	327,758
Proposed final		
— RMB3.2 cents (2007: Nil)		
per ordinary share	**378,880**	—
	378,880	1,657,670

Note:

* In accordance with the "Provisional Regulation Relating to Corporate Reorganisation of Enterprises and Related Management of State-owned Capital and Financial Treatment" notice issued by the Ministry of Finance (財政部關於印發《企業公司制改建有關國有資本管理與財務處理的暫行規定》的通知), the Company is required to make a pre-incorporation profit distribution to CSRG which represents an amount equal to the Group's combined net profit attributable to shareholders, as determined based on the Accounting Standards for Business Enterprise issued by the Ministry of Finance on 15 February 2006 and other related regulations (collectively "PRC GAAP"), generated during the period from 30 June 2007 (the asset valuation date) to 28 December 2007 (the date of incorporation of the Company) by the relevant businesses to CSRG. In addition, the Company has agreed with BRIT that profit for the period from 30 June 2007 to 31 December 2007 amounting to RMB327,758,000 was recognised as special distribution payable to CSRG by the Group. This payable to CSRG has been settled subsequently in April 2008.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

7. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on:

	2008	2007
	RMB'000	*RMB'000*
Earnings		
Profit attributable to equity holders of the parent used in the basic earnings per share calculation	**1,384,240**	613,031
Shares		
Weighted average number of domestic shares in issue during the year used in the calculation of basic earnings per share	**8.8 billion**	6.9 billion

The Company's weighted average number of domestic shares in issue during the year ended 31 December 2007 used in the basic earnings per share calculation is determined on the assumption that the 6,900 million domestic shares of RMB1.00 each issued as a result of the Reorganisation had been in issue throughout year ended 31 December 2007 and as adjusted to add the 100 million domestic shares of RMB1.00 each issued to the other promoter upon the establishment of the Company on 28 December 2007.

No diluted earnings per share have been disclosed as no diluting events existed during the year ended 2007 and 2008.

8. TRADE RECEIVABLES

The Group generally requires its customers to make payment before or upon delivery, however, the Group granted certain credit periods to those long standing customers with bulk purchases and good payment history. The credit period of individual customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate. However, in the opinion of the directors, the Group has effectively granted an average credit period of around two to three months to the customers after taking into account the practice of the industry in which the Group conducted its business. The Group seeks to maintain strict control over its outstanding receivables and to closely monitor on them to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group's credit risk maximum exposure in respect of trade receivables is equal to the carrying amount of the trade receivables.

An aged analysis of the trade receivables as at the balance sheet date based on the invoice date and net of provision for impairment of receivables, is as follows:

	Group	
	2008	2007
	RMB'000	*RMB'000*
Within 6 months	**5,044,384**	3,294,087
6 months to 1 year	**563,816**	413,402
Over 1 year	**387,383**	312,934
	5,995,583	4,020,423

9. TRADE PAYABLES

An aged analysis of trade payables as at the balance sheet date, based on the invoice date is as follows:

	Group	
	2008	2007
	RMB'000	*RMB'000*
Within 6 months	**7,621,457**	5,459,776
6 months to 1 year	**460,652**	500,448
Over 1 year	**332,935**	269,649
	8,415,044	6,229,873

Important Notice

(1) The board of directors (the "Board") and supervisory committee (the "Supervisory Committee") of the Company and its directors (the "Director(s)"), supervisors (the "Supervisor(s)") and senior management (the "Senior Management") warrant that there are no false representations, misleading statements contained in or material omissions from this report and they will assume joint and several liability for the truefulness, accuracy and completeness of the contents disclosed herein.

(2) All Directors of the Company attended the tenth meeting of the first session of the Board.

(3) Ernst & Young Hua Ming, Certified Public Accountants, have issued standard unqualified audit report to the Company in accordance with PRC's Auditing Standards. Ernst & Young, Certified Public Accountants, Hong Kong, have issued standard unqualified audit report to the Company in accordance with International Financial Reporting Standards ("IFRS").

(4) Zhao Xiaogang, the Chairman of the Company, Zhan Yanjing, the person-in-charge of accounting affairs, and Xu Weifeng, the head of the Accounting Department, warrant the truthfulness and completeness of the financial statements in this annual report.

Basic Information of the Company

Chinese name	中國南車股份有限公司 (the "Company", "CSR", the Company and its subsidiaries collectively referred as the "Group")
English name	China South Locomotive & Rolling Stock Corporation Limited
Date of business registration	28 December 2007
Registered office	No. 16 Central West Fourth Ring Road, Haidian District, Beijing 100036, the PRC
Business address of the head office	No. 16 Central West Fourth Ring Road, Haidian District, Beijing 100036, the PRC
Principle place of business in Hong Kong	Unit H, 41/F., Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong
Legal representative	Zhao Xiaogang
Executive Directors	Zhao Xiaogang, Zheng Changhong, Tang Kelin, Liu Hualong
Independent Non-executive Directors	Zhao Jibin, Yang Yuzhong, Chen Yongkuan, Dai Deming, Tsoi, David
Authorized representatives	Liu Hualong, Wong Kai Yan, Thomas
Joint company secretaries	Shao Renqiang, Wong Kai Yan, Thomas
Qualified Accountant	Wong Kai Yan, Thomas
Secretary to the Board	Shao Renqiang
Securities representative	Wang Gongcheng
Telephone for information inquiry	(86) 10 5186 2188
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H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Places of listing	The Stock Exchange of Hong Kong Limited Shanghai Stock Exchange
Stock name	CSR
Stock code	1766 (Hong Kong) 601766 (Shanghai)
Principal bankers	China Minsheng Banking Corp., Ltd. China CITIC Bank Corporation Limited Industrial and Commercial Bank of China Limited Bank of Communications Co., Ltd.
PRC independent auditor	Ernst & Young Hua Ming *Certified Public Accountants* Level 16, Ernst & Young Tower (Tower E3), Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, the PRC
International independent auditor	Ernst & Young *Certified Public Accountants* 18th Floor, Two International Finance Centre 8 Finance Street Central Hong Kong

Legal advisers

As to Hong Kong laws:
Baker & McKenzie
14th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

As to PRC laws:
Jia Yuan Law Firm
F407 Ocean Plaza
158 Fuxing Men Nei Avenue
Beijing, the PRC

Results Highlights

In recent years, the State has increased investment in infrastructure construction of rail transportation, which provides a favourable platform for the development of the Company. In 2008, taking advantage of the increased investment of the State in equipment of rail transportation and greater efforts on development of new business and overseas market expansion by the Company, the business of the Company continued to expand with a substantial growth in profitability. During year 2008, revenue of the Company increased by 30.93% to RMB35,093 million as compared with that of last year. Profit before tax increased by 103.65% to RMB1,931 million as compared with last year. Profits attributable to shareholders of the Company increased by 125.77% to RMB1,384 million as compared with that of last year. Basic earnings per share increased by 76.40% to RMB15.7 cents.

The following table sets out the revenue from each business segment of the Company in 2008:

	2008		2007		
Business segment	**Amount**	**Percentage**	Amount	Percentage	Growth rate
	(RMB'000)	**%**	*(RMB'000)*	%	%
Locomotives	**8,136,571**	**23.19**	7,086,077	26.44	14.82
Passenger carriages	**3,265,214**	**9.30**	3,407,955	12.71	(4.19)
Freight wagons	**9,450,862**	**26.93**	9,193,273	34.30	2.80
Multiple units ("MUs")	**5,679,594**	**16.18**	2,679,694	10.00	111.95
Rapid transit vehicles	**2,574,216**	**7.34**	1,699,127	6.34	51.50
Other	**5,986,339**	**17.06**	2,737,393	10.21	118.69
Total	**35,092,796**	**100.00**	26,803,519	100.00	30.93

Major financial indicators:

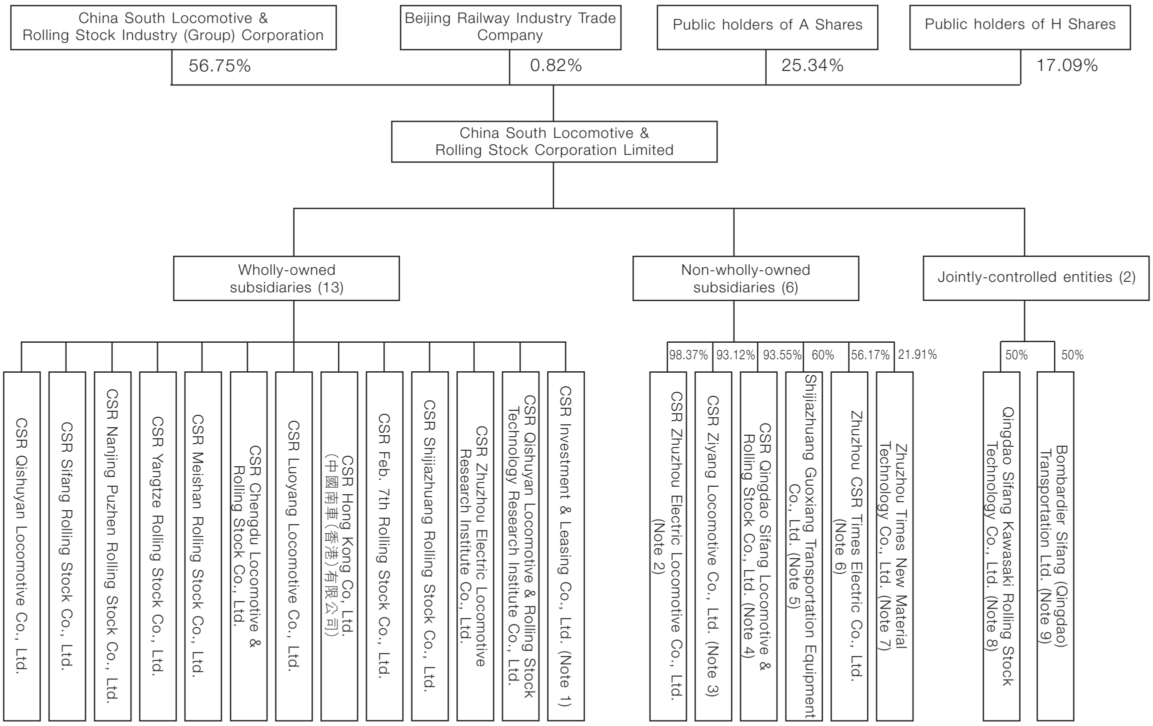
Currency: RMB

Item	**2008**	2007	Increase/ Decrease %
Revenue *(RMB million)*	**35,093**	26,804	30.93
Profit after tax *(RMB million)*	**1,686**	875	92.69
Profit attributable to equity holders of the parent of the year *(RMB million)*	**1,384**	613	125.77
Basic earnings per share *(cent/share)*	**15.7**	8.9	

Item	**2008**	2007	Increase/ Decrease %
Total assets *(RMB million)*	**45,516**	32,691	39.23
Total liabilities *(RMB million)*	**26,874**	26,310	2.14
Total equity *(RMB million)*	**18,643**	6,381	192.15
Attributable:			
Equity attributable to equity holders of the parent *(RMB million)*	**16,021**	4,311	271.63
Shareholder interest per share *(RMB/share)*	**1.35**	0.62	

Corporate Structure Chart

As at 31 December 2008, the shareholding structure of the Company and its principal subsidiaries and jointly-controlled entities are as follows:



Note 1: On 2 December 2008, New Leap Transportation Equipment Investment & Leasing Co., Ltd changed its company name into CSR Investment & Leasing Co., Ltd. ("CSR Investment & Leasing Co., Ltd").

Note 2: The Company directly holds 69.01% interest in CSR Zhuzhou Electric Locomotive Co., Ltd ("CSR Zhuzhou")and holds 16.31% and 13.05% equity interest in it through CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. ("CSR ZELRI") and CSR Investment & Leasing Co., Ltd, respectively.

Note 3: The Company directly holds 81.04% interest and holds 12.08% equity interest in CSR Ziyang Locomotive Co., Ltd. ("CSR Ziyang") through CSR Investment & Leasing Co., Ltd.

Note 4: During the year, CSR Sifang Locomotive & Rolling Stock Co., Ltd. changed its company name into CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd. ("CSR Sifang Co., Ltd"). The registration of the relevant modification above was completed on 29 December 2008.

Note 5: The Company holds 60% equity interest in CSR Shijiazhuang Guoxiang Transportation Equipment Co., Ltd. through CSR Shijiazhuang Rolling Stock Co., Ltd. ("CSR Shijiazhuang").

Note 6: The Company holds 54.38%, 0.87% and 0.92% equity interest in Zhuzhou CSR Times Electric Co., Ltd. through CSR ZELRI, CSR Investment & Leasing Co., Ltd and CSR Zhuzhou, respectively.

Note 7: The Company holds 16.79%, 2.11%, 1.78% and 1.23% equity interest in Zhuzhou Times New Material Technology Co., Ltd. ("Times New Material") through CSR ZELRI, CSR Zhuzhou, CSR Sifang Rolling Stock Co., Ltd. ("CSR Sifang Ltd.") and CSR Ziyang, respectively. Furthermore, Beijing Railway Industry Trade Company ("BRIT"), the promoter of the Company, and the subsidiaries of China South Locomotive & Rolling Stock Industry (Group) Corporation ("CSRG" or "CSRG Group"), namely CSR Meishan Rolling Stock Works. CSR Shijiazhuang Rolling Stock Works, CSR Nanjing Puzhen Rolling Stock Works. and CSR Zhuzhou Rolling Stock Works (collectively referred as "CSRG Shareholders") also hold 11.30%, 1.14%, 1.17%, 1.21% and 1.73% equity interest in Times New Material. Pursuant to shareholders agreements entered into between each of the CSRG Shareholders and the Company respectively on 28 November 2008, each of the CSRG Shareholders agreed to transfer the entire voting rights each of them is entitled to exercise at general meetings of Times New Material to the Company. As at the date of this report, the Company was entitled to exercise over 38% of the total voting rights at any general meeting of Times New Material, being the holder of the largest voting rights as at its general meetings. The resolution in relation to amendments to the Articles of Association and restructuring the composition of the board of directors was duly passed by the shareholders at a general meeting of Times New Material held on 23 December 2008. Upon the amendments to the Articles of Associations, the Company is entitled to control more than one half of the voting rights of the board of directors of Times New Material and the accounts of Times New Material were consolidated into the consolidated financial report of the Company in 2008 in accordance with the IFRS since then. Times New Material became a non-wholly-owned subsidiary of the Company on 23 December 2008 according to the provisions of the Rules Governing the Listing of Securities (the "Hong Kong Listing Rules") on The Stock Exchange of Hong Kong Limited.

Note 8: The Company holds directly 11% interest in Qingdao Sifang Kawasaki Rolling Stock Technology Co., Ltd. and holds 39% equity interest in it through CSR Sifang Co., Ltd.

Note 9: The Company holds 50% equity interest in it through CSR Sifang Ltd.

Chairman's Statement

Dear Shareholders,

Year 2008 marked an outstanding milestone in the history of CSR's development. During the year, by undergoing reorganization, integration and listing, CSR turned from a wholly state-owned enterprise into a public company. Being the Chairman of CSR, I am delighted that a number of overseas and domestic investment institutions and investors became new shareholders of CSR. Last year has been an extraordinary year but you have choosen to invest in CSR even though the global economy is stricken by the financial crisis and the global economy is facing recession. I am respectful of your courage and professionalism, and thankful for your faith and trust in CSR.

While thankful and respectful, I feel the pressure and responsibility. In the past, financing activities of listed companies in the capital market in the People's Republic of China ("PRC") were perceived by the public as "money looping" and altering such kind of perception has to resort to continuously high investors' return. Most investors may envisage the value of a company, but actual corporate value is usually not revealed in practice. It is the duties and capabilities of outstanding managers to reveal the hidden value of a corporation. I am pleased to say that, throughout the year, the Board and the Senior Management of CSR have gradually realised the importance of unveiling such hidden value of the Company, and tremendous efforts have been placed on taking initiatives in technical innovation, market expansion, resources reallocation, scientific management, talent training and corporate cultural branding which have achieved remarkable results. In this regard, our team and members are comparable to pioneers and gold miners in that our duties are to explore and mine the gold for our investors.

During the year, defying market gravity, our operating revenue and net profit attributable to the parent company increased by 30.93% and 125.77%, respectively. Our efforts were proven in the capital market. As at the end of 2008, the A share price of CSR increased by 97.7% as compared to the offer price whilst that of the H shares increased by 61.9%. Nevertheless, we thoroughly understand that there is still a long way to go and we would not be carried away by such success. It was March 2009 when I wrote this letter, which was at a time when the PRC and global economy were facing the severest financial crisis in a century. Notwithstanding the challenges and harsh conditions lying ahead, all staff of CSR are poised to leap forward with great spirit and confidence to achieve our goal.

Zhao Xiaogang
Chairman

April 2009

Financial Summary

	Year ended 31 December			
	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS				
REVENUE	**35,092,796**	26,803,519	23,046,994	19,784,502
Cost of sales	**(29,278,774)**	(22,785,003)	(19,803,184)	(17,094,755)
Gross profit	**5,814,022**	4,018,516	3,243,810	2,689,747
Other income and gains	**525,131**	430,140	173,766	174,316
Selling and distribution costs	**(787,350)**	(641,067)	(453,034)	(348,034)
Administrative expenses	**(3,382,117)**	(2,633,676)	(1,953,283)	(1,728,427)
Other expenses, net	**13,102**	(103,823)	(30,431)	(28,158)
Finance costs	**(430,630)**	(314,448)	(294,875)	(190,202)
Share of profits and losses of associates and jointly-controlled entities	**178,374**	192,318	26,171	24,724
PROFIT BEFORE TAX	**1,930,532**	947,960	712,124	593,966
Tax	**(244,929)**	(73,235)	(70,437)	(99,210)
PROFIT FOR THE YEAR	**1,685,603**	874,725	641,687	494,756
Attributable to:				
Equity holders of the Company	**1,384,240**	613,031	544,758	407,116
Minority Interests	**301,363**	261,694	96,929	87,640
	1,685,603	874,725	641,687	494,756

	Year ended 31 December			
	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS, LIABILITIES AND MINORITY INTERESTS				
TOTAL ASSETS	**45,516,251**	32,690,918	26,344,367	22,416,525
TOTAL LIABILITIES	**26,873,674**	26,309,991	20,960,032	19,296,950
TOTAL MINORITY INTERESTS	**2,621,449**	2,069,906	1,923,192	520,648

Changes in Share Capital and Particulars of Shareholders

(I) SHARE CAPITAL STRUCTURE

The Company was promoted and established by CSRG and its wholly owned subsidiary, BRIT, on 28 December 2007. Upon establishment, CSRG and BRIT held 7 billion domestic shares, the total shares in issue of the Company. On 18 August 2008 and 21 August 2008, the Company's A Shares and H Shares were listed on the Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), respectively. The over-allotment option was exercised in full on 12 September 2008.

Set out below is the Company's share capital structure immediately after completion of the issue of A Shares, the global offering of H Shares and exercise of the over-allotment option:

Name of Shareholders	Nature	Number of Shares	Approximate percentage of share capital in issue *(%)*
CSRG	A Shares	6,718,628,571	56.75%
BRIT*	A Shares	97,371,429	0.82%
Public holders of A Shares	A Shares	3,000,000,000	25.34%
Public holders of H Shares**	H Shares	2,024,000,000	17.09%
Total		11,840,000,000	100.00%

* BRIT is a wholly-owned subsidiary of CSRG.

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** Include the shares held by National Council for Social Security Fund.

(II) CHANGES IN SHARE CAPITAL

1. Changes in share capital

As at 31 December 2008, the changes in share capital of the Company were as follows:

Unit: Share

	Before the change		Increase/decrease (+, -)					After the change	
	Quantity	Percentage (%)	New issue	Bonus share issue	Transfer of capital reserve into share capital	Others	Subtotal	Quantity	Percentage (%)
I. Shares subject to trading moratorium									
1. State-owned shares	–	–	–	–	–	–	–	–	–
2. State-owned legal person shares	7,000,000,000[1]	100	–	–	–	(184,000,000)[2]	(184,000,000)	6,816,000,000[3]	57.57
3. Other domestic shares	–	–	600,000,000	–	–	(600,000,000)	–	–	–
Domestic non state-owned legal person shares	–	–	600,000,000	–	–	(600,000,000)	–	–	–
Domestic natural person shares	–	–	–	–	–	–	–	–	–
4. Foreign shares	–	–	–	–	–	–	–	–	–
Overseas legal person shares	–	–	–	–	–	–	–	–	–
Overseas natural person shares	–	–	–	–	–	–	–	–	–
Total shares subject to trading moratorium	7,000,000,000	100	600,000,000	–	–	(784,000,000)	(184,000,000)	6,816,000,000	57.57
II. Shares not subject to trading moratorium									
1. Ordinary shares denominated in RMB	–	–	2,400,000,000[4]	–	–	600,000,000[4]	3,000,000,000	3,000,000,000	25.34
2. Domestic listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign shares	–	–	1,840,000,000[5]	–	–	184,000,000[2]	2,024,000,000	2,024,000,000	17.09
4. Others	–	–	–	–	–	–	–	–	–
Total shares not subject to trading moratorium	–	–	4,240,000,000	–	–	784,000,000	5,024,000,000	5,024,000,000	42.43
III. Total number of shares	7,000,000,000	100	4,840,000,000	–	–	–	4,840,000,000	11,840,000,000	100

Notes:

(1) The Company was promoted and established by CSRG and its wholly owned subsidiary BRIT on 28 December 2007. Upon establishment, CSRG and BRIT held 6,900,000,000 and 100,000,000 domestic shares of the Company, representing 98.57% and 1.43% of the issued share capital of the Company, respectively.

(2) The Company has issued in total 1.84 billion overseas listed foreign shares (H shares) (upon the full exercise of over-allotment option). In accordance with the relevant provisions of reduction of state-owned shares, the Company's shareholders of state-owned legal person shares, CSRG and BRIT, transferred 10% of the total H Shares offered at the H Share offering, or 184 million shares, to the NSSF. Such State-owned shares were converted into H Shares on a 1:1 basis.

(3) The State-owned shares held by CSRG and BRIT are subject to a lock-up period of 36 months from the date of A Share listing (18 August 2008).

(4) The Company issued 3 billion A shares in total, among which, 2.4 billion shares are circulating shares not subject to trading moratorium, while the other 600 million domestic shares (A shares under off-line placement) were subject to trading moratorium when issued and such shares were listed on 18 November 2008.

(5) Among the 1.84 billion overseas listed foreign invested shares (H Shares) (upon the full exercise of over-allotment option) issued by the Company, 267,576,000 H Shares were placed to China Life Insurance Company Limited, GE Capital Equity Investments Ltd and Mirae Asset Global Investments (Hong Kong) Limited, which are subject to a moratorium period of 6 months from the date of H Share Listing (21 August 2008). Such shares were listed on 23 February 2009.

2. Approval of changes in share capital

As approved by the China Securities Regulatory Commission ("CSRC") and the Shanghai Stock Exchange, the Company issued 3,000,000,000 A Shares at a price of RMB2.18 per share in August 2008, with a par value of RMB1 each. Such A Shares were listed on the Shanghai Stock Exchange on 18 August 2008.

As approved by the CSRC and the Stock Exchange, the Company issued 1,600,000,000 H Shares at a price of HK$2.6 per share (before the excise of over-allotment option), with a par value of RMB1 each in August 2008. Such H Shares were listed on the Stock Exchange on 21 August 2008. On 12 September 2008, upon the full exercise of over-allotment option, the Company issued 240,000,000 H Shares at a price of HK$2.6 per share. Upon the full exercise of over-allotment option, the Company has 1,840,000,000 H Shares in issue.

Save as the initial public offerings of A Shares and H Shares in 2008, the total number of shares and the share capital structure has not changed as a result of any bonus issue, capitalisation or share placement during the Reporting Period.

3. Transfer procedures for the changes in share capital

Share registration procedures for the initial public offering of the A Shares referred to above were completed by Shanghai Branch of China Securities Depository and Clearing Corporation Limited in August 2008. Share registration procedures for the 1,600,000,000 shares issued under the initial public offering of the H Shares were completed by Computershare Hong Kong Investor Services Limited in August 2008. Share registration procedures for the 240,000,000 H Shares issued upon the exercise of the over-allotment option were completed by Computershare Hong Kong Investor Services Limited in September 2008.

4. Changes in shares subject to trading moratorium

Name of Shareholders	Number of shares subject to trading moratorium at the beginning of the year	Number of shares with trading moratorium released in the year	Number of additional shares subject to trading moratorium in the year	Number of shares subject to trading moratorium at the end of year	Reason for trading moratorium	Expiry date of trading moratorium
CSRG Group	–	–	6,718,628,571	6,718,628,571	Promoter shareholder undertook that its A Shares would be subject to a moratorium period of 36 months from the date of A Shares listing	18 August 2011
BRIT	–	–	97,371,429	97,371,429	Promoter shareholder undertook that its A Shares would be subject to a moratorium period of 36 months from the date of A Shares listing	18 August 2011

Name of Shareholders	Number of shares subject to trading moratorium at the beginning of year	Number of shares with trading moratorium released in the year	Number of additional shares subject to trading moratorium in the year	Number of shares subject to trading moratorium at the end of year	Reason for trading moratorium	Expiry date of trading moratorium
Offline placement of A shares	–	600,000,000	600,000,000	–	A Shares shall be subject to a moratorium period of 3 months from the date of A Share listing	18 November 2008
Corporate investors of H shares	–	–	267,576,000	267,576,000	H Shares shall be subject to a moratorium period of 6 months from the date of H Share listing	23 February 2009
Total	–	600,000,000	7,683,576,000	7,083,576,000	–	–

(III) ISSUE AND LISTING OF SECURITIES

1. Issue of securities during last three years

Unit: Share

Type of share and its derivative securities	Date of issue	Issue price *(RMB)*	Number of shares issued	Date of listing	Number of shares approved for listing	Date of termination of trading
A Shares	5 August 2008	RMB2.18 per share	3,000,000,000	18 August 2008	2,400,000,000	–
H Shares	14 August 2008	HK$2.6 per share	1,840,000,000*	21 August 2008	1,600,000,000	–
				19 September 2008	240,000,000	–

Note: * including 240,000,000 H Shares issued by the Company at a price of HK$2.6 per share upon the full exercise of the over-allotment option on 12 September 2008.

2. Changes in total shares and share capital structure

Save as the initial public offerings of the A Shares and H Shares in 2008, the total number of shares and the share capital structure had not changed as a result of any bonus issue, capitalisation or share placement during the Reporting Period.

3. Existing internal employee shares

The Company had no internal employee shares as at the end of the Reporting Period.

(IV) PARTICULARS OF SHAREHOLDERS

1. Total number of shareholders

As at the end of the Reporting Period, the Company had 245,020 shareholders in total, including 240,868 holders of A Shares and 4,125 holders of H Shares.

2. Shareholdings of the top 10 shareholders, top 10 holders of shares not subject to trading moratorium and the top 10 holders of shares subject to trading moratorium

Shareholdings of the top 10 Shareholders

Unit: Share

Name of Shareholders	Nature of shareholder	Percentage of Shareholding (%)	Number of shares held	Change during the Reporting Period	Number of shares subject to trading moratorium	Shares pledged or frozen
CSRG Group	State-owned legal person	56.75	6,718,628,571	(181,371,429)	6,718,628,571	Nil
HKSCC NOMINEES LIMITED	Overseas legal person	17.03	2,016,484,000	–	267,576,000	Unknown
Industrial and Commercial Bank of China-South Excellent Performance Growth Stock Investment Fund	Others	1.49	176,575,876	–	–	Unknown
BRIT	State-owned legal person	0.82	97,371,429	(2,628,571)	97,371,429	Nil

Unit: Share

Name of Shareholders	Nature of shareholder	Percentage of Shareholding (%)	Number of shares held	Change during the Reporting Period	Number of shares subject to trading moratorium	Shares pledged or frozen
China Construction Bank-China AMC Prime Growth Stock Investment Fund (中國建設銀行－華夏優勢增長股票型證券投資基金)	Others	0.59	69,999,914	–	–	Unknown
Agricultural Bank of China-Dacheng Innovation Growth Mixed Securities Investment Fund	Others	0.51	60,000,000	–	–	Unknown
Industrial and Commercial Bank of China-Universal Balanced Growth Stock Investment Fund	Others	0.44	51,670,945	–	–	Unknown
Industrial and Commercial Bank of China -Universal Growth Focus Stock Investment Fund	Others	0.43	50,449,685	–	–	Unknown
Industrial and Commercial Bank of China-Invesco-Great Wall New Growth Stock Investment Fund (中國工商銀行－景順長城新興成長股票型證券投資基金)	Others	0.34	40,083,860	–	–	Unknown
Bank of China Limited -AIG-Huatai Flourishing China Stock Securities Investment Fund	Other	0.33	39,488,572	–	–	Unknown

Note:

1. H Shares held by HKSCC Nominees Limited were shares held by it on behalf of various customers.

2. BRIT is a wholly-owned subsidiary of CSRG.

3. Industrial and Commercial Bank of China-Universal Balanced Growth Stock Investment Fund and Industrial and Commercial Bank of China -Universal Growth Focus Stock Investment Fund are funds managed by China Universal Asset Management Company Limited. Apart from the above, the Company is not aware of any connections among the aforesaid shareholders.

Shareholders of the top 10 holders of shares not subject to trading moratorium

Unit: Share

Name of Shareholders	Number of shares not subject to trading moratorium held	Type of share
HKSCC NOMINEES LIMITED	1,748,908,000	Overseas listed foreign invested shares
Industrial and Commercial Bank of China-South Excellent Performance Growth Stock Investment Fund	176,575,876	Ordinary shares denominated in RMB
China Construction Bank -China AMC Prime Growth Stock Investment Fund (中國建設銀行－華夏優勢增長股票型證券投資基金)	69,999,914	Ordinary shares denominated in RMB
Agricultural Bank of China-Dacheng Innovation Growth Mixed Securities Investment Fund	60,000,000	Ordinary shares denominated in RMB
Industrial and Commercial Bank of China-Universal Balanced Growth Stock Investment Fund	51,670,945	Ordinary shares denominated in RMB
Industrial and Commercial Bank of China -Universal Growth Focus Stock Investment Fund	50,449,685	Ordinary shares denominated in RMB

Unit: Share

Name of Shareholders	Number of shares not subject to trading moratorium held	Type of share
Industrial and Commercial Bank of China -Invesco-Great Wall New Growth Stock Investment Fund	40,083,860	Ordinary shares denominated in RMB
Bank of China Limited -AIG-Huatai Flourishing China Open-end Stock Investment Fund	39,488,572	Ordinary shares denominated in RMB
Bank of Communications-China AMC Blue Chip Core Mixed Stock Investment Fund (LOF)	38,522,387	Ordinary shares denominated in RMB
China Construction Bank-First State Cinda Leaders Growth Equity Fund	36,972,199	Ordinary shares denominated in RMB

Connections or parties acting in concert among the aforesaid shareholders	(1) Industrial and Commercial Bank of China-Universal Balanced Growth Stock Investment Fund and Industrial and Commercial Bank of China -Universal Growth Focus Stock Investment Fund are funds managed by China Universal Asset Management Co., Ltd.. (2) China Construction Bank -China AMC Prime Growth Stock Investment Fund and Bank of Communications — China AMC Blue Chip Core Mixed Securities Investment Fund are funds managed by China Asset Management Co., Ltd.. Apart from the above, the Company is not aware of any connections among the aforesaid shareholders.

Shareholdings of the top 10 holders of shares subject to trading moratorium and the terms of the trading moratorium

Unit: share

			Release of trading moratorium		
No.	Name of holders of shares subject to trading moratorium	Number of shares subject to trading moratorium held	Expiry date of trading moratorium	No. of additional shares available for listing and trading	Trading moratorium
1.	CSRG	6,718,628,571	18 August 2011	6,718,628,571	Promoter shareholder undertook that its A Shares would be subject to moratorium period of 36 months from the date of A Shares listing
2.	BRIT	97,371,429	18 August 2011	97,371,429	Promoter shareholder undertook that its A Shares would be subject to moratorium period of 36 months from the date of A Shares listing
3.	China Life Insurance Company Limited	89,192,000	23 February 2009	89,192,000	Such H Shares shall be subject to a moratorium period of 6 months from the date of H Share listing
4.	GE Capital Equity Investment Ltd	89,192,000	23 February 2009	89,192,000	Such H Shares shall be subject to a moratorium period of 6 months from the date of H Share listing
5.	Mirae Asset Global Investments (Hong Kong) Limited	89,192,000	23 February 2009	89,192,000	Such H Shares shall be subject to a moratorium period of 6 months from the date of H Share listing

Note: The H Shares held by China Life Insurance Company Limited, GE Capital Equity Investment Ltd and Mirae Asset Global Investments (Hong Kong) Limited were held in the name of HKSCC NOMINEES LIMITED.

3. Shareholding Interests of Directors, Supervisors and Senior Management Members

As at 31 December 2008, none of the Directors, Supervisors and Senior Management of the Company had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Hong Kong Listing Rules.

As at 31 December 2008, none of the Directors, Supervisors and Senior Management or their spouses or children under the age of 18 was granted any equity securities or warrants of the Company.

4. Substantial Shareholders' Interests and Short Positions in the Company

As at 31 December 2008, the persons set out in the table below had an interest or short position in the Company's shares as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholders	Capacity	H Share or A Share	Nature of Interest	Number of H Shares or A Shares held	Percentage of H share or A share in the total issued H shares or total issued A shares (%)	Percentage of total share capital of the Company (%)
CSRG *(Note 1)*	Beneficial owner	A Shares	Long position	6,816,000,000	69.44	57.57
Mirae Asset Global Investments (Hong Kong) Limited *(Note 2)*	Investment Manager	H Shares	Long position	205,294,000	10.14	1.73
National Council for Social Security Fund *(Note 3)*	Beneficial owner	H Shares	Long position	184,000,000	9.09	1.55

Notes:

1. CSRG holds 97,371,429 A shares of the Company through its wholly-owned subsidiary, BRIT.

2. Held in the name of HKSCC Nominees Limited, and held directly and/or indirectly via a chain of controlled corporations.

3. The Company issued a total of 1.84 billion overseas listed foreign invested shares (H Shares) (upon the full exercise of over-allotment option). In accordance with the relevant provisions of reduction of state-owned shares, the Company's shareholders of State-owned legal person shares, CSRG and BRIT, transferred 10% of the total H Shares offered at the H Share offering, or 184 million shares, to the NSSF. Such State-owned shares were converted into H Shares on a 1:1 basis.

4. Information disclosed hereby is based on the information available on the website of the Stock Exchange at www.hkex.com.hk.

Save as disclosed above, as far as the Company's Directors are aware, as at 31 December 2008, no other person had interests and/or short positions in the shares or underlying shares (as the case may be) of the Company which were require to be recorded in the register pursuant to section 336 of Part XV of the SFO, or was otherwise a substantial shareholders (as defined in the Hong Kong Listing Rules) of the Company.

(V) PARTICULARS OF CONTROLLING SHAREHOLDERS AND THE ULTIMATE CONTROLLER

(1) Corporate controlling shareholder

Unit: RMB0'000

Name	Legal representative	Registered capital	Establishment date	Principal Operations
CSRG	Zhao Xiaogang	705,549.40	2 July 2002	Design, manufacture and repair of rail vehicles, rapid transit vehicles, electrical and mechanical equipment and components, electronic and electric appliance, and environmental protection related products; equipment leasing; sales of the above related products; technical services and information consulting; industrial investment; assets entrusted management; import and export business; construction equipment installation; sales of chemical materials (excluding dangerous chemicals), and building materials.

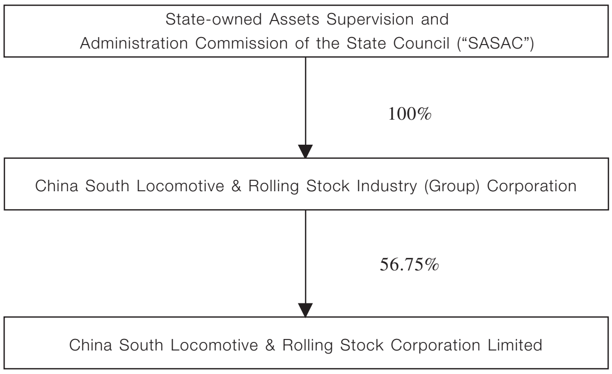
(2) Particulars of corporate ultimate controller

Name of ultimate controlling shareholder: State-owned Assets Supervision and Administration Commission of the State Council.

(3) Changes in controlling shareholder and the ultimate controller

There were no changes in the controlling shareholder and the ultimate controller of the Company during the Reporting Period.

(4) Framework of ownership and controlling relationship between the Company and the ultimate controller



(5) Other corporate shareholders with over 10% shareholdings

Save for HKSCC NOMINEES LIMITED, there were no other corporate shareholders holding over 10% shares of the Company as at the end of the Reporting Period.

(VI) SUFFICIENT PUBLIC FLOAT

As at the date of this announcement, according to all public information and as far as the Directors are aware, the Directors believe that the Company has sufficient public float which satisfies the minimum public float requirement under Rule 8.08 of the Hong Kong Listing Rules.

(VII) PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the year ended 31 December 2008, and save for the initial public offerings of the A Shares and H Shares, neither the Company nor any its subsidiaries purchased, sold or redeemed any of the Company's securities.

(I) DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Unit: RMB0'000

Name	Position	Gender	Age	Term of office	Number of shares held at the begging of the year	Number of shares held at the end of the year	Whether receiving remuneration or allowance from the Company	Remuneration received from the Company during the Reporting Period	Welfare including basic pension insurance	Total amount before tax	Whether receiving remuneration and allowance from shareholders or other associates
Zhao Xiaogang	Chairman Executive Director	M	57	From 27 December 2007 to 26 December 2010	–	–	Yes	57.95	5.19	63.14	No
Zheng Changhong	Vice Chairman Executive Director President	M	53	From 27 December 2007 to 26 December 2010	–	–	Yes	57.95	5.19	63.14	No
Tang Kelin	Executive Director Vice President	M	56	From 27 December 2007 to 26 December 2010	–	–	Yes	49.25	5.19	54.44	No
Liu Hualong	Executive Director	M	46	From 27 December 2007 to 26 December 2010	–	–	Yes	49.25	5.19	54.44	No
Zhao Jibin	Independent non-executive Director	M	56	From 27 December 2007 to 26 December 2010	–	–	Yes	17.30	–	17.30	No
Yang Yuzhong	Independent non-executive Director	M	64	From 27 December 2007 to 26 December 2010	–	–	Yes	17.90	–	17.90	No
Chen Yongkuan	Independent non-executive Director	M	62	From 27 December 2007 to 26 December 2010	–	–	Yes	17.00	–	17.00	No
Dai Deming	Independent non-executive Director	M	46	From 27 December 2007 to 26 December 2010	–	–	Yes	17.60	–	17.60	No

Unit: RMB0'000

Name	Position	Gender	Age	Term of office	Number of shares held at the begging of the year	Number of shares held at the end of the year	Whether receiving remuneration or allowance from the Company	Remuneration received from the Company during the Reporting Period	Welfare including basic pension insurance	Total amount before tax	Whether receiving remuneration and allowance from shareholders or other associates
Tsoi David	Independent non-executive Director	M	61	From 3 March 2008 to 26 December 2010	–	–	Yes	15.60	–	15.60	No
Wang Yan	Chairman of the Supervisory Committee	M	53	From 27 December 2007 to 26 December 2010	–	–	No	–	–	–	Yes
Li Jianguo	Supervisor	M	58	From 27 December 2007 to 26 December 2010	–	–	Yes	32.29	5.19	37.48	No
Qian Yi	Employee Representative Supervisor	M	59	From 27 December 2007 to 26 December 2010	–	–	Yes	31.66	5.19	36.85	No
Zhang Jun	Vice President	M	53	From 27 December 2007 to 26 December 2010	–	–	Yes	49.25	5.19	54.44	No
Fu Jianguo	Vice President	M	45	From 27 December 2007 to 26 December 2010	–	–	Yes	49.25	5.19	54.44	No
Zhan Yanjing	Vice President Chief Financial Officer	F	45	From 27 December 2007 to 26 December 2010	–	–	Yes	49.25	5.19	54.44	No
Shao Renqiang	Secretary to the Board	M	44	From 27 December 2007 to 26 December 2010	–	–	Yes	31.77	4.87	36.64	No

Major Working experiences of Directors, Supervisors and Senior Management in the last 5 years

Directors

Zhao Xiaogang, has been the General Manager (the legal representative) and the Deputy Party Secretary of CSRG since September 2000. Since December 2007, he has served as the Chairman, an Executive Director and the Party Secretary of the Company. He is also the Vice Chairman of China Enterprise Confederation and Council of China Enterprise Directors Association and a standing council member of the China Communication and Transportation Association and the China Railway Society.

Zheng Changhong, was a Deputy General Manager of CSRG from September 2000 to May 2004, and the Party secretary and the Deputy General Manager of CSRG from May 2004 to December 2007. Since December 2007, he has served as the Vice-Chairman, an Executive Director, the President and the Deputy Party Secretary of the Company, and CSRG's Party Secretary. He is also a part-time professor of Lanzhou University.

Tang Kelin, was a Deputy General Manager of CSRG from September 2000 to December 2007. He served as the Chief Engineer of CSRG from December 2006 to October 2007 and the Chairman of CSR Yangtze Rolling Stock Co., Ltd. ("CSR Yangtze") from August 2006 to October 2008. Since November 2004, he has served as a standing member of Party Committee of CSRG. He has been an Executive Director, Vice President and a standing member of Party Committee of the Company since December 2007.

Liu Hualong, served as the Chairman, the General Manager and the Deputy Party Secretary of CNRG Qiqihar Railway Rolling Stock (Group) Co. Ltd from May 2003 to May 2004, and then a Deputy General Manager of CSRG from May 2004 to December 2007. Since November 2004, he has been a standing member of the Party Committee of CSRG. Since December 2007, he has been an Executive Director, the Deputy Party Secretary, and the Secretary of the Disciplinary Committee of the Company and also the Deputy Party Secretary, the Secretary of the Disciplinary Committee, and the Chairman of the Labor Union of CSRG.

Zhao Jibin, has been the Chairman and the Party secretary of China Tietong Communications Corporation since October 2003. He has been an Independent Non-executive Director of the Company since December 2007. He has served as the a Deputy General Manager and a member of the Party Group of China Mobile Communications Corporation since May 2008.

Yang Yuzhong, served as a Deputy General Manager of China Aviation Industry Corporation I, the Head of China Aviation Research Institute, the Chairman of AVIC I Commercial Aircraft Co., Ltd. from July 1997 to July 2006. He has been a consultant of China Aviation Industry Corporation I (now known as China Aviation Industry Corporation) since August 2006, an Independent Non-executive Director of the Company since December 2007 and an Independent Director of China Materials Company Limited since June 2007.

Chen Yongkuan, served as the Party Secretary and a Vice President of China Harbour Construction (Group) Company from October 1998 to August 2005, as the Party secretary and the Vice Chairman of China Communications Construction Group Company Ltd. from August 2005 to July 2006, as the Vice Chairman of China Communications Construction Group Company Ltd. and China Communications Construction Company Ltd. from July 2006 to December 2007. He has been an Independent Non-executive Director of the Company since December 2007, and also as the Chairman of the board of directors of Zhenhua (Singapore) Engineering Pte. Ltd since May 2003 and an independent director of China Metallurgical Corporation Limited since November 2008.

Dai Deming, has been a Director, professor and tutor of doctoral students of the Accounting Department of the School of Business of Renmin University of China since October 2001. He was an independent director of Qingdao Aucma Stock Company Limited, Tsinghua Unisplendour Guhan Bio-pharmaceutical Corporation Ltd., Yunnan Freetrade Science and Technology Co., Ltd., SDIC ZhongLu Fruit Juice Co., Ltd. and Guangdong MACRO Co., Ltd from May 2002 to May 2007. He has been an Independent Non-executive Director of the Company since December 2007, an external supervisor of China Construction Bank Corporation since June 2007, and an independent director of Beijing Northking Technology Co., Ltd. since December 2007.

Tsoi David, was a Director of Alliott Tsoi Ha CPA Limited from 1998 to 2004. He has been an independent non-executive director of Melco LottVentures Limited since October 2001 and a Director and General Manager of Alliott, Tsoi CPA Limited since September 2004. He had been the Chairman of the Asia-Pacific region of Alliot Group and an independent non-executive director of Wafer Systems Limited. Mr. Tsoi has been an Independent Non-executive Director of the Company since March 2008 and an independent non-executive director of Enviro Energy International Holdings Limited since July 2008.

Supervisors

Wang Yan, served as the Head of the Finance Department and a Director of the Accounting Information Division of CSRG from December 2000 to May 2004. He has been the Chairman of the Supervisory Committee of CSR Sifang Co., Ltd. since July 2002. Mr. Wang acted as the Deputy Chief Accountant and the Head of the Finance Department of CSRG from May 2004 to March 2007. He has been a supervisor of CSR Ziyang since May 2006. From March 2007 to December 2007, he was an Assistant to the General Manager, and the Head of the Directors' and Supervisors' Office of CSRG. He has served as the Chairman of the Company's Supervisory Committee since December 2007, and he is also an assistant to CSRG's General Manager.

Li Jianguo, was the Deputy Secretary of CSRG's Disciplinary Committee from December 2000 to March 2007, a Director of CSRG's Monitoring Office from April 2001 to July 2004, and a Deputy Chief Economist of CSRG from March 2007 to December 2007; a part time supervisor (employee representative supervisor) of the State Council's Stated-owned Assets Supervision and Administration Commission for three times consecutively from April 2001 to date. He has been a Supervisor of the Company since December 2007. Since January 2008, he has also served as a Deputy Chief Economist, and the Head of the Audit and Risk Department of the Company.

Qian Yi, has served as a Vice Chairman of the CSRG's labor union since December 2000. He has been the employee representative Supervisor elected by the employees of the Company since December 2007. Since January 2008, he has been the Deputy Director of the Labor Union Working Committee of the Company.

Senior Management

Zheng Changhong, please refer to the above for his biography.

Tang Kelin, please refer to the above for his biography.

Zhang Jun, served as the Chairman of the Board of Directors and the Party Secretary of CSR Sifang Co., Ltd from July 2002 to May 2004; the Deputy Party Secretary and the Secretary of CSRG's Disciplinary Committee from May 2004 to December 2007; and the Chairman of CSRG's labor union from August 2004 to December 2007. He has been a Vice President and a standing member of the Party Committee of the Company since December 2007. He is also a standing member of the Party Committee of CSRG.

Fu Jianguo, was a Director and a Deputy Party Secretary of CSR Shijiazhuang Rolling Stock Works from September 2000 to May 2004; a Deputy General Manager of CSRG from May 2004 to December 2007. He has been a standing member of the Party Committee of CSRG since November 2004 and a Vice President and a standing member of the Party Committee of the Company since December 2007.

Ms. Zhan Yanjing, was an assistant to the General Manager and a Manager of the Finance Department, a Manager of the Financial Planning Department, and then an assistant to the General Manager of Beiqi Foton Motor Co., Ltd. from May 2003 to April 2005. She served as the Chief Accountant of CSRG from April 2005 to December 2007. She has been a standing member of the Party Committee of CSRG since May 2006 and a Vice President, the Chief Financial Officer and a standing member of the Party Committee of the Company since December 2007.

Shao Renqiang, was a Director and the Chief Accountant of CSR Sifang Co. Ltd. from July 2002 to August 2004; a Director, a Deputy General Manager and the Chief Accountant of CSR Sifang Co., Ltd. from August 2004 to November 2007; and the Head of CSRG's Audit Department and a Director of CSR Sifang Co., Ltd. from November 2007 to January 2008. Since December 2007; he has been the Secretary of the Board of the Company and a Director of CSR Sifang Co., Ltd.

(II) POSITIONS HELD IN SHAREHOLDERS AND OTHER ENTITIES

Positions held in shareholders

Name	Name of shareholder	Position held	Commencement of term of office	Expiration of term of office	Whether receiving remuneration or allowance
Zhao Xiaogang	CSRG	General Manager	September 2000	–	No
Wang Yan	CSRG	Assistant to General Manager	March 2007	–	Yes

Positions held in other entities

Name	Name of other entities	Position held	Commencement of term of office	Expiration of term of office	Whether receiving remuneration or allowance
Tang Kelin	Yangtze Company	Chairman	August 2006	October 2008	No
Zhao Jibin	China Tietong Communications Corporation	Chairman, Party Secretary	October 2003	–	Yes
	China Mobile Communications Corporation	Deputy General Manager, Party Member	May 2008	–	Yes
Yang Yuzhong	China Aviation Industry Corporation I (now known as China Aviation Industry Corporation)	Consultant	August 2006	–	Yes
	China Materials Company Limited	Independent Director	July 2007	–	Yes
Chen Yongkuan	Zhenhua (Singapore) Engineering Pte. Ltd.	Chairman of the Board	May 2003	–	Yes
	China Metallurgical Corporation Limited	Independent Director	November 2007	–	Yes
Dai Deming	Renmin University of China	Director of the Accounting Department of the School of Business	October 2001	–	Yes
	China Construction Bank Corporation	External Supervisor	June 2007	–	Yes
	Beijing Northking Technology Co., Ltd.	Independent Director	December 2007	–	Yes

Name	Name of other entities	Position held	Commencement of term of office	Expiration of term of office	Whether receiving remuneration or allowance
Tsoi David	Melco LottVentures Limited	Independent Non-executive Director	October 2001	–	Yes
	Alliott, Tsoi CPA Limited	Director and General Manager	September 2004	–	Yes
	Enviro Energy International Holdings Limited	Independent non-executive Director	July 2008	–	Yes
Wang Yan	CSR Sifang Co., Ltd.	Chairman of the Supervisory Committee	July 2002	–	No
	CSR Ziyang	Supervisor	May 2006	–	No
Li Jianguo	SASAC	Part time Supervisor (employee representative supervisor) of stated-owned enterprise	September 2007	–	No
	CSR Sifang Ltd.	Chairman of the Supervisory Committee	March 2007	–	No
Shao Renqiang	CSR Sifang Co., Ltd.	Director	July 2002	–	No

(III) REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Procedures for determination of the remuneration of Directors, Supervisors and Senior Management

The Remuneration and Evaluation Committee of the Board submits proposals to the Board in respect of the remuneration for Directors and members of the Senior Management. The Board decides the remuneration, incentives and punishment matters for members of the operation management. The General Meeting of Shareholders decides matters relating to the remuneration for Directors and Supervisors.

2. Determination basis for remuneration of Directors, Supervisors and Senior Management

The remunerations of Directors, Supervisors and Senior Management are determined according to the Articles of Association of China South Locomotive & Rolling Stock Corporation Limited ("Articles of Association") and relevant regulatory provisions of the Company.

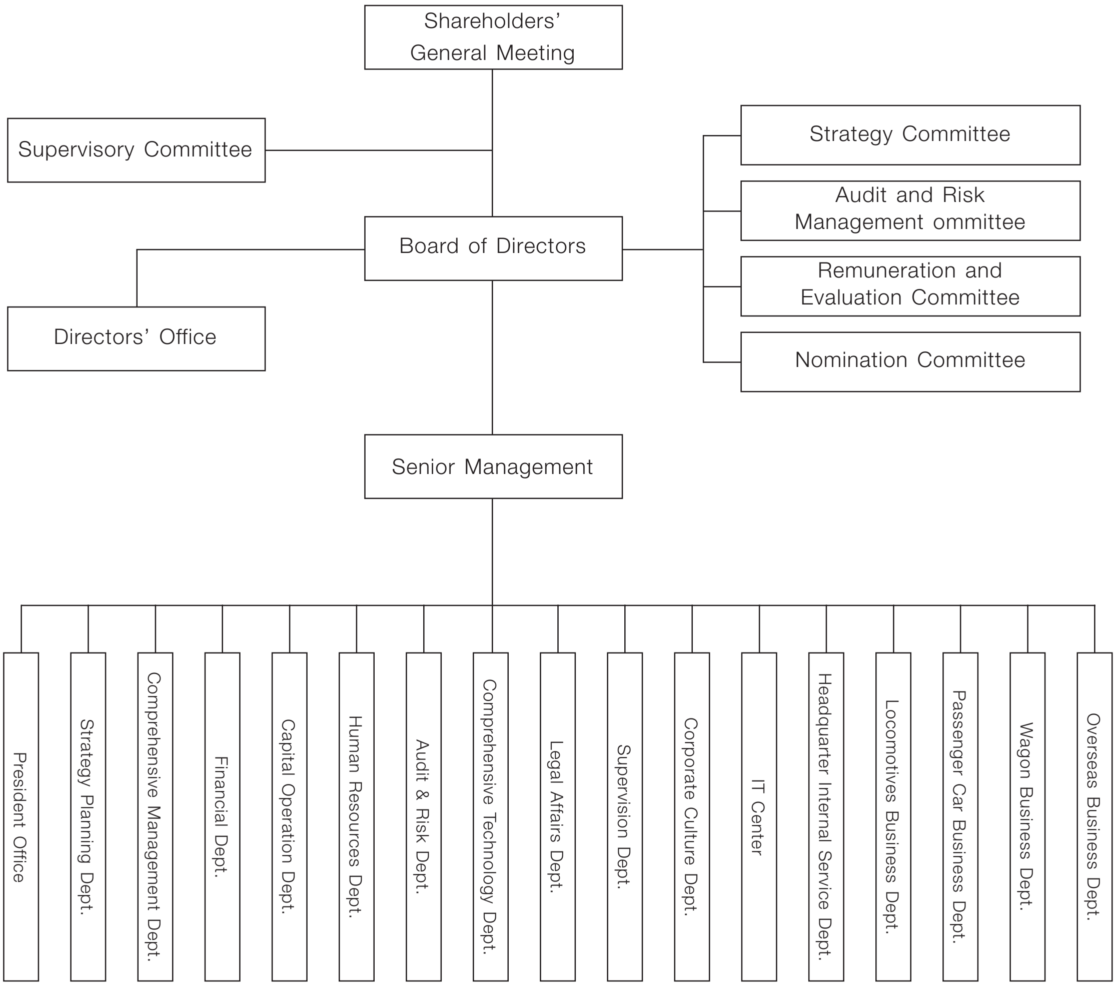
3. Directors and Supervisors not receiving remuneration or allowance from the Company

Name of Directors and Supervisors not receiving remuneration or allowance from the Company	Whether receiving remuneration and allowance from shareholders or other related entities
Wang Yan (Supervisor)	Yes

(IV) CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Company was established in December 2007. During the Reporting Period, none of the Directors and Supervisor resigned and no member of the Senior Management was dismissed.

THE COMPANY'S OVERALL CORPORATE GOVERNANCE STRUCTURE IS AS FOLLOWS:



(I) CORPORATE GOVERNANCE

During the Reporting Period, as a company listed in both mainland China and Hong Kong, the Company strictly complied with the laws and, regulations as well as the requirements of regulatory documents for listing in the PRC and Hong Kong, gradually established and improved its corporate governance structure, formulated modern enterprise system, standardized its operations, improved the operation management, did its best endeavor in information disclosure, investor relations management and investor services, and committed to maintain and enhance the good image of the Company in the market. At present, the Company's corporate governance meets the requirements of regulatory documents applicable to listed companies in the PRC and Hong Kong.

During the Reporting Period, the Company effectively implemented the Articles of Association, the Rules of Procedures for General Meetings of China South Locomotive & Rolling Stock Corporation Limited (the "Rules of Procedures for General Meetings"), the Rules of Procedures for the Board Meetings of China South Locomotive & Rolling Stock Corporation Limited (the "Rules of Procedures for the Board Meetings"), the Manual for the Independent Directors of China South Locomotive & Rolling Stock Corporation Limited (the "Independent Directors' Manual"), the Rules of Procedures for the Supervisory Committee's Meetings of China South Locomotive & Rolling Stock Corporation Limited (the "Rules of Procedure for the Supervisory Committee's Meetings") and the Manual for the President of China South Locomotive & Rolling Stock Corporation Limited (the "President's Manual"). The Shareholders' General Meetings, the Board and Supervisory Committee all operated independently and fulfilled their respective rights and obligations.

(II) CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE DOCUMENTS

The codes and regulations on corporate governance practices adopted by the Company include, without limitation to, the following documents:

1. Articles of Association;

2. Rules of Procedures for General Meetings;

3. Rules of Procedures for the Board Meetings;

4. Rules of Procedures for the Supervisory Committee's Meetings;

5. Independent Directors' Manual;

6. President's Manual;

7. Manual for the Strategy Committee of the Board of China South Locomotive & Rolling Stock Corporation Limited (the "Manual for the Strategy Committee of the Board");

8. Manual for the Audit and Risk Management Committee of the Board of China South Locomotive & Rolling Stock Corporation Limited (the "Manual for the Audit and Risk Management Committee of the Board");

9. Manual for the Nomination Committee of the Board of China South Locomotive & Rolling Stock Corporation Limited (the "Working Principles for the Nomination Committee of the Board");

10. Manual for the Remuneration and Evaluation Committee of the Board of China South Locomotive & Rolling Stock Corporation Limited (the "Manual for the Remuneration and Evaluation Committee of the Board");

11. Information Disclosure Management Methods for China South Locomotive & Rolling Stock Corporation Limited (the "Information Disclosure Management Methods");

12. Management Methods on Use of Proceeds for China South Locomotive & Rolling Stock Corporation Limited (the "Management Methods on Use of Proceeds");

13. Connected Transactions Management Methods for China South Locomotive & Rolling Stock Corporation Limited (the "Connected Transactions Management Methods");

14. Investor Relations Management Methods for China South Locomotive & Rolling Stock Corporation Limited (the "Investor Relations Management Methods");

15. Rules on External Guarantees for China South Locomotive & Rolling Stock Corporation Limited (the "Rules on External Guarantees");

16. Regulations and Annual Report Working Procedures for the Audit and Risk Management Committee of the Board of China South Locomotive & Rolling Stock Corporation Limited (the "Regulations and Annual Report Working Procedures");

17. Management Methods on Shares and Changes on the Shareholdings held by Directors, Supervisors and Senior Management of China South Locomotive & Rolling Stock Corporation Limited (the "Management Methods on Shares held by the Directors, Supervisors and Senior Management");

18. Annual Report Working Rules for Independent Directors of China South Locomotive & Rolling Stock Corporation Limited. (the "Annual Report Working Rules for Independent Directors").

(III) THE COMPANY'S INDEPENDENCE FROM ITS CONTROLLING SHAREHOLDER IN TERMS OF ITS BUSINESS, PERSONNEL, ASSETS, ORGANIZATIONS AND FINANCE

Independence in business	The Company is independent from its controlling shareholder in its business and has full power to make decisions and operate independently. The Company has all necessary qualifications and licenses for its business and has adequate funds, equipment, plants, human resources to operate its business independently.
Independence in personnel	All staff are employed independently by the Company. The Company formulates its remuneration systems and paying remuneration independently. None of the Company's Senior Management holds any administrative management position in CSRG, the controlling shareholder of the Company, or receives remuneration from CSRG and other companies controlled by it.
Independence in assets	The Company has independent and complete assets necessary for its productions and operations, including land and properties, machinery and equipment, trademarks and other intellectual property rights as well as electronic information equipment, which are completely independent of CSRG. No funds, assets or other resources of the Company is improperly occupied by CSRG.
Independence in organizations	The Company establishes shareholders' general meetings, the Board and management team for operations, which will make decisions for the Company's operations within their respective spheres of authorities and such organizational structures operate completely independent of the controlling shareholder. The Company has established an organizational structure consisting of various departments with clear division of responsibilities. The Company has also established an internal control system to promote the effective operations of the Company's businesses.

Independence in finance	The Company establishes a financial department with adequate financial and accounting staff in charge of financial checking and auditing of the Company's accounts. The Company has established an independent accounting system, financial accounting management system and accounting policies. It has independent accounting books, opens separate bank accounts and pays taxes independently according to the applicable laws.

(IV) ESTABLISHMENT OF INTERNAL CONTROL SYSTEM

1. Management and control

The Company has established a complete corporate governance structure and management control system. The Company has set up four board committees under the Board, including the Strategy Committee, Audit and Risk Management Committee, Remuneration and Evaluation Committee and Nomination Committee. There are 18 functional departments in the Company, with the Articles of Association and other internal rules and policies in place.

2. Control on information disclosure

The Company's "Administrative Measures on Information Disclosure" sets out the basic and specific rules on information disclosure including its scope of administration, duties of the parties involved, records and safekeeping system, information communication with investors, analysts and media, confidential measures and punishments in case of violation. Such rules regulate information disclosure in accordance with the applicable regulatory requirements. The implementation of such measures effectively ensures open, just and fair disclosure of information.

3. Production and operation control

The Company has formulated the "Management Rules for Legal Matters" and the "Administrative Measures on Contracts" to regulate contract managements, and has established and completed the contract legal protection system which prioritises the prevention of contractual risks, and supplemented by ongoing control and subsequent salvaging, so as to avoid operation risks and to protect the lawful interests of the Company.

The Company has formulated the "Administrative Measures on Investment" to further regulate its investment administration, which facilitate the establishment of scientific and standard investment decision-making process. The "Administrative Methods for Fixed Asset Investment Project Completion Inspection of China South Locomotive & Rolling Stock Corporation Limited" regulates supervision and management on fixed asset investment projects to ensure project quality. The "Administrative Methods on Investment Project Equipment Procurement" regulates equipment procurement, helping to lower procurement costs. The "Administrative Methods (Provisional) on Investment Project Afterward Assessment" regulates subsequent assessments of investment projects and completes the investment decision-making mechanism and strengthens the project management level as well investment returns.

The Company maintains a series of safety management systems under its safety surveillance framework, which serves to effectively prevent production accidents and protect employees' life and health and corporate properties.

4. Internal audit control

The Company has established an independent internal audit department to report to the Board and Chairman of the Company regularly. Upon the establishment of the Company and in accordance with requirements for listed companies, the Company has developed 20 rules including the "Audit Work Rules" and 61 work templates including the templates for financial income and expense audit, which define the content and methods of the work of the internal audit department to ensure the effective supervisory function of internal audit.

5. Working plan for establishment of internal control system and its implementation

The Company has formulated and issued the "Guidelines for Management System" which defines the overall framework, target and formality of the internal control and management system, and proposes the basic category of the system. Department level internal control and management rules are drafted in light of such guidelines.

6. Establishment of supervisory departments for internal control

The Company's supervisory departments for internal control consist of the internal audit department, and the supervisory and legal affairs department. The Company's headquarters have established the audit and risk, supervisory and legal affairs unit. The first-tier subsidiaries of the Company have all established their own independent audit and compliance departments, and have their legal management personnel. There are in aggregate 138 audit personnel, 112 supervisory personnel and 39 legal management personnel from all levels of the Company.

7. The Board's arrangements on internal control activities

The Board reviews the internal control system and its operation. The supervisory departments for internal control report their supervisory work on risk management and internal control to the Audit and Risk Management Committee of the Board to enhance internal control and management capability. On 13 May 2008, the "Proposal for Considering CSR 2008 Overall Risk Management Report" was considered and passed by the second meeting of the Audit and Risk Management Committee. In the internal control assessment process, members of the Audit and Risk Management Committee communicated with the Chief Financial Officer of the Company, Head of the financial department and the personnel responsible for the preparing of financial statements, and discussed the audit matters of the annual report with the accounting firms. The Audit and Risk Management Committee also reviewed the reasonableness and necessity of the major connected transactions.

8. Internal control system relating to financial accounting

Since the establishment of the Company, a series of internal control rules relating to financial accounting have been formulated. The rules set out the regulations for corporate financial accounting so as to truthfully, fairly and consistently reflect various operation activities, and to provide systematic assurance for timely and regular accounting verification, assessment and reporting for the Company. While ensuring capital operation safety, the rules help to avoid operation risks and improve capital utilization rate.

(V) SELF-ASSESSMENT REPORT OF THE BOARD ON INTERNAL CONTROL

Based on the review of the Company's internal control system, the Board prepared the "Self-assessment Report of the Board on Internal Control of China South Locomotive & Rolling Stock Corporation Limited", a summary of which is set out as follows:

The Board and the Management of the Company are responsible for establishing and implementing a complete internal control system. The goal of internal control is to ensure compliance with the laws and regulations in the Company's business operations, to ensure asset safety and accuracy and completeness of the financial reports and the relevant information, to increase business efficiency and to promote fulfilment the Company's of corporate development strategy.

Due to its inherent limits, internal control can only provide reasonable assurance to the above goals. Moreover, the effectiveness of internal control is subject to changes of internal and external environment and the Company's operation conditions. The Company has set up supervisory system for internal control. Correction measures will be adopted upon identification of any defect in internal control.

In establishing and enforcing the internal control system, the following basic factors have been considered:

(i) Internal environment, which includes governance structure, organization setup and division of powers and responsibilities, corporate culture, human resource policy, internal audit structure and anti-fraud system.

(ii) Risk evaluation, which includes target settings and identification, analysis and handling of risks.

(iii) Control measures, which include control over division of work, authorization, review and approval, budget, property protection, accounting system, internal report, economic activity analysis, performance assessments and information technologies.

(iv) Information and communication, which includes information collection mechanism and communication mechanism inside and outside of the Company.

(v) Supervision and inspection, which includes ongoing supervision on overall internal control setup and enforcement, specialized supervision for certain aspect(s) of internal control, supervision report and specific measures for improvement.

The Board has conducted self-assessment on all the above aspects of internal control in 2008. No material defect in internal control design or enforcement was found during the period from 1 January 2008 to the end of the Reporting Period.

The Board is of the opinion that the internal control system of the Company is generally complete and has been effectively enforced during the period from 1 January 2008 to the end of the Reporting Period.

(VI) EVALUATION AND MOTIVATION FOR THE SENIOR MANAGEMENT

The Company applies annual performance evaluation on members of the Senior Management. Remuneration of the Senior Management includes performance bonus which is calculated based on performance appraisals by the Company.

(VII) PERFORMANCE OF SOCIAL RESPONSIBILITY

In 2008, in light of the corporate philosophy of "To manufacture top-grade products, to own top-grade technologies, to nurture top-grade staff members, to offer the most valuable green products to customers, and to turn the Company into the most socially responsible pioneer in the industry", the Company, while pursuing economic benefits in the shareholders' interests, has proactively protected the lawful interests of its creditors and employees, treated its customers and suppliers with honesty, and provided comfortable, safe and reliable green products to the society. The Company emphasizes resource saving and environment protection, and has actively participated in social welfare activities, so as to promote the coordinated and harmonious development of the Company and the society as a whole.

"Qinghai-Tibet Railway Project" and "Heavy Load Transportation Technology and Application for Daqin Railway", the two major projects of the Company, have respectively received special award and first-class award for technology progress from the State. The Company was honoured "The Most Trustworthy Enterprise in the PRC" and was elected one of the top 10 state-owned enterprises for 2008 by Propaganda Department of the CPC Central Committee and SASAC.

In 2008, the Company strengthened its production safety, strictly implemented production safety responsibility system, and established its production safety management system and emergency management system. The Company provides a safe, healthy and clean working environment for its employees. To step up its safety technology upgrade, the Company has invested funds for special safety modification and improvement projects in the sum of RMB20.83 million for the year.

The Company strived to counter the "5.12 earthquake" actively in 2008, by engaging in disaster relief, protection of employees' safety, preservation of production and living order, and minimization of damage from the disaster.

Through technology innovation, process upgrading, enhancing management and product development, the Company enthusiastically embarked on building energy saving enterprise, promoting clean production and developing recycling economy. Special project fund of RMB41.18 million was invested in renovating energy saving and emission reduction project of the subsidiaries. All of the Company's subsidiaries have successfully obtained ISO14001 certifications for their environmental management systems; one of the subsidiaries was honoured the "National Environment Friendly Enterprise", which is the only environment friendly exemplary enterprise in the railway and rolling stock manufacturing sector in the PRC. There was not a single pollution accident among all of the Company's subsidiaries during 2008, and environmental performance is continuously improving. On the 2008 first session of China International Recycling Economic Achievement Exhibition, the Company demonstrated its progress in energy saving and emission reduction by winning the "Excellent Display Award".

The following section headed “(viii) Corporate Governance Report” was made in compliance to the Hong Kong Listing Rules.

(VIII) CORPORATE GOVERNANCE REPORT

The Company has established the systems for corporate governance practice according to the “Code on Corporate Governance Practices” (the “CG Code”) as set out in Appendix 14 of the Hong Kong Listing Rules. After reviewing the corporate governance documents adopted by the Company, the Board is of opinion that the Company’s corporate governance is in compliance with all the principles, code provisions and nearly all the recommended best practices in the CG Code. In certain aspects, the corporate governance practices adopted by the Company are more stringent than code provisions set out in the CG Code.

The following describes the major aspects which are more stringent than code provisions set out in the CG Code:

- The Company has established the Strategy Committee alongside the Audit and Risk Management Committee, Remuneration and Evaluation Committee and Nomination Committee;

- All members of the Audit and Risk Management Committee are Independent Non-executive Directors; and

- The Company held 8 Board meetings during the Reporting Period.

I The Board

1. Board composition

The Board comprises nine Directors, including five independent Directors. Through commanding and monitoring the Company's operations, all the Directors as a whole are responsible for advancing the various matters' relating to the development and operations of the Company. Members of the Board possess necessary knowledge, ability and quality for their duty. During the Reporting Period, the Directors attended Board meetings in a conscientious and responsible manner, actively participated in training, and performed relevant rights, obligation and responsibility on a faithful, honest and diligent basis as required by the Articles of Association and the Rules of Procedures for the Board. As at the date of the announcement, members of the Board are set out below:

Zhao Xiaogang	Chairman of the Board and Executive Director
Zheng Changhong	Vice Chairman, Executive Director and President
Tang Kelin	Executive Director and Vice President
Liu Hualong	Executive Director
Zhao Jibin	Independent Non-executive Director
Yang Yuzhong	Independent Non-executive Director
Chen Yongkuan	Independent Non-executive Director
Dai Deming	Independent Non-executive Director
Tsoi, David	Independent Non-executive Director (as approved by the first EGM of the Company in March 2008, elected as Independent Non-executive Director)

The biographical details of the Directors and connections between them are detailed in the section headed "Directors, Supervisors and Senior Management" in this annual report. Each Director is appointed for a term of three years. Upon expiry, the term is renewable upon re-election. The term of office for the Independent Non-executive Directors is renewable subject to a limit of not more than six years.

The Independent Non-executive Directors of the Company have submitted written confirmations of their independency as required by Rule 3.13 of the Hong Kong Listing Rules. The Company is of the view that all its Independent Non-executive Directors are independent. The Independent Non-Executive Directors of the Company have extensive expertise and experience. There are five Independent Non-executive Directors (more than 50% of the total number of Directors) of the Company, among whom Dai Deming and Tsoi, David are accounting professionals. The Board is of opinion that all Independent Non-executive Directors make effective independent judgement by participating in making the major decisions to fully exert their oversight and balancing functions and guaranteed the interests of the minority shareholders and the Company as a whole.

2. Duty of the Board

The Board reports to the shareholders' general meeting, and is also responsible for the completeness of the financial data as well as the effectiveness of the internal control system and risk management procedures of the Company. The Board is also responsible for the preparation and review of the financial statements of the Company. All Directors are responsible to exercise their power and duties as members of the Board in the best interests of the Company. The Board also regularly reviews performances in relation to budget and business goals set by the respective operating departments, and exercises the following powers in accordance to the Articles of Association:

(1) to convene shareholders' general meetings and implement resolutions of the general meetings;

(2) to decide on the Company's business plans and investment plans;

(3) to formulate the Company's annual financial budget plan, final accounting plan, profit distribution plan and plan for recovery of losses;

(4) to formulate proposals for material acquisition, share repurchase by the Company, or merger, division, dissolution and transformation;

(5) to appoint or remove senior management personnel and, to decide on their remuneration and award matters;

(6) to formulate the Company's basic management system;

(7) to decide on the establishment of special committees of the Board and to consider and approve the resolutions proposed by each special committee of the Board;

(8) to manage information disclosure of the Company;

(9) to formulate the proposal of the share option incentive scheme;

(10) Other duties.

To ensure a balanced distribution of power and authorities, the roles of the Chairman and the President are explicitly differentiated. The position of Chairman is assumed by Mr. Zhao Xiaogang while the position of President is taken up by Mr. Zheng Changhong.

3. Board Meetings

The Board meetings of the Company comprise regular meetings and extraordinary meetings. During the Reporting Period, in accordance with the CG Code, the Board held full board meeting at least once in every quarter and if necessary to make major decisions.

If a Director is connected with the enterprise that is involved in the matter to be resolved by the Board, he/she shall not exercise his/her voting rights for such matters nor exercise voting rights on behalf of any other Directors, and shall abstain from meeting, where appropriate. In the event that the number of non-connected Directors attending the Board meeting is less than three, such matter shall be submitted to the general meeting for consideration.

Minutes shall be made for the matters put to the Board meeting for consideration, on which the Directors, Secretary to the Board and the recorder present at the meeting shall sign. Opinions of the Independent Directors, among others, should be stated in the minutes of Board meeting.

The Company held 8 Board meetings during the Reporting Period. The following table shows details of Director's attendance at the Board meetings during the Reporting Period.

Name of Director	Number of attendance	Number of entrusted attendance
Executive Director		
Zhao Xiaogang	8	0
Zheng Changhong	7	1
Tang Kelin	8	0
Liu Hualong	7	1
Independent Non-executive Director		
Zhao Jibin	8	0
Yang Yuzhong	8	0
Chen Yongkuan	8	0
Dai Deming	8	0
Tsoi, David*	6	1

* Mr. Tsoi, David was elected as an Independent Director of the Company in March 2008, which is at a later date than other Directors. Mr. Tsoi, David was therefore required to attend 7 Board meetings only.

4. Board Committees

For the purpose of good corporate governance, the Board has established the Audit and Risk Management Committee, Remuneration and Evaluation Committee, Strategy Committee and Nomination Committee, and specified their respective terms of references in accordance with laws, regulations and principles stipulated by the CG Code. Each committee reports its work to the Board.

(1) Audit and Risk Management Committee

The Audit and Risk Management Committee of the Company consists of three Directors, namely, Mr. Dai Deming (Independent Non-executive Director), Mr. Yang Yuzhong (Independent Non-executive Director) and Mr. Tsoi, David (Independent Non-executive Director), among whom Mr. Dai Deming is an accounting professional and Mr. Tsoi, David is a Certified Public Accountant. Mr. Dai Deming currently serves as the Chairman of the Audit and Risk Management Committee. The primary responsibilities of the Audit and Risk Management Committee are to review and supervise the Company's financial reporting process, including:

- appointing and overseeing the work of the Company's independent auditors and pre-approving all non-audit services to be provided by the Company's independent auditors;

- reviewing the Company's annual and interim financial statements, earnings releases, critical accounting policies and practices used to prepare financial statements, alternative treatments of financial information, the effectiveness of the Company's disclosure controls and procedures and important trends and developments in financial reporting practices and requirements;

- reviewing the planning and staffing of internal audits, the organization, responsibilities, plans, results, budget and staffing of the Company's internal audit team and the quality and effectiveness of the Company's internal controls;

- reviewing the Company's risk assessment and management policies; and

- establishing procedures for the treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing matters, potential violations of law and questionable accounting or auditing matters.

During the Reporting Period, the Audit and Risk Management Committee held 5 meetings. The attendance of each Director of the committee is as follows:

Name of Director	Numbers of attendance/ numbers of meeting	Attendance
Dai Deming	5	100%
Yang Yuzhong	5	100%
Tsoi, David	5	100%

The Audit and Risk Management Committee reviewed the relevant information in annual and interim financial statements of the Company and duly reviewed the Chairman's Statement and the Auditors' Report. Further work of the Audit and Risk Management Committee during the Reporting Period is summarised in relevant paragraphs in "Reports of the Board" of this announcement.

(2) Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee of the Company consists of four Directors, namely, Mr. Chen Yongkuan (Independent Non-executive Director), Mr. Dai Deming (Independent Non-executive Director), Mr. Tsoi, David (Independent Non-executive Director) and Mr. Liu Hualong. Mr. Chen Yongkuan currently serves as the chairman of the Company's Remuneration and Evaluation Committee. The primary responsibilities of the Remuneration and Evaluation Committee are to formulate the evaluation standards and conduct evaluation of the Company's Directors and Senior Management; to determine and review the compensation policies and schemes for the Company's Directors and Senior Management, including, among others:

- studying the assessment criterion, performance assessment process, remuneration and punishment measure, and submitting the same to the Board for approval;

- assessing duty performance of the Directors and the Senior Management and evaluating their performance;

- supervising the implementation of the Company's remuneration system;

- considering the specific remuneration packages (including non-monetary benefit, pension arrangement and all insurance coverage, including unemployment insurance) of all Executive Directors and the Senior Management and making recommendations to the Board regarding the remuneration of the Non-executive Directors. Factors considered by the Remuneration and Evaluation Committee may include remuneration for relevant personnel among the peers, time dedicated to perform the duty by the Directors or the Senior Management, terms of reference of the Directors or the Senior Management, other employee's compensation and specific performance of the Directors or the Senior Management. When determining the remuneration for the Directors or the Senior Management, a Director or a member of the Senior Management or their respective associate shall not determine his/her own remuneration;

- considering if compensation arrangements are to be made for an Executive Director and a member of the Senior Management for lost or termination of his/her position and ensuring that such compensation (if any) complies with the relevant contractual provisions, or if contract provisions are not followed, ensuring such compensation is fair and reasonable, without resulting in too heavy a burden on the Company;

- considering if compensation arrangements are to be made for a Director for termination or dismissal due to his/her misconduct, and ensuring such compensation (if any) complies with the relevant contractual provisions, or If contract provisions are not followed, ensuring compensation is fair and reasonable; and

- other affairs conferred by the Board.

During the Reporting Period, the Remuneration and Evaluation Committee held three meetings. The attendance of each director of the committee during the Reporting Period is as follows:

Name of Director	Numbers of attendance/ numbers of meeting	Attendance
Chen Yongkuan	3	100%
Dai Deming	3	100%
Liu Hualong	3	100%
Tsoi, David	3	100%

During the Reporting Period, the Remuneration and Evaluation Committee prepared the Stock Appreciation Rights Plans of China South Locomotive & Rolling Stock Corporation Limited. The plan was approved by the 9th meeting of the first session of the Board of the Company on 26 December 2008, subject to review by the governing authorities and approval by general meeting of the Company.

The remuneration of Executive Directors and members of the Senior Management of the Company were determined based on their skills, knowledge and efforts with reference to the Company's results and profits, the status of the counterparts and the market condition. Further work of the Remuneration and Evaluation Committee during the Reporting Period is summarised in relevant paragraphs in "Reports of the Board" of this announcement.

(3) Nomination Committee

The nomination committee of the Company consists of three Directors, namely, Mr. Zhao Jibin (Independent Non-executive Director), Mr. Chen Yongkuan (Independent Non-executive Director) and Mr. Liu Hualong. Mr. Zhao currently serves as the chairman of the Nomination Committee. The primary responsibilities of the Nomination Committee are to formulate the nomination procedures and standards for candidates for Directors and members of the Senior Management, to conduct preliminary review of the qualifications and other credentials of the candidates for Directors and Senior Management. The relevant standards for nomination of a Director include the Director's proper professional knowledge and experience in the industry, personal integrity, good faith and technique and commitment of adequate time.

During the Reporting Period, Nomination Committee held three meetings. The attendance of each director of the committee is as follows:

Name of Director	Numbers of attendance/ numbers of meeting	Attendance
Zhao Jibin	3	100%
Chen Yongkuan	3	100%
Liu Hualong	3	100%

Candidates for Directors (other than Independent Directors) are nominated by the Board or shareholder(s) individually or jointly holding 3% or more of the total issued shares of the Company carrying voting rights, and elected by a general meeting of the Company. The Board, Supervisory Committee, or shareholder(s) individually or jointly holding 1% or more of shares in the Company are entitled to nominate candidates for Independent Directors to be elected at the shareholders' general meetings. As considered by the 2nd meeting of the first session of the Board and approved by the first EGM of the Company in March 2008, Mr. Tsoi, David was elected as Independent Non-executive Director of the Company.

Further work of the Nomination Committee during the Reporting Period is summarised in relevant paragraphs in "Reports of the Board" of this announcement.

(4) Strategy Committee

The Strategy Committee of the Company consists of five Directors, namely, Mr. Zhao Xiaogang, Mr. Zheng Changhong, Mr. Yang Yuzhong (Independent Non-executive Director), Mr. Zhao Jibin (Independent Non-executive Director), and Mr. Tang Kelin. Mr. Zhao Xiaogang currently serves as the chairman of the Strategy Committee while Mr. Yang Yuzhong serves as the vice-chairman of the committee. The primary responsibilities of the Strategy Committee are to formulate the overall development plans and investment decision-making procedures for the Company, including, among others:

- reviewing the Company's long-term development strategies;
- reviewing the Company's strategic planning and implementing reports; and
- reviewing significant capital expenditure, investment and financing projects that require approval of the Board.

During the Reporting Period, the Strategy Committee held three meetings. The attendance of each Director is as follows:

Name of Director	Numbers of attendance/ numbers of meeting	Attendance
Zhao Xiaogang	3	100%
Zheng Changhong	2	67%
Yang Yuzhong	3	100%
Zhao Jibin	3	100%
Tang Kelin	3	100%

Further work of the Strategy Committee during the Reporting Period is summarised in relevant paragraphs in “Reports of the Board” of this announcement.

II. Director’s Responsibilities in respective of Financial Statements

The Directors confirm that they have the responsibility for preparation of the financial statements for the Company for the year ended 31 December 2008, truly and impartially reporting the financial condition and business results of the Company and the Group, and undertake relevant responsibilities for preparation of the financial statements of the Group.

With the assistance of the accounting department, the Directors confirm that the financial statements of the Company were prepared in accordance with relevant laws, regulations and applicable accounting standards. The Directors also confirm that the financial statements will be published duly.

III. Chairman and President

To improve independence, accountability and responsibility, the positions of Chairman and President are assumed by different individuals with distinct roles. The Chairman and the President are two distinctly different positions, with clean division of duties as set out in the Article of Association.

As the legal representative of the Company, the Chairman presides over the operations of the Board, aiming to ensure that the Board acts in the best interests of the Company, to ensure the Board’s effective operation, the due performance of the Board’s responsibilities and discussion of various important and appropriate matters, as well as access by the Directors to accurate, timely and clear data. The President leads the Management who are responsible for managing the day-to-day affairs of the Company, implementing the policies adopted by the Board and reporting to the Board on the Company’s overall operation. The Articles of Association of the Company sets out in detail the respective duties of the Chairman and the President.

IV. Establishment of Internal Control System

The Board has the ultimate responsibility for the internal control system of the Company and reviews the effectiveness of the system during the year through the Audit and Risk Management Committee. The Board values the establishment and completion of the internal control system, while the Audit and Risk Management Committee, the Management and external auditors are dedicated to improving the system. The Board is aware of its responsibility to ensure stability, completeness and effectiveness of the internal control system which provides reasonable supervision on operation risk of the Company.

The establishment of internal control system is set out in the section headed "(IV) Establishment of Internal Control System" of this chapter.

After reviewing the internal control systems of the Company and its subsidiaries, the Board is of opinion that the Company has basically completed the establishment of the internal control system. The Company will review and improve internal control practice on an ongoing basis, with reference to the Hong Kong Listing Rules and its accumulated experience, shareholder feedback, domestic and international development trend, internal and external risk change.

V. Code of Conduct regarding securities transactions by the Directors and Supervisors

The Company has adopted "Management Method Regarding the Shareholding of Directors, Supervisors and Senior Management" on terms no less exacting than the required standard of dealings set out in the "Model Code for Securities Transactions by Directors of Listed Issuers". Relevant employees who are likely to be in possession of unpublished price sensitive data of the Company are also subject to compliance with the required standard.

After specific inquiries with all the Directors and Supervisors, the Company confirmed that all the Directors and Supervisors have complied with the relevant codes on securities transactions by Directors and Supervisors set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" and the "Management Method regarding Shareholding of Directors, Supervisors and Senior Management of the Company" as at 31 December 2008.

VI. Auditors

The Company has appointed Ernst & Young and Ernst & Young Hua Ming as international and domestic auditors since its establishment.

The Company has paid Ernst & Young and Ernst & Young Hua Ming RMB12 million as annual professional auditing fees for auditing the financial statements for 2008, which fees are inclusive of operation taxes, business trip costs, accommodation and communication costs. During 2008, the Company has not engaged Ernst & Young or Ernst & Young Hua Ming for any major non-auditing services.

The Audit and Risk Management Committee has resolved to re-engage Ernst & Young and Ernst & Young Hua Ming to conduct the audit work for the financial statements prepared under IFRS and PRC Accounting Standards (2006) for the financial year of 2009. The resolution was approved by the Board, subject to final approval and authorisation by shareholders at the forthcoming 2008 Annual General Meeting.

VII. Investor Relations

The Company undertakes that it shall make impartial disclosure and full and transparent reporting. Since its listing, the Company consistently values efficient communication with investors by ensuring the Board’s timely understanding of shareholders’ opinions. The Secretary to the Board is responsible for specific information disclosure. Besides, the Company has established the Board Office, a dedicated department for investor relations which is responsible for investor reception and consultation for better communication with shareholders.

During the Reporting Period and in strict compliance with the Rules Governing the Listing of Securities on the Shanghai Stock Exchange, the Hong Kong Listing Rules, the Articles of Association and the Administrative Measures on Information Disclosure and guided by the principle of simultaneous disclosure for multi-listed companies, the Company performed its information disclosure obligation in accordance with the laws in Mainland China and Hong Kong. Discloseable information was published on a truthful, accurate, complete, timely and effective basis as required through designated newspaper, website and other statutory means, ensuring equal shareholders’ access to information of the Company.

The Company will continue to improve its investor relation work to further increase its transparency. Any consultation to the Board can be made via the investor relation hotline (86) 10 5186 2188 or e-mail csr@csrgc.com.cn to the Board Office of the Company.

By order of the Board
Zhao Xiaogang
Chairman

April 2009

Shareholders' General Meeting

(I) ANNUAL GENERAL MEETING

On 4 March 2008, the Company convened the 2007 annual general meeting. The following 11 resolutions were considered and passed at the meeting: Proposal Regarding Exemption from Prior Notice of the 2007 Annual General Meeting, Proposal For Review of the 2007 Annual Report of China South Locomotive & Rolling Stock Corporation Limited, Proposal For Review of the 2008 Annual Operation Plan of China South Locomotive & Rolling Stock Corporation Limited, Proposal For Review of the Final Accounts for 2007 and Financial Budget Plan for 2008 of China South Locomotive & Rolling Stock Corporation Limited, Proposal For Review of the Investment Plan for 2008 of China South Locomotive & Rolling Stock Corporation Limited, Proposal For Review of the Development Strategy of China South Locomotive & Rolling Stock Corporation Limited, Proposal For Review of the Remuneration Plan for Chairman, Chairman of the Supervisory Committee and Independent Directors of China South Locomotive & Rolling Stock Corporation Limited, Proposal For Review of the Amendment to the Scheme of the Undistributed Accumulated Profits before the IPO of China South Locomotive & Rolling Stock Corporation Limited, Proposal For Review of the Distribution of Special Dividends of China South Locomotive & Rolling Stock Corporation Limited, Proposal For Review of the Connected Transactions of China South Locomotive & Rolling Stock Corporation Limited for 2005, 2006 and 2007, and Proposal For Review of the Expected Total Amount of Connected Transactions for 2008 of China South Locomotive & Rolling Stock Corporation Limited.

(II) EXTRAORDINARY GENERAL MEETING

1. On 3 March 2008, the Company convened the first extraordinary general meeting for 2008. Proposal Regarding Exemption from Prior Notice of the First Extraordinary General Meeting for 2008 and Proposal Regarding Election of Mr. Tsoi, David as an Independent Director of the First Board of China South Locomotive & Rolling Stock Corporation Limited were considered and approved at the meeting.

2. On 17 July 2008, the Company convened the second extraordinary general meeting for 2008. Proposal For Review of the Exemption from Prior Notice of the Second Extraordinary General Meeting for 2008, Proposal For Review of the Provision of Guarantee for Subsidiary of the Company and Proposal For Review of the Purchase of Liability Insurance for Directors, Supervisors and Senior Management of the Company were considered and approved at the meeting.

3. On 14 November 2008, the Company convened the third extraordinary general meeting for 2008, the resolutions of which were published on the websites of the Shanghai Stock Exchange, China Securities Journal, Shanghai Securities News and Securities Times and Securities Daily on 17 November 2008.

Report of Directors

A. MANAGEMENT'S DISCUSSION AND ANALYSIS

(I) Review of the Company's operation during the Reporting Period

1. Summary of the overall operation of the Company during the Reporting Period

The revenue of the Company is mainly derived from the business of rolling stock manufacturing. Therefore, the Company's business depends to a large extent on the development landscape as well as the infrastructural investment of rail transportation in the PRC. Over recent years, the State has pressed ahead with the infrastructural investment in rail transportation which put the Company's development on a sound platform. With the more aggressive investment by the State in rolling stock, coupled with the Company's initiatives to develop new business and the overseas markets, the Company's business volume and profitability substantially increased in 2008. Revenue of the Company in 2008 was RMB35,092.8 million, representing an increase of 30.93% when compared with that of last year. Profit before tax was RMB1,930.53 million, representing an increase of 103.65% when compared with that of last year. Profit attributable to equity holders of the Company amounted to RMB1,384.24 million, representing an increase of 125.77% when compared with that of last year. Basic earnings per share were RMB15.7 cents, representing an increase of 76.40% when compared with that of last year.

2. Core businesses of the Company and operation thereof

(1) Summary of the Company's core businesses

The core business of the Company includes research and development, manufacturing, sales, refurbishment and leasing of locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles and key related components as well as other businesses that utilize proprietary rolling stock technologies.

(2) Revenue breakdown by business segments

Comparisons between revenue from all business segments of the Company for 2008 and that of last year are set out in the following table:

Composition and percentage of major segments in revenue

Business segment	2008 Amount (RMB'000)	2008 Percentage %	2007 Amount (RMB'000)	2007 Percentage %	Growth rate %
Locomotives	**8,136,571**	**23.19**	7,086,077	26.44	14.82
Passenger carriages	**3,265,214**	**9.30**	3,407,955	12.71	(4.19)
Freight wagons	**9,450,862**	**26.93**	9,193,273	34.30	2.80
MUs	**5,679,594**	**16.18**	2,679,694	10.00	111.95
Rapid transit vehicles	**2,574,216**	**7.34**	1,699,127	6.34	51.50
Others	**5,986,339**	**17.06**	2,737,393	10.21	118.69
Total	**35,092,796**	**100.00**	26,803,519	100.00	30.93

Our revenue is mainly derived from locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles and others. During the Reporting Period, the Company gained tremendous growth in business scale and the increase in revenue was mainly attributable to the Company's proactive effort in seizing development opportunities arising from the rapid development in the PRC rolling stock manufacturing market whilst making full use of its technological renovation to further new product development and investment in technological renovation, thereby leading to a surge in revenue for the Reporting Period on basis of extended business foothold and significant growth in market sales.

Revenue generated from the locomotive product line is the important drive of the Company's revenue. The main reasons for the increase of the Company's revenue from locomotive product line as compared with that of last year was primarily attributable to a more earnest market demand arising from the railway development in the PRC and a significant increase in unit price subsequent to product upgrades.

In 2008, revenue generated from the Company's passenger carriage product line decreased as compared with that of last year, primarily due to the decrease in the total revenue from passenger carriage in light of the substitution of locomotive for part of the conventional passenger carriages.

Revenue generated from the Company's freight wagon product line saw a modest growth in 2008 as compared with that of last year, partly attributable to the significant increase in revenue from manufacturing operations given mounting demand for freight wagon products in domestic and overseas markets as well as higher unit price upon technological renovation of freight wagons, which was nonetheless partly offset by a substantial decrease in revenue from refurbishment after shifting to K2 renovation business.

In 2008, revenue generated from MU product line of the Company increased significantly as compared with that of last year. Such significant increase in revenue from MU product line was primarily attributable to soaring market demand as a result of the development of high-speed railways in the PRC, coupled with the increase in unit price because of product upgrades.

Revenue generated from the Company's rapid transit vehicle product line in 2008 increased substantially as compared with that of last year, primarily attributable to the increase in the rapid transit vehicle sales and production of the Company as the rapid development in the rapid transit vehicle industry ushered in a steady upswing of demand.

Revenue from other business includes revenue from those that closely utilize proprietary rolling stock technologies which increased significantly as compared with that of last year, primarily attributable to the increase in revenue from proprietary rolling stock related technologies under the Company's proactive development in this field by means of its technological competence and edges.

(3) Revenue breakdown by regions

Operating revenue from the Company's operations by regions for 2008 and the comparison with that of last year are shown in the following table:

Composition and percentage of revenue by regions

	2008		2007		
Business segment	**Amount**	**Percentage**	Amount	Percentage	Growth rate
	(RMB'000)	**%**	*(RMB'000)*	%	%
Domestic market	**33,458,915**	**95.34**	24,874,349	92.80	34.51
Overseas market	**1,633,881**	**4.66**	1,929,170	7.20	(15.31)
Total	**35,092,796**	**100.00**	26,803,519	100.00	30.93

Revenue from domestic market of the Company increased by 34.51% as compared with that of last year whereas revenue from overseas market decreased by 15.31% as compared with that of last year, mainly because part of overseas sales were channeled to the overseas market by domestic customers and that portion of revenue was not reflected in the revenue from overseas market.

(4) Breakdown of gross profit and gross profit margin

Consolidated gross profit of the Company for 2008 and the comparison with that of last year are shown in the following table:

Consolidated gross profit and gross profit margin

	2008	2007	
Item	**Amount**	Amount	Growth rate
	(RMB'000)	*(RMB'000)*	%
Revenue	**35,092,796**	26,803,519	30.93
Cost of operation	**29,278,774**	22,785,003	28.50
Gross profit	**5,814,022**	4,018,516	44.68
Gross profit margin	**16.57%**	14.99%	

In 2008, the increase in the gross profit and gross profit margin of the Company was primarily attributable to an outpaced growth in revenue against the growth in cost of operation as a result of the Company's reasonable and effective control on costs whilst expanding its business and boosting its revenue, leading to an overall increase in the Company's gross profit and gross profit margin. Meanwhile, improvement in technologies used for products and adjustment to its product mix has elevated the total gross profit and gross profit margin to a certain extent.

(5) Major suppliers and customers

In 2008, the procurement of the Company from its top five suppliers totaled RMB2.189 billion, accounting for 7.98% of the total procurement for the year.

In 2008, the sales of the Company to its top five customers totaled RMB22.09 billion, accounting for 62.96% of the total sales of the Company for the year. Such high degree of customer concentration was primarily attributable to the Company's sales to its biggest customer, namely the Ministry of Railways of the PRC (the "Ministry of Railways" or the "MOR") and all China Railway Bureaus, which accounted for 52.6% of its total sales for the year. None of the Directors or its associates or any shareholders holding more than 5% of the equity interests in the Company had any interests in the above mentioned customers.

3. Composition and changes of major assets and liabilities of the Company during the Reporting Period

(1) Composition and changes of major assets of the Company during the Reporting Period

In 2008, the Company's assets were mainly measured by historical cost convention and partly at fair value. Items of main statements which are measured at fair value include financial assets held-for-trading and available-for-sale financial assets. There were no material changes to the measurement basis of major assets during the Reporting Period.

The composition and year-on-year changes of major assets of the Company as at 31 December 2008 are shown in the following table:

Composition and changes of major assets (net)

Item	31 December 2008 Amount (RMB'000)	Percentage %	31 December 2007 Amount (RMB'000)	Percentage %	Growth rate %
Total current assets	**31,087,693**	**68.30**	21,791,422	66.66	42.66
Of which: cash and cash equivalents	**11,065,179**	**24.31**	7,792,483	23.84	42.00
Trade receivables	**5,995,583**	**13.17**	4,020,423	12.30	49.13
Prepayment, deposits and other receivables	**4,417,719**	**9.71**	3,172,613	9.70	39.25
Inventories	**8,389,453**	**18.43**	5,839,556	17.86	43.67
Total non-current assets	**14,428,558**	**31.70**	10,899,496	33.34	32.38
Of which: property, plant and equipment	**10,242,102**	**22.50**	7,067,638	21.62	44.92
Total assets	**45,516,251**	**100.00**	32,690,918	100.00	39.23

As at 31 December 2008, the ratio of current assets to total assets of the Company was 68.30%. The composition of the asset structure of the Company is by large contributed by current assets and less from non-current assets. Such feature is mainly a result of the longer production cycle during the operation of the equipment manufacturing industry and a relatively high level of cash balance from the financing during the year.

The balance of the Company's cash and equivalents is relatively significant, accounting for 24.31% of the total assets as at the end of 2008. Such a high proportion was attributable to the Company's effort in sustaining a suitable amount of cash and bank balance for daily production and operation. In absolute terms, the balance of cash and cash equivalents of the Company as at the end of 2008 increased by 42% as compared with that as at the end of last year mainly because a portion of the fund raised from the Company's public listing in 2008 is still deposited as cash and bank balance in a financial institution in accordance with the progress of projects financed by listing proceeds.

The trade receivables of the Company are mainly contract receivables. In absolute terms, the trade receivables of the Company increased significantly by 49.13% as at the end of 2008 as compared with that as at the end of last year, primarily attributable to the increase in receivables driven by the substantial growth in revenue in 2008. In relative terms, the trade receivables as at the end of 2008 accounted for 13.17% of the total assets of the Company, representing a modest increase as compared with that as at the end of last year.

The prepayment, deposits and other receivables by the Company as at the end of 2008 increased by 39.25% as compared with that as at the end of last year, primarily attributable to the increase in procurement as a result of the increase in the number of technical renovation projects and contractual projects. As at the end of 2008, prepayment steadily accounted for 9.71% of the total assets of the Company.

As at the end of 2008, inventories of the Company increased by 43.67% as compared with that as at the end of last year. Such increase was mainly attributable to a higher business volume following an upscale of the Company's operation. In relative terms, inventories as at the end of 2008 accounted for 18.43% of the total assets, representing a slight increase as compared with that as at the end of last year.

As at the end of 2008, the property, plant and equipment of the Company increased by 44.92% as compared with that as at the end of last year. Such increase was mainly attributable to the increase in investment due to the Company's endeavor to cater for its growing business by expanding production capacity and fostering production and technical upgrades, coupled with considerable growth contributed to the addition of certain new subsidiaries this year. In relative terms, property, plant and equipment as at the end of 2008 accounted for 22.50% of the total assets.

(2) Composition and changes of major liabilities of the Company during the Reporting Period

The composition and year-on-year changes of major liabilities of the Company as at 31 December 2008 are shown in the following table:

Composition and changes of major liabilities

Item	31 December 2008 Amount *(RMB'000)*	31 December 2008 Percentage %	31 December 2007 Amount *(RMB'000)*	31 December 2007 Percentage %	Growth rate %
Total current liabilities	**23,652,158**	**88.01**	21,682,672	82.41	9.08
Of which: interest-bearing bank and other borrowings	**3,747,420**	**13.94**	6,278,989	23.87	(40.32)
Bills payables	**3,127,130**	**11.64**	1,612,181	6.13	93.97
Trade payables	**8,415,044**	**31.31**	6,229,873	23.68	35.08
Other payables and accruals	**7,986,766**	**29.72**	7,061,711	26.84	13.10
Total non-current liabilities	**3,221,516**	**11.99**	4,627,319	17.59	(30.38)
Of which: interest-bearing bank and other borrowings	**664,996**	**2.47**	2,086,368	7.93	(68.13)
Defined benefit obligations	**2,141,570**	**7.97**	2,251,750	8.56	(4.89)
Total liabilities	**26,873,674**	**100.00**	26,309,991	100.00	2.14

As at 31 December 2008, the current liabilities of the Company accounted for 88.01% of the total liabilities. The structure of the Company's liabilities is featured by a high proportion of current liabilities, which echoes with the high proportion of current assets.

The short-term interest-bearing bank and other borrowings of the Company are mainly used for accommodating the needs for liquidity during its operation. In absolute terms, the short-term interest-bearing bank and other borrowings of the Company as at the end of 2008 dropped by 40.32%, representing a substantial decrease as compared with that as at the end of last year. In relative terms, the proportion of short-term interest-bearing bank and other borrowings among the total liabilities of the Company decreased significantly as compared with that as at the end of last year, which was mainly attributable to the repayment of part of the short-term borrowings by drawing an amount of RMB2.14 billion out of the raised proceeds to replenish temporary working capital upon the approval at the shareholders' meeting, with a view to lowering financing costs.

The bill payables of the Company are mainly bills issued to suppliers for liquidity. As at the end of 2008, the bill payables of the Company increased significantly by 93.97% as compared with that as at the end of last year, mainly attributable to the increase in procurement given the increase in business scale and business volume of the Company.

The trade payables of the Company are mainly outstanding amount payable to suppliers of raw materials, machinery and equipment and outstanding construction amount. As at the end of 2008, the trade payables of the Company increased significantly by 35.08% as compared with that as at the end of last year, which was mainly attributable to the increase in procurement given the increase in business scale and business volume of the Company.

As at the end of 2008, other payables and accruals increased by 13.1% as compared with that as at the end of last year, which was mainly attributable to the increase in advanced receipt in relation to product sales given the increase in business scale and business volume of the Company.

As at the end of 2008, the long-term interest-bearing bank and other borrowings of the Company decreased significantly by 68.13% as compared with that as at the end of last year which was mainly attributable to the decrease in the borrowings for payment of expenses of construction projects this year.

As at the end of 2008, the Company's provision for supplemental pension subsidies and early retirement benefits remained relatively stable as compared with that as at the end of last year, accounting for a stable ratio.

As at 31 December 2008, the financial leverage of the Company was 43%.

4. Material changes in financial figures such as administrative expenses during the Reporting Period

In 2008, the financial figures such as administrative expenses of the Company and year-on-year changes thereof are shown in the following table:

Item	**2008 Amount *(RMB'000)***	2007 Amount *(RMB'000)*	Growth rate %
Selling and distribution costs	**787,350**	641,067	22.82
Administrative expenses	**3,382,117**	2,633,676	28.42
Finance costs	**430,630**	314,448	36.95
Share of profits and losses of associate companies and jointly-controlled entities	**178,374**	192,318	(7.25)
Tax	**244,929**	73,235	234.44

In 2008, the selling and distribution costs of the Company increased as compared with that of last year, which was attributable to the increase in fees arising from the increase in revenue from sales of the Company. The increase in administrative expenses of the Company as compared with that of last year was mainly attributable to the increase in related fees arising from the increase in business volume and research and development expenses for the year. The increase in the finance costs of the Company as compared with that of last year was mainly attributable to the increase in business volume for the year, leading to an increase in corresponding finance costs. Share of profits and losses of associate companies and jointly-controlled entities of the Company amounted to RMB178,374,000, representing a slight decrease of 7.25% as compared with that of last year. The tax of the Company was RMB244,929,000, representing an increase of 234.44% as compared with that of last year, mainly attributable to the overall increase in profit from operations of the year as well as the payment of income tax by certain subsidiaries for this year which was exempted from paying tax last year.

5. Breakdown of cash flow during the Reporting Period

The cash flow of the Company in 2008 and year-on-year changes thereof are set out in the following table:

Item	**2008 Amount *(RMB'000)***	2007 Amount *(RMB'000)*	Growth rate %
Net cash flow from operating activities	**1,365,318**	1,438,794	(5.11)
Net cash flow from investing activities	**(3,049,428)**	(2,349,293)	29.80
Net cash flow from financing activities	**5,817,557**	2,502,634	132.46

In 2008, the net cash flow from operating activities of the Company decreased by 5.11% as compared with that of last year, which was mainly attributable to the increase in receivables and inventories during the year which surpassed the increase in payables. Net cash flow from investing activities of the Company recorded a deficit of RMB3,049,428,000, representing an increase of RMB700,135,000 or 29.8% as compared with the deficit of last year, mainly attributable to the increase in expenses from investment in projects funded by listing proceeds. Net cash flow from financing activities of the Company was RMB5,817,557,000, representing an increase of 132.46%, the source of which was the proceeds raised from the share offerings.

6. Significant capital expenses in the Reporting Period

The significant capital expenses of the Company in 2008 are set out in the following table:

Item	**2008 Amount *(RMB million)***	2007 Amount *(RMB million)*
Property, plant and equipment	**3,576**	1,622
Lease prepayments	**343.4**	179.7
Total capital expenses	**3,919.4**	1,801.7

The capital expenses of the Company were mainly used for construction of property, plant and equipments etc.. The increase in capital expenses of the Company strengthened its operational capabilities and capability for sustainable development, which further enhanced its business scale and strength.

7. Particulars of operations of principal subsidiaries of the Company (figures below are prepared under the CAS)

Operating status of major subsidiaries of the Company is set out in the following table:

Name of subsidiaries	Principal operations	Registered capital (RMB0'000)	Total assets as at the end of the year (RMB'000)	Net assets attributable to the parent company as at the end of the year (RMB'000)	Net profit attributable to the parent company 2008 (RMB'000)	Operating revenue in 2008 (RMB'000)
CSR Zhuzhou	Research and development and manufacture of railway electric locomotives, MUs and rapid transit vehicles	61,302.58	6,641,113	1,294,906	193,525	4,150,091

Name of subsidiaries	Principal operations	Registered capital *(RMB0'000)*	Total assets as at the end of the year *(RMB'000)*	Net assets attributable to the parent company as at the end of the year *(RMB'000)*	Net profit attributable to the parent company 2008 *(RMB'000)*	Operating revenue in 2008 *(RMB'000)*
CSR Sifang Co., Ltd	Research and development and manufacture of railway MUs, passenger carriages and rapid transit vehicles; provision of railway MUs and high-end passenger carriages maintenance services	135,892.27	5,627,158	1,571,015	257,188	7,308,439
CSR ZELRI	Research and development and manufacture of railway electric powered motors and control technology and related electric equipment; research and development and manufacture of railway vehicle accessories	238,171.00	7,341,194	2,774,856	231,205	3,843,630

Name of subsidiaries	Principal operations	Registered capital (RMB0'000)	Total assets as at the end of the year (RMB'000)	Net assets attributable to the parent company as at the end of the year (RMB'000)	Net profit attributable to the parent company 2008 (RMB'000)	Operating revenue in 2008 (RMB'000)
CSR Yangtze	Research and development, manufacture and maintenance of railway freight wagon	170,741.83	4,290,205	1,755,003	143,585	4,552,706
CSR Qishuyan Locomotive Co., Ltd. ("CSR Qi Shuyan")	Research and development, manufacture and refurbishment of diesel locomotives	65,610.50	2,071,032	689,451	48,598	2,053,846

8. Assets in relation to fair value measurement

Unit: RMB'000

Item	Amount at the beginning of the period	Gain or loss in changes of fair value in the period	Accumulated changes in fair value recognized in equity	Impairment in provision for the period	Increase/ decrease in the period	Amount as at the end of the period
Financial assets						
of which: 1. Changes in financial assets accounted for the profit and loss during the period at fair value	–	–	–	–	100,000	100,000
of which: Derivative financial assets	–	–	–	–	100,000	100,000
2. Available-for-sale financial assets	49,156	–	(8,175)	–	(33,235)	7,746
Sub-total of financial assets	49,156	–	(8,175)	–	66,765	107,746
Financial liabilities						
Investment Property						
Biological assets for production						
Others						
Total	49,156	–	(8,175)	–	66,765	107,746

9. Financial assets and financial liabilities in foreign currencies

The financial assets and financial liabilities held by the Company in foreign currencies are listed in the table below:

Unit: RMB'000

Item	Amount at the beginning of the period	Gain or loss in changes of fair value in the period	Accumulated changes in fair value recognized in equity	Impairment in provision for the period	Increase/ decrease in the period	Amount as at the end of the period
Financial assets						
of which: 1. Changes in financial assets accounted for the profit and loss during the period at fair value						
of which: Derivative financial assets						
2. Loans and other receivables	378,955	–	–	–	4,012,688	4,391,643
3. Available-for-sale financial assets						
4. Investment held-to-maturity						
Sub-total of financial assets	378,955	–	–	–	4,012,688	4,391,643
Financial liabilities	756,539	–	–	–	(594,753)	161,786

10. Introduction of the research and development results of the Company

The Company embarked in year 2008 to launch more than 300 new scientific research projects, with 20 projects which passed the identification and evaluation by the State or provincial level authorities, 1 awarded the National Advanced Science and Technology Supreme Prize (國家級科技進步獎特等獎), 1 awarded the National Advanced Science and Technology Prize- Grade 1 (一等獎) as well as 14 provincial Technological Achievement (省部級科技進步獎) awards. The Company also made 674 applications for national patents and was granted 464 new patents.

The Company's national engineering laboratory for integration of high-speed train system (高速列車系統集成國家工程實驗室), whose operation was entrusted to CSR Sifang Co. Ltd., was approved by the National Development and Reform Commission of the PRC. CSR Zhuzhou, CSR Sifang Co., Ltd., CSR Meishan, CSR Feb.7th Rolling Stock Co., Ltd. ("CSR Feb.7th"), CSR Shijiazhuang , CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd. ("CSR Qishuyan Institute") have been awarded the Advanced Technology Enterprise (高新技術企業) certification. Besides, in an attempt to strengthen the integration of industry, university and research (產學研), the Company had entered into strategic cooperation agreements with Beijing Jiaotong University and Southwest Jiaotong University, respectively.

11. Staff of the Company

Total number of staff	80,454	Number of people whose retirement expenses to be undertaken by the Company	52,502

Note: The above resigned and retired staff had been subjected to actuary treatment and a sum has been set aside for such purpose. The impact on profit and loss was insignificant as a one-off provision was made for liabilities during the reorganization and reforms in respect of welfare expenses subjected to actuary treatment.

The staff structure was as follows:

1. By profession

Category of profession	Number of persons
Production personnel	53,591
Engineering and technical personnel	10,406
Operation and management personnel	7,194
Other personnel	9,263
Total	80,454

2. By education

Category of education	Number of persons
Doctor	42
Master	710
Undegraduate	10,755
Tertiary	16,553
Secondary	14,972
High School and under	37,422
Total	80,454

The training schemes for staff were as follows:

The Company spared no effort in improving the deployment of talents and made great effort to nurture key personnel by fostering the hiring and reviewing mechanism for chiefs and management members of all sections. It also carried out a succession scheme as a preliminary move to establish a backup talent data bank at each management level. The Company also pledged to recruit talents, establish a high calibre research and development team, whilst strengthening its labor systems and aspiring for harmonious staff relationships in compliance with the Labor Contract Law of the PRC. The Company standardized the training and development of talents on management, technology and expertise with reference to its human resources strategic plans, and focused on seeking talents for backup and key positions, with a view to increasing overall staff quality, skills and international competitiveness. During the year, a total throughput of approximately 60,000 staff attended the training sessions, approximately 12,000 of which attended management training sessions, approximately 9,000 attended expertise training sessions and approximately 40,000 attended technical training sessions.

12. Particulars of pledge of assets of the Company

As at 31 December 2008, the following assets of the Group (with a total book value of RMB1,639,280,000) were charged to obtain bank loans, including houses and buildings of RMB135,798,000, other intangible assets of RMB15,869,000, cash and bank balance of RMB657,593,000, inventories of RMB47,039,000 and other assets of RMB782,981,000.

13. Particulars of contingent liabilities of the Company

Save as the guarantees provided by the Company as stated in Significant Events in this announcement, the Company has no other material contingent liabilities.

(II) Prospect of the Company's future development

1. Development of the industry of the Company and market competitions ahead

The railway industry:

According to "The Mid and Long-term Plans for Railway Network"（中長期鐵路網規劃）as revised in 2008, the national railway operational length in the PRC by 2010 will be extended to over 90,000 km, comprising approximately 7,000 km of passenger dedicated lines with more than 45% consisting of double lines and electrified lines. By 2020, the national railway operational length will be extended to over 120,000 km, over 50% of which will consist of double lines and over 60% of which will consist of electrified lines. Major high-traffic lines are expected to realize separate lines for cargo and passenger transportations. Major technologies and facilities are expected to be either up to or aligned with advanced international standards. The railway industry is poised to enjoy rapid growth momentum.

The rapid transit system industry:

As at the end of 2008, over 40 cities in the PRC are constructing or preparing to construct rapid transit facilities system such as subway systems and light rail cars. 15 urban plannings have been approved which involve the construction of 1,700 km of rapid transit system by 2015 with an aggregate investment amounting to more than RMB600 billion. Hence, demand for metro cars is expected to increase steadily.

The Company has an unparalleled presence in the domestic industry. In the short-run, lines such as locomotives, passenger carriages and freight wagons in the domestic rolling stock manufacturing industry will face relatively mild pressure from overseas competitors. Competitions in the domain of rapid transit vehicles are envisaged to intensify as the industry develops, given the critical mass of domestic and overseas participants at the current stage. With its strategy of internationalization gathering pace, the Company's participation in the overseas market will increase and its direct competitions with international players will emerge in a recurring manner.

2. Future opportunities and challenges that concern the Company's management

On development, sound opportunities are underway. Firstly, the promotion of harmonious railway construction as well as the adjustment to The Mid and Long-term Plans for Railway Network by the Ministry of Railways of the PRC in 2008 have speeded up the railway construction and development and will stimulate high demands for locomotive equipment in terms of varieties, quality and quantity therefore bringing enormous opportunities for a leap forward in the rolling stock industry. Secondly, accelerating urbanization, particularly the rapid regional economic development revolving around the three major economic circles namely. The Yangtze River Delta, the Pearl River Delta and Bohai, will bring robust growth to intracity and intercity transit system transportation, thereby giving fresh impetus to the rolling stock industry. Thirdly, the State's sweeping effort in promoting its energy saving and emission reduction strategies, alongside the eco-friendly features and environmental advantages of rail transportation and rapid transit, has reinforced the pivotal role of the industry in the national economy and will favor a sustainable and rapid expansion in the rolling stock manufacturing arena. Fourthly, both the globalization and the gradual integeration of China's economy into the world economy will translate to technical improvement and structural adjustment in the rolling stock industry, promoting the internationalization of the business operation of enterprises. Fifthly, as the rolling stock industry of various countries around the world is either undergoing or will undergo a phrase of overhaul, taking account of the competitiveness arising from an increasingly advanced industrial chain in the domestic manufacturing sector and with China emerging as a global manufacturing hub, the rolling stock industry is given a golden opportunity to kick start international operation.

The Company's major challenges ahead are as follows: Firstly, more stiff challenges to expansion of rolling stock overseas and other businesses that utilize proprietary rolling stock technologies are expected as a result of the dampening impact brought by the U.S. sub-prime crisis and the global financial crisis upon the economy which will also have impact on the Company's export of rolling stock and other businesses that utilize proprietary rolling stock technologies. Secondly, more demanding requests from users and changing market dynamics will be the headwind to the sustainable development of the Company. Thirdly, as at the end of 2008, the ongoing appreciation of Renminbi will increase the Company's exposure to exchange rate risk as its advantage on pricing has been weakened by cost hikes of exports. Fourthly, a volatile demand for transportation equipment is to be expected as a result of the adverse impact of global economic crisis on domestic railway transportation, especially on rail freight.

3. Development strategies and business planning of the Company

The Company will pool more resources in scientific research and establish a system of research, development, production and manufacturing that aligns with advanced international standards. Through the introduction, assimilation, absorption, reinvention and autonomous innovation of technology, the level of rolling stock designs, manufacturing and products has been up to the current advanced international standards and has been evolving with such advanced standards simultaneously. The Company aims to become one of the top three rolling stock manufacturers around the world, creating CSR as a highly renowned brand in the industry worldwide. The Company's goal in mid to long term is to be one of the Global 500 with CSR as a famous international brand in the industry.

Development planning of each major business segments:

Locomotive operation: According to development trend of railway locomotive, high-speed, heavy-hauling and high-powered locomotives will become the mainstream. The Company will take efforts in developing electric locomotives, especially high-speed, heavy-hauling and high-powered products, aiming to build up a world-class research and development, test and manufacturing base of electric locomotives with leading capacity. In the principle of realigning scale and product mix for higher performance, the Company expects to maintain its production capacity, technology and export edges on high-powered diesel locomotives, mining and shunting locomotives in the PRC, securing its domestic leading position and catching up with the advanced international level.

MU and passenger carriage operation: MU is a stronghold in future development. The Company will increase the capacity, enhance the performance and optimize the product mix of MU and passenger carriage operation and to unify their planning in order to capitalize their advantages.

Freight wagon operation: Under product planning on the basis of maintaining existing output and reintegrating resources, the Company aims to build up a world-class research and development, manufacturing, service and export base of railway freight wagon with the largest capacity in Asia. Meanwhile, the Company will promote the future-oriented product mix for high-speed and heavy-hauling freight wagons, and enhance its development and manufacturing capability for dedicated freight transportation vehicles.

Rapid transit vehicle operations: With a view to expanding varieties and capacity as well as boosting international competitiveness in planning the Company's product fix, the Company will capitalise on its self-owned research and development base, leveraging technology introduction and cooperation with overseas leading players to speed up technology renovation. By improving the technological platform for Type A and Type B metro car and light rail cars based on stainless steel and aluminum alloy bodywork technologies, the Company is committed to build up world-class research and development, test and manufacturing industrial base for rapid transit vehicles with the largest capacity in the PRC. In addition, the Company will aggressively engage in maintenance of rapid transit vehicles and component refurbishment operations, aiming to expand it into a new business segment.

Extended proprietary technology operation: In the coming years, besides the focuses on the above traditional rolling stock products and innovations, the Company will draw upon its technical expertise and advantages to develop extended products on proprietary rolling stock technologies, such as wind power equipment, electric automobile, gear transmission system, automobile turbocharger, engine and parts, motors, etc. to diversify the Company's income stream for higher profitability and comprehensive competitiveness.

4. Business blueprint for the new year

The Company will embark on year 2009 to maintain rapid momentum. The operating revenue is expected to increase by more than 20%. As such, the Company will focus on achieving the following tasks in 2009:

(1) Expand business presence to ensure revenue target is met.

(2) Strengthen profitability to secure efficiency.

(3) Increase manufacturing capacity to ensure contracts completed as scheduled.

(4) Foster innovation to improve quality of products in full scale.

(5) Press ahead with innovative management to perfect operation in a comprehensive manner.

5. Capital requirement and use of funds for future development strategy of the Company

In view of the business development and operating needs of the Company, the development capital of the Company will be principally used in the purchase of equipments and land and construction of plants, implementing necessary technical innovation and reform in the segments of locomotives, passenger carriages, freight wagons, rapid transit vehicles, MUs, critical components and proprietary rolling stock related technologies which are regarded as the core business of the Company according to the development strategy of the Company.

Save for the remaining balance of the raised proceeds and the internal resources, the outstanding balance of the fund will be financed through debt financing, such as bank loans.

6. Risk factors which could adversely affect the future development strategy and operating targets of the Company and counter-measures

(1) Major risk of the Company

1 Risk of macroeconomic cyclical fluctuation

In retrospect, the development of the PRC national economy was characterized by cyclical fluctuations. The rolling stock industry, to which the Company belongs, is one of the fundamental stones of the national economy. The development of the industry is highly correlated to the prosperity of the national economy. When the economy develops rapidly, it stimulates the demands for the rolling stock and increases the demand for rolling stock products; on the contrary, when the economy declines, it will suppress the growth in the demand for rolling stock products, which in turn affects the performance of the Company and brings risk to the production of the Company to a certain extent.

2 Risk of changes in industry policies

The rolling stock production industry, to which the Company belongs, is regulated by the national industrial policies and its own trade policies. At present, the State encourages the industry development of rolling stock products manufacturing. However, if the industry and its policies change in the future, the market environment and room for development of the Company could be altered and the operation of the Company could be affected.

3 Risk of technical innovation

Since the incorporation of the Company, achievements have been made in technical innovation yet further progress is still needed. The need for constant upgrades and modernization of rolling stock products remains challenging to the Company's power of technical innovation. Following product updates, new challenges also lie in the improvement of product quality and product reliance. Failing to response to such challenges and to maintain higher competitive edges in terms of technical innovation could adversely affect the operating results and financial position of the Company.

(2) Counter-measures of the Company

1 Further strengthen its risk control system and relevant mechanisms to enhance its risk prevention ability.

2 Put greater efforts on scientific research, capitalize on existing edges, expedite technological advancements.

3 Improve operational standards by reinforcing the management. The Company will further speed up forming a network of domestic suppliers and creating a domestic ancillary platform of core components supply through developing a first-class product portfolio and enhancing product quality and productivity.

B. REPORT OF INVESTMENT DURING THE REPORTING PERIOD

1. Use of proceeds

Use of proceeds raised from H share offering

As at 19 September 2008, the Company raised aggregate proceeds of HK$4.784billion from the listing of the H Shares. Actual capital received amounted to HK$4.647 billion after netting off relevant issuing expenses. As at 31 December 2008, a total of approximately HK$316 million of proceeds raised from the H shares offering were used, of which approximately HK$190 million were used to acquire advanced foreign research and development, manufacturing and laboratory equipments; approximately HK$54 million were used to import critical components which facilitate the domestic production of complete rolling stock units; approximately HK$15 million were used to import key foreign technologies for rail vehicles and HK$57 million were used as listing expenses. At year end, the balance of proceeds raised from the H shares offering in the designated proceeds account of the Company amounted to HK$4.332 billion, including HK$3.334 billion and US$129 million. The uses of proceeds stated above are in strict compliance with the disclosures in the Prospectus and the relevant approvals from the State Administration of Foreign Exchange of the PRC ("SAFE") and supervised by the bank(s) where such account is opened.

Use of proceeds raised from A Share offering

The Company raised an aggregate proceeds of RMB6.54 billion from the initial public offering of A Shares in August 2008; net proceeds after netting off issuing expenses amounted to RMB6.36941 billion. During 2008, a total of RMB6.37951 billion of proceeds raised from the A Share offering and the interest accrued from bank deposits were used (including interest of RMB10.10 million). As at 31 December 2008, the balance of proceeds raised from the A Share offering in the designated proceeds account of the Company aggregated RMB5.23 million (being interest from the proceeds). Details of the use of proceeds are as follows: during the period between 1 August 2008 and 31 December 2008, RMB2,222.77 million were invested in the projects financed by such proceeds. As considered and approved at the seventh meeting of the first session of the Board, the Company utilized RMB2.01474 billion out of the proceeds to replace its own funds on 25 September 2008 which were previously invested in the projects. As considered and approved at the seventh meeting of the first session of the Board, the fourth meeting of the first session of the Supervisory Committee and the third extraordinary general meeting of the Company, in September 2008, the Company utilized RMB2.142 billion in aggregate out of the proceeds to temporarily supplement the working capital for a period up to six months. On 17 March 2009, the Company repaid RMB630 million with its internal resources before due date. As at 31 December 2008, the balance of proceeds in the designated proceeds account of the Company aggregated to RMB5.23million. The balance will continue to be used on investment projects funded by proceeds undertaken by the Company.

2. Material Project Investment not funded by proceeds from share offerings

In 2008, the Company's investment not funded by proceeds from the share offerings amounted to RMB853 million, mainly comprising construction project of the national engineering laboratory for high-speed train of CSR Sifang Co., Ltd., large size semiconductors research and development and industrialization project of CSR Times Electric and modification and expansion project of the manufacturing centre of Times New Material etc.

C. REASONS FOR CORRECTION OF ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR MATERIAL ACCOUNTING ERRORS OF THE COMPANY AND EXPLANATION ON THEIR EFFECTS

During the Reporting Period, there were no corrections of accounting policies, accounting estimates or material accounting errors of the Company.

D. EXPLANATION FOR THE SELECTION OF MAJOR ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES

For details, please refer to "Basis of preparation and accounting policies", note 2 to the financial statements prepared under IFRS in the annual report.

E. DAILY WORK OF THE BOARD

1. Board Meetings and Resolutions

During the Reporting Period, the Company held 8 Board meetings. The convening and voting procedures for the Board meetings were in compliance with relevant regulations of the Articles of Association. Details of the Board meetings are as follows:

(1) On 3 March 2008, the Company convened the second meeting of the first session of the Board, at which the following three proposals were considered and approved: "Proposal Regarding Convening the First Extraordinary General Meeting of China South Locomotive & Rolling Stock Corporation Limited for 2008", "Proposal Regarding the Election of Mr. Tsoi, David as an Independent Director of the first Session of the Board of China South Locomotive & Rolling Stock Corporation Limited" and "Proposal Regarding the Exemption from Prior Notice of the First Extraordinary General Meeting for 2008".

(2) On 4 March 2008, the Company convened the third meeting of the first session of the Board, at which the following 17 proposals were considered and approved: “Proposal For Review of the 2007 Annual Report of China South Locomotive & Rolling Stock Corporation Limited”, “Proposal For Review of the Relevant Financial Application Documents for Initial Public Offering of A Shares of China South Locomotive & Rolling Stock Corporation Limited”, “Proposal For Review of the Operation Plan of China South Locomotive & Rolling Stock Corporation Limited for 2008”, “Proposal For Review of the Financial Final Results for 2007 and the Financial Budget Plan for 2008 of China South Locomotive & Rolling Stock Corporation Limited”, “Proposal For Review of the Investment Plan for 2008 of China South Locomotive & Rolling Stock Corporation Limited”, “Proposal For Review of the Development Strategy of China South Locomotive & Rolling Stock Corporation Limited”, “Proposal For Review of the Remuneration Plan for Management of China South Locomotive & Rolling Stock Corporation Limited”, “Proposal For Review of the Remuneration Plan for Directors and Supervisors of China South Locomotive & Rolling Stock Corporation Limited”, “Proposal Regarding the Appointment of Mr. Wang Gongcheng as Representative of Securities Affairs of China South Locomotive & Rolling Stock Corporation Limited”, “Proposal For Review of the Amendment to the Scheme of the Undistributed Accumulated Profits before the IPO of China South Locomotive & Rolling Stock Corporation Limited”, “Proposal For Review of the Distribution of Special Dividends during the Establishment of China South Locomotive & Rolling Stock Corporation Limited”, “Proposal Regarding Convening of the 2007 Annual General Meeting of China South Locomotive & Rolling Stock Corporation Limited”, “Proposal Regarding the Exemption from Prior Notice of 2007 Annual General Meeting”, “Proposal For Review of the Connected Transactions of China South Locomotive & Rolling Stock Corporation Limited for 2005, 2006 and 2007”, “Proposal For Review of the Expected Total Amount of Daily Connected Transactions of China South Locomotive & Rolling Stock Corporation Limited for 2008”, “Proposal For Review of Rules of Internal Audit of China South Locomotive & Rolling Stock Corporation Limited” and “Proposal For Review of Establishment of CSR (Hong Kong) Company Limited”.

(3) “Proposal For Review of the Amendment to the Scheme of the Undistributed Accumulated Profits before the IPO of China South Locomotive & Rolling Stock Corporation Limited” and “Proposal For Review of the Distribution of Special Dividends of China South Locomotive & Rolling Stock Corporation Limited” were approved at the 2007 annual general meeting of the Company.

According to the relevant financial policies and the resolutions passed at the general meeting, the Company made a special distribution in respect of the increased net assets arising from the profits recorded for the period from asset valuation date (30 June 2007) to the date on which the Company was incorporated (28 December 2007) and the period from 28 December 2007 to 31 December 2007 to CSRG Group, the controlling shareholder of the Company. According to the consolidated financial statements prepared in accordance with PRC GAAP as audited by Ernst & Young Hua Ming, the increased net assets arising from the profits recorded for the period from 30 June 2007 to 31 December 2007 was RMB328 million. In 2008, such special dividend was distributed to CSRG Group, the controlling shareholder of the Company.

According to the resolutions passed at the general meeting, the accumulated undistributed profit for the period from 1 January 2008 until the initial public offering of the A Shares shall be shared by both new and old holders of A Shares and H Shares after the initial public offerings of the A Shares and H Shares. If the H Share offering is completed within three months after the A Share offering, the Company would not make profit distribution for the net profit generated during the period from the A Share offering date to the H Share offering date. Upon completion of the H Share offering, the old and new shareholders of the Company would share the accumulated undistributed profits before the offerings based on their respective shareholdings after the H Share offering. A Shares and H Shares of the Company were successfully issued on 18 August 2008 and 21 August 2008 respectively. The Company did not make distribution in respect of the accumulated profits in 2008. In 2009, it intends to distribute the accumulated profits for the period from 1 January 2008 to 31 December 2008 by certain proportion, based on the shares held by the shareholders after the H Share offering.

(4) The Company convened the fourth meeting of the first session of the Board by written resolution during the period from 10 July 2008 to 15 July 2008, at which the "Proposal For Review of the Relevant Financial Application Documents for Initial Public Offering of A Shares of China South Locomotive & Rolling Stock Corporation Limited" was considered and approved.

(5) The fifth meeting of the first session of the Board (long Board meeting) was convened on 17 July 2008, at which the relevant resolutions in relation to the issue of the Company's shares in Hong Kong were considered and approved.

(6) On 17 July 2008, the Company convened the sixth meeting of the first session of the Board, at which the following 12 proposals were considered and approved: "Proposal For Review of the Provision of Guarantee for Holding Subsidiaries by the Company", "Proposal For Review of the Provision of Guarantee for Shijiazhuang Guoxiang Transportation Equipment Co., Ltd. by the Company and its subsidiary CSR Shijiazhuang Rolling Stock Co., Ltd.", "Proposal For Review of the Banking Credit Facilities for 2008 and Authorization of the Management to Sign Relevant Legal Documents for Opening Bank Account, Comprehensive Banking Credit Facilities, Bank Loans and Bank Factoring Business", "Proposal For Review of the Annual Report Work Rules of the Independent Directors of China South Locomotive & Rolling Stock Corporation Limited", "Proposal For Review of the Work Rules for Reviewing Annual Financial Report by the Audit and Risk Management Committee of the Board of China South Locomotive & Rolling Stock Corporation Limited", "Proposal For Review of the Management Methods on Shares held by Directors, Supervisors and Senior Management of China South Locomotive & Rolling Stock Corporation Limited and Changes thereof", "Proposal For Review of the Relevant Matters in relation to Final Accounts for 2007 of China South Locomotive & Rolling Stock Corporation Limited", "Proposal For Review of the Purchase of Liability Insurance for the Directors, Supervisors and Senior Management of the Company", "Proposal For Review of the Establishment of CSR's Representative Office in India", "Proposal For Review of the Work Report of President of China South Locomotive & Rolling Stock Corporation Limited for the First Half of 2008", "Proposal for Convening the Second Extraordinary General Meeting of China South Locomotive & Rolling Stock Corporation Limited for 2008" and "Proposal Regarding the Exemption from Prior Notice of Second Extraordinary General Meeting for 2008".

(7) The seventh meeting of the first session of the Board was held on 19 September 2008, the resolutions of which were published on the website of the Shanghai Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on 22 September 2008.

(8) The eighth meeting of the first session of the Board was convened on 24 October 2008, at which the "Proposal For Review of 2008 Third Quarterly Report of China South Locomotive & Rolling Stock Corporation Limited" was considered and approved. The meeting materials were filed with the Shanghai Stock Exchange on 24 October 2008.

(9) The ninth meeting of the first session of the Board was held on 26 December 2008, the resolutions of which were published on the website of the Shanghai Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on 29 December 2008.

2. Summary Report on Performance of Duties of Strategy Committee of the Board

During the Reporting Period, the Strategy Committee strictly complied with requirements of Working Principles for Strategy Committee of the Board, independently and objectively performed duties of the committee, and studied and made proposals for the Company's development strategies and material investment decisions. The committee held 3 meetings, at which 6 proposals were considered which included "Proposal For Review of the 2008 Annual Operation Plan of the Company", "Proposal For Review of the Company's Final Accounts for 2007 and Financial Budget Plan for 2008", "Proposal For Review of 2008 Investment Plan of the Company", "Proposal For Review of the Development Strategy of the Company", "Proposal for Making the Adjustments to the Capital Commitments of Certain Projects to be Financed by the Proceeds from the A Share Offering" and "Proposal for Cancellation of CSR Xiangfan Locomotive Co., Ltd.".

In order to timely understand the Company's development, the Strategy Committee arranged special meeting for the purpose of knowing the Company's development and progress in major investments, international mergers and acquisitions, business integrations in the first half of 2008, progress of major research and development projects, and earthquake damages suffered by the three enterprises in Sichuan.

3. Summary Report on Performance of Duties of Audit and Risk Management Committee of the Board

During the Reporting Period, the Audit and Risk Management Committee strictly complied with the Rules of Procedures for Board Meetings and Working Principles for the Audit and Risk Management Committee of the Board, independently and objectively performed its duties, and performed necessary procedures in respect of the 2008 Annual Report.

(1) Performing duties in respect of 2008 Annual Report

1 Issuing review opinion on the 2008 financial report. The members of the Audit and Risk Management Committee reviewed the annual financial report prepared by the Company with their expertise and experience. In accordance with the relevant requirements of CSRC, the Audit and Risk Management Committee issued review opinions on annual financial report of the Company twice: a) It issued a written opinion on the unaudited financial report. b) After the auditors for annual audit issued preliminary audit opinion, the Audit and Risk Management Committee reviewed again the financial report of the Company and issued a written opinion, consenting to submit the audited 2008 financial report of the Company to the Board for consideration.

2 Supervision of the audit work of the auditors. The Audit and Risk Management Committee communicated with auditors for annual audit in respect of 2008 annual audit arrangement and timetable. Having heard special reports from the auditors and financial officers of the Company respectively, the committee determined the audit work arrangement of the Company for 2008. Upon the commencement of audit by annual auditors, the members of the committee proactively communicated with the auditors, and through the financial officers and secretary to the Board of the Company, supervised the auditors to complete the auditors' report as scheduled.

3 Summary Report on the annual audit work performed by the auditors. During the 2008 annual audit of the Company, Ernst & Young Hua Ming and Ernst & Young earnestly implemented audit for 2008 financial report of the Company strictly in compliance with audit regulations and standards, with responsible certified accountants going to the subsidiaries of the Company for financial data collection. The audit work was conducted in a prudent and sincere manner and the audit results give objective, fair and genuine appraisal on the entire financial conditions and operations of the Company. The Audit and Risk Management Committee is of the opinion that the existing auditors have completed audit work for 2008 financial statement of the Company at a good standard.

4 Proposal for re-appointment of Ernst & Young Hua Ming and Ernst & Young as external auditors of the Company for 2009. Considering its knowledge about existing accounting firms and after communications with certified accountants in charge and the main responsible persons, the Audit and Risk Management Committee is of the opinion that the auditors have the ability to undertake audit work for large scale listed company. Therefore, the committee proposes to re-appoint Ernst & Young Hua Ming and Ernst & Young as the PRC auditors and the international auditors of the Company for the next year.

(2) Supervising the Company's internal audit system and its implementation

The Audit and Risk Management Committee had heard reports on internal audit work for several times, and communicated with the internal audit department of the Company by interview, telephone and emails, as well as by making requests and supervision of work.

(3) Auditing the Company's financial information and its disclosure

The Audit and Risk Management Committee had reviewed and studied the financial information disclosed in the reports and the financial statements of the Company for a number of times, and earnestly reviewed relevant proposals relating to the financial report of the Company. It considered and approved the "Proposal For Review of 2007 Annual Report of China South Locomotive & Rolling Stock Corporation Limited".

(4) Inspecting the Company's internal control system and its operations

The Company's supervisory departments for internal control reported their supervisory work on risk management and internal control to the Audit and Risk Management Committee of the Board to enhance internal control and improve management capability in a continuous manner. On 13 May 2008, the "Proposal for Considering CSR 2008 Overall Risk Management Report" was considered and passed at the second meeting of the Audit and Risk Management Committee. In the internal control assessment process, the Audit and Risk Management Committee communicated with the Chief Financial Officer of the Company, the Head of financial department and the personnel preparing statements, and communicated the annual report audit affairs with the accounting firm. The Audit and Risk Management Committee also reviewed the rationality and necessity of the major connected transactions.

4. Summary Report on Performance of Duties of Remuneration and Evaluation Committee of the Board

During the Reporting Period, the Remuneration and Evaluation Committee strictly complied with requirements of Working Principles for Remuneration and Evaluation Committee of the Board, independently and objectively performed its duties. The committee held 3 meetings in total and considered and passed 3 proposals including "Share Appreciation Rights Plan of China South Locomotive & Rolling Stock Corporation Limited".

5. Summary Report on Performance of Duties of Nomination Committee of the Board

During the Reporting Period, the Nomination Committee strictly complied with requirements of Work Principles for Nomination Committee of the Board, independently and objectively performed its duties. The committee held 3 meeting, at which 4 proposals including "Proposal Regarding the Appointment of Mr. Wang Gongcheng as Representative of Securities Affairs of China South Locomotive & Rolling Stock Corporation Limited" were considered and passed.

6. Investigation and Survey by the Independent Non-executive Directors

In order to further understand the operation and management of the Company, the Independent Directors strengthened their investigations on the Company. They visited the first tier subsidiaries of the Company and investigated their production and internal management, and inspected the merger and acquisition projects of the Company. Having learned more information about the Company, they put forward important guidelines for further improving the management standards of the Company. (1) On 17 July 2008, the Independent Directors visited CSR Sifang Co., Ltd. and CSR Sifang Ltd., two subsidiaries of the Company, to investigate and survey the production of MUs and rapid transit vehicles; (2) On 18 September 2008, the Independent Directors visited CSR Puzhen, CSR Qishuyan and CSR Qishuyan Institute, three subsidiaries of the Company, to investigate and survey the production of passenger carriages and locomotives as well as the investment of new projects financed by the proceeds raised; (3) In November 2008, some Independent Directors went to the United Kingdom to inspect the progress of acquisition of Dynex Power Inc. by Zhuzhou CSR Times, a subsidiary of the Company.

F. PROPOSAL FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

According to the Company Law of the PRC (the “PRC Company Law”), the Securities Law of the PRC, the relevant financial policies, the Articles of Association, and the undertakings in the Prospectus of the Company, and considering the financial status of the Company, the Board proposes to make profit distribution to the shareholders, based on approximately 30.41% of distributable profit of the Company for 2008 (being not less than the 25% undertaken in the Prospectus), with RMB0.32 (tax inclusive) for every ten shares. The distribution proposal is subject to consideration and approval at the general meeting of the Company.

G. DISTRIBUTIONS FOR THE LAST THREE YEARS

According to the CSR Promotion Agreement entered into by the promoters of the Company, namely CSRG Group and BRIT, as well as the shareholders’ meeting resolution of the Company in 2007, the net profits of the Company (as set forth in the consolidated statements) for the period from the asset valuation date (30 June 2007) of the Company to the date on which the Company was incorporated (28 December 2007) and the net profits of the Company (as set forth in the consolidated statements) for the period from the day immediately after the incorporation date of the Company (29 December 2007) to 31 December 2007 were distributed to CSRG Group. As set out in the notes to the financial statement, the increase in net assets arising from the profit recorded during the period from 30 June 2007 to 31 December 2007 was RMB328 million, and the distribution of profits was completed in April 2008.

H. TAX AND TAX RELIEF

Holders of H Shares

According to the relevant tax regulations in the PRC, foreign individuals holding H shares are exempted from paying personal income tax for dividends (bonus) obtained from companies incorporated in the PRC which issued such H shares. In the event that such PRC domestic enterprises distribute annual dividends for the year 2008 and afterwards to their overseas H Share holders who are non-resident enterprises (including any H Shares of the Company registered in the name of HKSCC Nominees Limited, other institutional agencies and trustees, or other organization and group, shall be treated as shares held by non-resident enterprise shareholders), such PRC domestic enterprises shall withhold the enterprise income tax thereon at a unified rate of 10%. Any natural person investors whose H Shares are registered under the name of any such non-individual shareholders and who do not wish to have any enterprise income tax to be withheld by the Company may consider transferring the legal title of the relevant H Shares into his or her name and lodge all transfer documents together with the relevant H Share certificates with the H Share Registrar of the Company for transfer.

Under current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

Shareholders shall pay tax and/or enjoy tax relief in accordance with the aforementioned regulations.

I. CONNECTED TRANSACTIONS

(I) Connected Transactions of the Company during the Reporting Period

The major connected transactions of the Group in 2008 under the Hong Kong Listing Rules are as follows:

Non-Exempt Continuing Connected Transactions

With the continued development of the Group and the increase in demand for the Group's locomotive and rolling stock products, the original annual caps for the non-exempt continuing connected transactions for 2008 were not sufficient to meet the requirements of the Group. Therefore, on 28 December 2008, the Company published an announcement on "Revision of Annual Caps for Certain Continuing Connected Transactions for the Year ended 31 December 2008" and revised the annual caps of the following continuing connected transactions for 2008:

1. Product Mutual Provision Framework Agreement with CSRG Group:

   (i) The aggregate value for the supply of ancillary products by CSRG Group or its associates to the Company in 2008; and

   (ii) The aggregate value for the sale of products by the Group to CSRG Group or its associates in 2008.

2. The aggregate amount of purchase for 2008 under the Components Supply Framework Agreement with Xi'an Kaitian Railway Traction Electric Apparatus Co., Ltd. ("Xi'an Kaitian").

3. The aggregate amount of purchase for 2008 under the Aluminum Supply Framework Agreement with Jilin Midas Aluminum Industries Co. Ltd. ("Jilin Midas").

4. The aggregate amount of purchase for 2008 under the MU Component Supply Framework Agreement with KTK Group Co., Ltd. ("KTK").

The revised annual caps for the Company's continuing connected transactions and the actual transaction amounts during the Reporting Period are as follows:

Unit: RMB million

Connected Parties and Transaction		Original Annual Caps for 2008	Revised Annual Caps for 2008	Actual Transaction Amount in 2008
1	Aggregate procurement value of the Group under Product Mutual Provision Framework Agreement with CSRG	337.3	495	483
	Aggregate sales of the Group under Product Mutual Provision Framework Agreement with CSRG	119.6	169.2	167
2	Components Supply Framework Agreement with Xi'an Kaitian	57.5	80.6	66.6
3	Aluminum Supply Framework Agreement with Jilin Midas	140	157.1	121.2
4	MU Components Supply Framework Agreement with KTK	175.4	244.6	241

The major continuing connected transactions of the Company during the Reporting Period are as follows:

(1) Product Mutual Provision Framework Agreement with CSRG

CSRG Group is a substantial shareholder and promoter of the Company. After the restructuring, CSRG Group retained part of assets and businesses to provide certain ancillary products to the core business of the Company. The Company and certain of its associates also provide raw materials and accessories to CSRG Group or its associates for processing into rolling stock components, while CSRG Group or its associates re-sell back all or part of such components to the Company for use in its core business. The Company entered into the Product Mutual Provision Framework Agreement (as supplemented by a supplementary agreement dated 15 July 2008) with CSRG Group on 10 January 2008, to regulate such mutual provision of products between them. The agreement took effect on 1 January 2008 and shall expire on 31 December 2010. The main contents of the agreement include that the sale of ancillary products by any party to the other party shall be made on terms no less favorable than those available to or, where appropriate, from independent third parties under comparable conditions. Otherwise, the other party is entitled to engage other supplier(s) for the ancillary products required.

The annual cap for (1) the provision of products by CSRG Group or its associates to the Group for the year ended 31 December 2008 was RMB495 million, and the actual amount was RMB483 million. (2) The annual cap for the sales of products to CSRG Group or its associates by the Group for the year ended 31 December 2008 was RMB169.2 million, and the actual amount was RMB167 million.

(2) Components Supply Framework Agreement with Xi'an Kaitian

Xi'an Kaitian has a 44% equity interest in Ziyang Chenfeng Electric Co., Ltd., a sub-subsidiary of the Company, therefore Xi'an Kaitian is a connected person of the Company under the Hong Kong Listing Rules. Xi'an Kaitian (as a supplier of components and accessories for locomotives) provides electrical accessories, components and other accessories for locomotives to the Company. In order to regulate the business relationship between the Company and Xi'an Kaitian, the Company entered into the Components Supply Framework Agreement with Xi'an Kaitian on 29 July 2008. The agreement took effect on 1 January 2008 and shall expire on 31 December 2010. The main contents of the agreement include that the sale of products by Xi'an Kaitian to the Group shall be made on terms no less favorable than those available to or, where appropriate, from independent third parties under comparable conditions. Otherwise, the Group is entitled to engage other supplier(s) for the products required.

The annual cap for the procurement of products from Xi'an Kaitian or its associates by the Group for the year ended 31 December 2008 was RMB80.6 million, and the actual amount was RMB66.6 million.

(3) Aluminum Supply Framework Agreement with Jilin Midas

Jilin Midas is a wholly-owned subsidiary of Midas Holdings Limited, which has a 32.5% equity interest in Nanjing SR Puzhen Rail Transport Co., Ltd., a sub-subsidiary of the Company, therefore Jilin Midas is a connected person of the Company under the Hong Kong Listing Rules. Jilin Midas (as an aluminium and raw materials supplier) provides raw materials, components and aluminium to the Company. In order to regulate the business relationship between the Company and Jilin Midas, the Company entered into the Aluminum Supply Framework Agreement with Jilin Midas on 29 July 2008. The agreement took effect on 1 January 2008 and shall expire on 31 December 2010. The main contents of the agreement include that the sale of products by Jilin Midas to the Group shall be made on terms no less favorable than those available to or, where appropriate, from independent third parties under comparable conditions. Otherwise, the Company is entitled to engage other supplier(s) for the products required.

The annual cap for the procurement of products from Jilin Midas or its associates by the Group for the year ended 31 December 2008 was RMB157.1 million, and the actual amount was RMB121.2 million.

(4) MU Components Supply Framework Agreement with KTK

KTK is the holding company (holding 60% equity interest in Jiangsu Pengyuan Electronics Co., Ltd.) of a substantial shareholder of Nanjing Puzhen Haitai EMU Co., Ltd., a sub-subsidiary of the Company. KTK is a connected person of the Company under the Hong Kong Listing Rules. KTK together with its associates provides electrical accessories for MUs (including EMUs and DMUs), raw materials and other accessories to the Company. In order to regulate the business relationship between the Company and KTK, the Company entered into the MU Components Supply Framework Agreement with KTK on 29 July 2008. The agreement took effect on 1 January 2008 and shall expire on 31 December 2010. The main contents of the agreement include that the sale of such raw materials and accessories by KTK to the Group shall be made on terms no less favorable than those available to or, where appropriate, from independent third parties under comparable conditions. Otherwise, the Group is entitled to engage other supplier(s) for the electrical accessories for MUs, raw materials and other accessories required.

The annual cap for the procurement of products from KTK or its associates by the Group for the year ended 31 December 2008 was RMB244.6 million, and the actual amount was RMB241 million.

In respect of the annual caps and actual annual amounts for the transactions under Product Mutual Provision Framework Agreement, Components Supply Framework Agreement, Aluminum Supply Framework Agreement and MU Components Supply Framework Agreement, each of the applicable percentage ratios (as defined in the Hong Kong Listing Rules, other than profit ratio) is below 2.5%. Therefore, the aforesaid transactions are exempt from the independent shareholders' approval requirements, only subject to the reporting and announcement requirements under the Hong Kong Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Hong Kong Listing Rules.

The Independent Non-executive Directors of the Company have confirmed to the Board that they have reviewed the non-exempt continuing connected transactions and are of the opinion that such transactions are:

- in the ordinary and usual course of business of the Group;

- conducted in normal commercial terms, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than terms available from/to (as appropriate) independent third parties, as far as the Group is concerned; and

- on the terms of the relevant transaction agreements, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The auditors of the Company have reviewed the aforesaid continuing connected transactions and issued a letter to the Board, stating that:

- such transactions have received the approvals of the Board of the Company;

- such transactions are in line with the pricing policy of the Group;

- Such transactions were made in accordance with the terms of relevant agreements; and

- The actual amount incurred during the year did not surpass annual caps of transactions disclosed in the announcement of the Company.

Continuing Connected Transactions with Times New Material

The Company respectively holds 16.79%, 2.11%, 1.78% and 1.23% equity interest in Times New Material through its subsidiaries CSR ZELRI, CSR Zhuzhou, CSR Sifang Ltd. and CSR Ziyang. Besides, BRIT, a promoter of the Company, and CSRG's subsidiaries including CSR Meishan Rolling Stock Works, CSR Shijiazhuang Rolling Stock Works, CSR Nanjing Puzhen Rolling Stock Works and CSR Zhuzhou Rolling Stock Works (collectively, "CSRG Shareholders") also hold 11.30%, 1.14%,1.17%,1.21% and 1.73% equity interests in Times New Material, respectively. In accordance with certain shareholder agreements entered into by each of CSRG Shareholders and the Company on 28 November 2008, each of the CSRG Shareholders respectively agreed to confer all the voting rights which could be exercised by it at the general meetings of Times New Material to the Company. As at the date hereof, the Company controls more than 38% voting rights at the general meetings of Times New Material and is the shareholder that can exercise the most voting rights at the general meeting of Times New Material. On 23 December 2008, Times New Material duly amended its articles of association and changed the composition of the board of directors by way of a shareholders' resolution. As a result, the Company was able to control more than half of the voting rights of the board of directors of Times New Material, and accordingly, Times New Material was consolidated into the Company's 2008 consolidated financial statements pursuant to the IFRS. Under the Hong Kong Listing Rules, Times New Material has become a non wholly-owned subsidiary of the Company since 23 December 2008. As BRIT, a promoter and a connected person of the Company at the listed issuer level, is a substantial shareholder of Times New Material, also holding 11.30% equity interest therein, Times New Material therefore becomes a connected person of the Company under the Hong Kong Listing Rules.

Times New Material is an A Share company incorporated in the PRC and listed on the Shanghai Stock Exchange, which is mainly engaged in the production and sales activities of polymeric shock-absorbing and noise-reducing elastic cells, polymeric modified materials, special coating and new insulating materials for industries including railway and rolling stock for rapid transit systems. Times New Material supplies the Company and its certain subsidiaries with products including shock-absorbing and noise-reducing elastic cells (railway accessories), special insulation products and coating (wind power product accessories).

In order to regulate the business relationship between the Group and Times New Material, the Company entered into the Product Purchase Framework Agreement with Times New Material on 13 April 2009. The agreement took effect on 1 January 2009 and shall expire on 31 December 2010. The main contents of the agreement include that the sale of railway components and wind power product accessories by Times New Material to the Group shall be made on terms no less favorable than those available to or, where appropriate, from independent third parties under comparable conditions. Otherwise, the Group is entitled to engage other supplier(s) for the products required.

The amount of connected transactions actually accrued in the product purchase from Times New Material in 2008 from 23 December 2008, the day that Times New Material became a connected person of the Company, to 31 December 2008 was minimum, with each of the applicable percentage ratios (as defined in the Hong Kong Listing Rules, other than the profit ratio) less than 0.1%. According to the Hong Kong Listing Rules, the 2008 annual continuing connected transactions between the Group and Times New Material were exempted from all reporting, announcement and independent shareholders' approval requirements.

Non-Competition Agreement

CSRG Group stated that in 2008 it did not violate the commitment under Non-Competition Agreement entered into with the Company on 10 January 2008(as supplemented by a supplementary agreement dated 15 July 2008). The Independent Non-executive Directors of the Company also reviewed the compliance of CSRG Group with the Non-Competition Agreement and considered that CSRG Group had not violated the requirements of the agreement in 2008.

J. OTHER DISCLOSEABLE MATTERS

Principal Operations

The Group and the Company are mainly engaged in research and development, manufacturing, sales, refurbishment and leasing of locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles and key related components as well as other businesses that utilize proprietary rolling stock technologies.

Major Customers and Suppliers

Please refer to relevant sections of the Management Discussion and Analysis in this annual report for details of the Company's major customers and suppliers.

Share Capital

Please refer to relevant sections of “Changes in Share Capital and Particulars about Shareholders” in this announcement for details of the Company’s share capital.

Donations

The Group’s charitable and other donations amounted to approximately RMB5.20 million during the Reporting Period.

Service Contracts of Directors and Supervisors

None of the Directors or the Supervisors of the Company has entered into a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than normal statutory compensation.

Directors and Supervisors’ Interests in Contracts

None of the Company or its subsidiaries entered into any contract of significance in which the Director or Supervisor of the Company held, either directly or indirectly, any material interests for the year ended 31 December 2008. The Company or its subsidiaries did not provide the Directors or other Senior Management with any loans or similar loans.

The Directors’ Interest in Businesses Competing with the Company

None of the Directors of the Company is interested in any business which directly or indirectly competes or may compete with the Group.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Pre-emptive Rights

There is no provision regarding pre-emptive rights under the Articles of Association of the Company or in the laws of the PRC which oblige the Company to offer new shares to its existing shareholders on a pro rata basis.

Report of Supervisory Committee

During the Reporting Period, all members of the first Supervisory Committee have observed the principle of fidelity and diligently performed supervisory duties to protect the shareholders' interests and the corporate interests in accordance with relevant requirements of the PRC Company Law, the Articles of Association and the Rules of Procedures for the Supervisory Committee's Meeting.

I. OPERATION OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

In 2008, the Supervisory Committee convened four meetings in total, details of which are as follows:

The second meeting of the first Supervisory Committee was held on 3 March 2008, at which the "Proposal" For Review of the 2007 Annual Report of China South Locomotive & Rolling Stock Corporation Limited was considered and approved.

The third meeting of the first Supervisory Committee was held on 17 July 2008, at which Mr. Xu Weifeng, the Vice Chief Accountant and Head of the Finance Department of the Company, reported the financial situations of the Company for the first half of 2008.

The fourth meeting of the first Supervisory Committee was held on 18 September 2008, at which the following proposals were considered and approved: (1) the proposal for consideration of supplementing the working capital by the proceeds of RMB630 million from the A Share offering ; (2) the proposal for consideration of the utilization of RMB2.6 billion in aggregate out of the proceeds from the A Share offering to temporarily supplement the working capital; (3) the proposal for consideration of the adjustments to amounts of certain projects financed by proceeds from the A Share offering; (4) the "Proposal for consideration of the 2008 Interim Report of China South Locomotive & Rolling Stock Corporation Limited" (prepared under IFRS).

The announcement of the resolutions passed at such meeting was published on the website of the Shanghai Stock Exchange (www.sse.com.cn), China Securities Journal, Shanghai Securities News and Securities Times on 22 September 2009.

The fifth meeting of the first Supervisory Committee was held on 23 October 2008, at which the 2008 Third Quarterly Report of China South Locomotive & Rolling Stock Corporation Limited was considered and approved.

II. OPINIONS OF SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY IN 2008

During the Reporting Period, members of the Supervisory Committee, who are accountable to all shareholders, earnestly performed their duties as required by the relevant laws and regulations, proactively carried out work and supervised relevant matters including the Company's standard operation, financial position, use of proceeds and internal control by attending the general meetings and the Board meetings, as well as conducting inspections and visits, thereby forming the following opinions:

1. The lawful operation of the Company. During the Reporting Period, the Board carefully performed the rights and duties as required by the Company Law and the Articles of Association, made timely decisions on significant events including production and operation plans and growth targets, diligently executed the resolutions passed at the general meetings and the Board meetings; the management operated the Company in strict compliance with the laws; and the Directors and the Senior Management have duly performed their obligations of fidelity, without any behaviors in contravention to the laws and the Articles of Associations or in prejudicial to the interest of the shareholders.

2. Inspection of the Company's financial position. Having inspected the Company's financial systems and financial position during the Reporting Period, the Supervisory Committee is of the view that the Company has sound financial systems, standardized financial operation and favourable financial position, and the 2008 annual audit report gives a truthful, accurate and complete view of the Company's financial position, operating results and cash flow.

3. Actual use of the raised proceeds. During the Reporting Period, the Company has duly adopted the procedures of internal decision-making and public information disclosure as required under the laws in respect of the changes in the use of proceeds from the A Share issue, and has utilized the proceeds in accordance with its commitments. The Supervisory Committee is of the view that the utilisation of proceeds is in compliance with the relevant laws and regulations in the PRC and the Articles of Association, without any actions detrimental to the interests of the Company and the shareholders. The Supervisory Committee will continue to supervise and inspect the progress of relevant projects.

4. Asset Acquisition and disposals by the Company. During the Reporting Period, the transaction prices of asset acquisitions or disposals were fair and reasonable. No insider dealing or any behaviour detrimental to the interests of the shareholders that may cause any loss to the Company's assets was found.

5. Connected transactions of the Company. During the Reporting Period, the connected transactions among the Company and the connected parties were in compliance with relevant regulations of the Stock Exchange and the Shanghai Stock Exchange. The transaction prices were fair, just and reasonable. No behaviour in prejudice to the interests of the Company and non-related shareholders was found.

6. Preparation and consideration of the annual report of the Company. The preparation and consideration of the 2008 annual report of the Company were in compliance with relevant provisions under the laws, the regulations, the Articles of Association and the internal management systems. The content and format are in compliance with various requirements of the CSRC and the stock exchanges. No behaviour of the personnel participating in the preparation and review of the annual report was found to be in contravention to the confidentiality requirements

   In the coming year, the Supervisory Committee will continue to arduously perform the duties of supervision and inspection, strive to improve CSR's overall competitiveness and sustainable profitability and protect the interests of the shareholders and the Company.

Chairman of the Supervisory Committee
Wang Yan

April 2009

Significant Events

(I) MATERIAL LITIGATION AND ARBITRATION

The Company was not involved in any material litigation and arbitration during the year.

(II) MATTERS RELATED TO BANKRUPTCY AND REORGANISATION

The Company was not involved in any events relating to bankruptcy and reorganisation during the year.

(III) EXPLANATIONS ON OTHER SIGNIFICANT EVENTS AND INFLUENCE THEREFROM AND SOLUTION THEREON

1. Equity interests in other listed companies held by the Company

Unit: RMB0'000

Stock Code	Abbreviated Name	Initial Investment Amount	Percentage of the Company's Equity (%)	Carrying Amount at the End of the Reporting Period	Gain and Loss Occurred in the Reporting Period	Changes in the Owner's Equity During the Reporting Period	Accounting Items	Source of equity interest
601328	Bank of Communications	99.00	0.0018	409.81	11.4	(1,025.99)	Financial assets available-for-sale	Purchase
600335	Dingsheng Tiangong	340.25	0.29	364.80	3,103.65	(2,911.03)	Financial assets available-for-sale	Set-off of debts

2. Shares in other listed companies traded by the Company

	Stock Name	Number of Shares at the Beginning of the Reporting Period *(Shares)*	Number of Shares Bought/Sold at the Reporting Period *(Shares)*	Number of Shares at the End of the Reporting Period *(Shares)*	Amount of Funds Used *(RMB)*	Investment Income *(RMB)*
Sell	Dingsheng Tiangong	1,898,400	1,498,399	800,002	2,039,349.21	31,036,514.85

Notes: As Dingsheng Tiangong increased its share capital through bonus share distribution on the basis of 1 bonus share together with 9 shares transferred from capital reserve for every 10 existing shares held in 2008. The remaining shares held by the Company after the sale were increased from 400,001 shares to 800,002 shares.

(IV) ASSET TRANSACTIONS

1. Acquisition of Assets

On 29 August 2008, Zhuzhou CSR Times Electric Co., Ltd. ("CSR Times Electric"), a subsidiary of the Company, entered into an arrangement agreement with Dynex Power Inc. ("Dynex") in respect of the proposed acquisition ("Acquisition") of 75% of the outstanding ordinary shares of Dynex at a price of Canadian Dollar $0.55 per share from the holders of such ordinary shares, totaling a consideration of RMB107,317,000. The acquisition was published on the websites of the Shanghai Stock Exchange and the Stock Exchange on 1 September 2008, and the Acquisition was completed on 31 October 2008. Upon completion of the Acquisition, the Company held 75% equity interest in Dynex through CSR Times Electric. The Acquisition has contributed RMB2.18 million to the net profits of the Company from the date of the Acquisition till the end of the Reporting Period, representing 0.13% of the Company's net profits.

2. Save as disclosed above, the Company was not involved in other material acquisitions or disposals, replacement of assets or merger by absorption during the Reporting Period.

(V) MATERIAL CONTRACTS AND THE PERFORMANCE

1. Trust, contracts and leases

(1) Trust

The Company did not enter into any trust arrangement during the year.

(2) Contract

The Company did not act as contractor during the year.

(3) Lease arrangement

The Company did not have any lease arrangement during the year.

2. Guarantees

Unit: RMB'000

Guarantee provided by the Company to external parties (excluding guarantee provided by the Company in favour of its subsidiaries)	
Total guarantee amount provided during the Reporting Period (excluding guarantee provided by the Company in favour of its subsidiaries)	–
Total guarantee balance at the end of the Reporting Period (excluding guarantee provided by the Company in favour of its subsidiaries)	–
Guarantee provided by the Company in favour of its subsidiaries	
Total guarantee amount provided to the Company's subsidiaries during the Reporting Period	3,110,362
Total guarantee balance provided to the Company's subsidiaries at the end of the Reporting Period	2,398,064

Aggregate guarantee amount provided by the Company (including guarantee provided by the Company in favour of its subsidiaries)

Total guarantee amount	2,398,064
Percentage of total guarantee amount to net assets of the Company *(%)*	12.84
including:	
Amount of guarantees provided in favour of shareholders, ultimate controller and their related parties	—
Amount of guarantees directly or indirectly provided in favour of parties with gearing ratio over 70%	1,345,023
Portion of the total guarantee amount in excess of 50% of net assets	—
Total amount of the three above-stated guarantees	1,345,023

As at 31 December 2008, the Company's external guarantee amounted to RMB3,110,362,000, including the guarantee of RMB2,410,053,000 provided for its wholly-owned subsidiaries and the guarantee of RMB700,309,000 provided for its holding subsidiaries. Actual guarantee balance amounted to RMB2,398,064,000 as at the end of the Reporting Period, representing 12.84% of the unaudited net assets of the Company as at the end of the Reporting Period.

During the Reporting Period, the Company did not provide any guarantees for its shareholders, ultimate controller, their related parties and the Company's connected persons (as defined in the Hong Kong Listing Rules); and all guarantees provided were for its wholly-owned subsidiaries and holding subsidiaries. As at the end of the Reporting Period, the guarantee balance provided by the Company for its wholly-owned and holding subsidiaries with gearing ratio over 70% was RMB1,345,023,000. Approval procedures were duly performed at the Board meetings and the general meetings as required by the Articles of Associations in respect of the guarantees provided by the Company in favour of its wholly-owned and holding subsidiaries with gearing ratio over 70%.

3. Entrusted Investment

The Company did not entrust any investment which was discloseable during the Reporting Period.

(VI) PERFORMANCE OF UNDERTAKINGS

1. CSRG, the controlling shareholder of the Company, made the following undertakings in the Prospectus:

(1) The lock-up undertaking in respect of the shares held by CSRG in the Company is as follows: within 36 months from the date of listing of the Company's A Shares on the Shanghai Stock Exchange, CSRG will not transfer or authorize others to manage its shareholdings in the Company, nor will the Company acquire such shares.

(2) The undertaking made by CSRG in respect of restructuring of South Huiton Co., Ltd. ("South Huiton") is as follows: there should be a proposed restructuring in CSRG's shareholdings and relevant assets in South Huiton. This includes but does not limit to CSRG's proposed acquisition of South Huiton's assets in relation to the freight wagon businesses. CSRG will transfer the above-mentioned assets in relation to the freight wagon businesses acquired from South Huiton to the Company within three months from the date of CSRG's acquisition of such assets. The transfer price will be determined through negotiation based on the result of the assets valuation. Such assets will be transferred to the Company subject to the approvals by the domestic and overseas regulatory bodies.

(3) The non-competition undertakings are as follows:

CSRG and its associates:

- will not compete with the Group, directly or indirectly, whether on its own or jointly with other entities in any activities or businesses which directly or indirectly compete with the Group's core businesses including future businesses that the Group may develop, whether inside or outside the PRC;

- shall not invest in and shall procure that any other company in which CSRG is a controlling shareholder (as defined in the Hong Kong Listing Rules), will not invest in projects which are the same as or similar to the projects invested by the Group or any such replacement projects; and

- will not invest in any enterprises engaged in the same or similar business as the Group, or engage in any production operations which are the same as or similar to the business of the Group.

Under the Non-Competition Agreement, CSRG has granted the Company options and pre-emptive rights to acquire those parts of the retained operations which may compete with the Group. It provides, among other things, that during the period of the Non-Competition Agreement, the Company has the following rights:

(i) options to purchase the interests of CSRG on the basis of valuation conducted by an independent valuer jointly appointed by CSRG and the Company, subject to any relevant laws and applicable listing rules and existing third party pre-emptive rights;

(ii) pre-emptive rights to purchase the interests of the retained operations on terms no less favorable than those of third parties, if CSRG or any of its associates intends to transfer, sell, lease or license such interests to any third party:

(iii) upon the exercise of such option or the pre-emptive right, CSRG or its relevant subsidiary shall transfer such interest to the Company.

if CSRG becomes aware of a business opportunity which directly or indirectly competes, or may lead to competition, with the Group's core business, CSRG will notify the Company of such business opportunity immediately upon becoming aware of it. CSRG shall also procure the companies of which it is a controlling shareholder to comply with this provision.

During the Reporting Period, CSRG, the controlling shareholder of the Company, fully complied with its undertakings as stated above.

2. BRIT, a shareholder of the Company, made the following lock-up undertakings in the Prospectus in respect of the shares it held in the Company:

Within 36 months from the date of the listing of the Company's A Shares on the Shanghai Stock Exchange, BRIT will not transfer or authorize others to manage its shareholdings in the Company, nor will the Company acquire such shares.

During the Reporting Period, BRIT, the shareholder of the Company, complied with its undertakings as mentioned above.

3. The Company's commitment on building ownership problems in the Prospectus

As disclosed in the Prospectus, the Company has not yet obtained proper property ownership certificates for 326 properties with a total gross floor area of 282,019.03 m^2 (representing 7.85% of the total gross floor area of the properties occupied by the Company). Of these 326 properties, 125 properties have not been granted property ownership certificates by the local government authorities due to the implementation of the "Leaving the City and Entering the Suburb" policy in Shijiazhuang and the changes in urban planning in Chengdu area. In respect of those properties in Shijiazhuang, Shijiazhuang Administration of Urban and Rural Planning（石家莊市城鄉規劃局）has issued the Explanation on the Area Planning of CSR Shijiazhuang Rolling Stock Works and pointed out that it would, due to urban planning, not accept any applications for the planning permit in respect of any properties without property ownership certificates. In respect of those properties in Chengdu, Chengdu Administration of Urban Planning（成都市規劃管理局）has issued the Explanation on the Road Planning in the Area of CSR Chengdu Locomotive & Rolling Stock Works and pointed out that two municipal roads planned would run through the land of the area of the works based on the need of urban development. The remaining 201 properties with a gross floor area of 195,396.80 m^2 (representing 5.44% of the total gross floor area of the properties included in the listing scope) have not yet obtained proper property ownership certificates due to the fact that the relevant planning procedures or construction procedures have not yet been completed. As the land use rights of such 201 properties belong to CSRG, there would be no disputes in its operation and use. For the properties without property ownership certificates, CSRG has undertaken in the Restructuring Agreement that, in respect of the assets injected by CSRG into the Company including properties without proper ownership certificates due to incomplete planning or construction procedures, such properties should meet the requirement for the Company's production and operational use and that it should assume all the responsibilities to compensate and indemnify the Company for all the financial losses incurred in relation to such properties.

In respect of the 4 properties with a total gross floor area of 21,223.04 m^2 leased by the Company, its subsidiaries and joint ventures in the PRC, the lessors have not yet been granted property ownership certificates. For the properties of which the lessors have not yet been granted property ownership certificates, CSRG undertook, at the Company's establishment, to compensate the Company for all losses (if any) arising from the failure to obtain the property ownership certificates of those properties rented from CSRG. For properties rented by the Company from any third parties other than CSRG, CSRG undertook to settle all disputes related to the leases of such properties, to bear all expenses related to the settlements of such disputes and to compensate the Company for all losses (if any) suffered therefrom.

During the Reporting Period, the Company and the lessors of the properties leased by the Company have been actively applying for property ownership certificates for the properties without ownership certificates.

4. The Company's explanation on whether the profit forecast on the Company's assets or projects which covers the Reporting Period has been met and reasons therefor.

At the beginning of 2008, the Company expected to achieve a net profit of RMB1.36 billion (attributable to the parent company) taking full consideration of the Company's actual fundamental and operating capabilities, market demands as well as national macro economic policy environment of the year in light of the Company's annual business growth and investment plan. The Company smoothly achieved the target of profit estimates and recorded a net profit (attributable to the parent company) of RMB1.384 billion.

(VII) APPOINTMENT AND REMOVAL OF THE AUDITORS

During the Reporting Period, the Company did not change its auditors and continued the appointment of Ernst & Young Hua Ming and Ernst & Young as the Company's domestic and overseas auditors for its 2008 financial reports respectively. The auditors' total remuneration amounted to RMB12.00 million, inclusive of operating taxes and costs on travel, accommodation and communication. The auditors have been providing audit services to the Company since the establishment of the Company in 2007.

(VIII) PUNISHMENTS AND RECTIFICATIONS OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS AND ULTIMATE CONTROLLER

During the year, none of the Company, its Directors, Supervisors, Senior Management, shareholders or ultimate controller was subject to any investigation, administrative punishment or criticism by CSRC or any condemnation by any stock exchanges.

(IX) NOTES ON OTHER MATERIAL EVENTS

In light of the projects financed by the raised proceeds, the Company unilaterally increased the capital of its wholly-owned and holding subsidiaries and adjusted the shareholding structure of the subsidiaries by leveraging certain proceeds raised and certain self-financing funds. As at the end of the Reporting Period, 13 subsidiaries completed the registration of changes procedures with the State Administration of Industry and Commerce. CSR Zhuzhou and CSR Ziyang completed such procedures on 12 January 2009 and 3 February 2009 respectively. Relevant capital increase procedures for CSR (Hong Kong) Company Limited ("CSR Hong Kong") completed on 31 March 2009.

The capital increase and shareholding structure adjustments are as follows:

1. CSR Yangtze: the registered capital of CSR Yangtze was increased from RMB436,960,080 to RMB1,707,418,300, in which CSR still holds 100% equity interest.

2. CSR Zhuzhou: after unilateral capital increase by CSR, the registered capital of CSR Zhuzhou was increased from RMB613,025,800 to RMB1,444,025,800, among which, the shareholding of CSR was changed from 69.01% to 86.84%, the shareholdings of CSR ZELRI, CSR Investing & Leasing Co., Ltd. and Zhuzhou Lince Group Co. Ltd were changed from 16.31% to 6.93%, from 13.05% to 5.54%, and from 1.63% to 0.69% respectively.

3. CSR Ziyang: its original registered capital was RMB662,420,607. After supplementing capital reserve and undistributed profit, its registered capital was changed to RMB44,356,334 . Following the unilateral capital increase by CSR, its registered capital was changed to RMB593,356,334, among which, the shareholding of CSR was changed from 81.00% to 98.58%; the shareholdings of CSR Investing & Leasing Co., Ltd and Ziyang State-owned Assets Supervision & Administration Commission were changed from 12.03% to 0.90%, and from 6.97% to 0.52% respectively.

4. CSR Qishuyan Locomotive Co., Ltd.: the registered capital was increased from RMB369,065,636.28 to RMB656,104,957.44, in which CSR still holds 100% equity interest.

5. CSR Sifang Co., Ltd.: the company's name was changed to CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.. Its original registered capital was RMB550,061,200, which was changed to RMB880,097,800 following the transfer of capital reserve into registered capital, with the original shareholding structure remaining unchanged. After completion of the unilateral capital increase by CSR, its registered capital was increased to RMB1,358,922,700, among which, the shareholding of CSR was changed from 90.04% to 93.55%; the shareholding of Qingdao Ultimate Transportation Equipment Co., Ltd was changed from 4.73% to 3.06%; the shareholding of China Railway Materials Commercial Corporation was changed from 2.95% to 1.91%; the shareholding of Guangzhou Zhongche Railway Sales & Leasing Co., Ltd was changed from 1.18% to 0.77%; and the shareholdings of Fujian Haipeng Trading Co., Ltd., Southwest Jiaotong University and Zhongtie Science & Technology Development Corp. were changed from 0.94% to 0.61%, from 0.12% to 0.08% and from 0.04% to 0.02%, respectively.

6. CSR Sifang: the registered capital of CSR Sifang was increased from RMB212,095,500 to RMB287,095,500, in which CSR still holds 100% equity interest.

7. CSR Nanjing Puzhen Rolling Stock Co., Ltd.: its registered capital was increased from RMB77,020,200 to RMB796,660,000, in which CSR still holds 100% equity interest.

8. CSR Meishan: its registered capital was increased from RMB103,281,100 to RMB270,508,600, in which CSR still holds 100% equity interest.

9. CSR Chengdu Locomotive & Rolling Stock Co., Ltd.: its registered capital was increased from RMB234,591,900 to RMB338,971,940.75, in which CSR still holds 100% equity interest.

10. CSR Luoyang Locomotive Co., Ltd.: following the merger of CSR Xiangfan Locomotive Co., Ltd., the registered capital of CSR Luoyang Locomotive Co., Ltd. was RMB27,689,000. After the capital increase by CSR, its registered capital was changed to RMB255,689,000, in which CSR still holds 100% equity interest.

11. CSR Feb. 7th: the registered capital of CSR Feb. 7th was increased from RMB197,671,068 to RMB379,305,828, in which CSR still holds 100% equity interest.

12. CSR Shijiazhuang: the registered capital of CSR Shijiazhuang was increased from RMB78,394,000 to RMB195,854,000, in which CSR still holds 100% equity interest.

13. CSR ZELRI: the registered capital of CSR ZELRI was increased from RMB2,000,000,000 to RMB2,381,710,000, in which CSR still holds 100% equity interest.

14. CSR Qishuyan Institute: the registered capital of CSR Qishuyan Institute was increased from RMB210,000,000 to RMB680,000,000, in which CSR still holds 100% equity interest.

15. New Leap Transportation Equipment Investment & Leasing Co., Ltd.(新力搏交通裝備投資租賃有限公司): its name was changed to CSR Investing & Leasing Co., Ltd.(南車投資租賃有限公司).

16. CSR Hong Kong was established in Hong Kong and wholly-owned by CSR with an original registered capital of HK$10,000,000. CSR increased the capital of CSR Hong Kong by HK$490,000,000 and upon completion of the capital increase, the registered capital of CSR Hong Kong was increased to HK$500,000,000. CSR holds 100% equity interest in CSR Hong Kong. The Relevant procedures for capital increase in CSR Hong Kong were completed on 31 March 2009.

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

Beijing, the PRC
22 April 2009

As at the date of this announcement, 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.