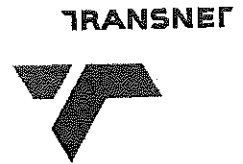


Siyabonga Gama, Group Chief Executive



Our Ref no: SG/ 21670

Mr Wang Pan (Alton)
 CSR/CRRC E-Loco Supply (Pty) Ltd
 1st Floor, China Construction Bank Building
 95 Grayston Drive
 Sandton
 2196

Dear Mr. Wang

**LOCOMOTIVE SUPPLY AGREEMENTS BETWEEN TRANSNET SOC LTD ("TRANSNET")
 AND CHINA SOUTH RAIL ("CSR") / CRRC**

Dear Sir

In accordance with our discussions conducted at Transnet on 6 and 7 June 2017, CSR undertook to provide us with written confirmation and clarification in relation to the following.

1. To the extent that you contend for the fact that the 95 electric locomotives, 100 electric locomotives and 359 electric locomotives (22E) ("the locomotive contracts"), are benchmarked against other third party contracts, we require full and extensive particulars thereon, including sight of the relevant documentation evidencing the third party agreements;
2. Confirmation that you have no association with or have not ceded the interest you hold in the locomotive contracts to CSR (Hong Kong) Co. Ltd ("CSR Hong Kong") / CRRC, or any of its subsidiaries/affiliates;
3. Confirmation that you have no knowledge of any agreements concluded between CSR Hong Kong / CRRC, its subsidiaries/affiliates and Tequesta Group Limited;
4. Confirmation that you have no knowledge of any agreements concluded between CSR Zhuzhou Electric Locomotive / CRRC or its subsidiaries/affiliates and CGT and/or JJ Trading FZE;

Transnet SOC Ltd
 Registration Number
 1990/000900/30

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 2001

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Directors: LC Mabaso (Chairperson) SI Gama* (Group Chief Executive) Y Forbes GJ Mahlalela PEB Matheka ZA Nagdee VM Nkonyane SD Shane
 BG Stagman GJ Pita* (Chief Financial Officer)
 *Executive

www.transnet.net

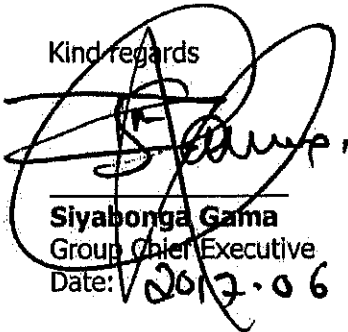
Group Company Secretary: NE Khumalo

5. Reasonable proof on the existence of an independent investigation and/or inquiry into / CRRC / CSR / CSR Hong Kong business dealings by 30 June 2017, in so far as same may have a bearing on our standing as a state owned entity.

You are required to provide us with the above written confirmation and clarification by no later than Friday, 9 June 2017.

Kindly be guided accordingly.

Kind regards



Siyabonga Gama
Group Chief Executive
Date: 2017.06.08



To:
Siyabonga Gama
Group Chief Executive

From:
Wang Fan
General Manager

TRANSNET SOC Ltd

CRRC E-LoCo Supply (Pty) Ltd
18 Floor, China Construction Bank Building,
99 Graydon Drive, Sandton, 2196, Johannesburg

Tel: +27-10 007 1127
Fax: +27-98 599 7734
E-mail: allan@crccz.com

Date: June 14, 2017

Subject: Letter regarding the Confirmation and Clarification

Dear Mr. Siyabonga Gama:

As requested by your letter dated 8th June 2017, CRRC E-LoCo Supply (Pty) Ltd would like to provide the confirmation and clarification as per your request item by item.

We have never had any engagement and/or dealings with the Gupta Family and/or its associates in relation to the agreement Project 359.

We have never had any engagement with Mr. Salim Essa, any previous or current Transnet employee or previous or current Transnet board member, and we have never been approached by Mr. Salim Essa, any previous or current Transnet employee or previous or current Transnet board member for external assistance with our bidding process or negotiations which gave rise to the agreement Project 359.

But with regard to Mr. Salim Essa you mentioned in the letter, we would like to give you more details as following: When we signed the Locomotive Supply Agreement with Transnet for the Project 00 and 359, there were a lot of local companies approached CSR and discussed the localization plan with us, including a company named VR later. In August 2015, CSR supplier evaluation team visited VR's base facility in Botswana where we met with Mr. Salim Essa, who alleged that VR/Esasa was his company, and shown high interest of building up partnership with CSR for the localization. Finally we could not proceed due to some unacceptable terms and condition, especially their insistence on sharing at least 30% of our local content commitment in the Locomotive Supply Agreement because most of the scope they were capable to supply had been subcontracted to Transnet Engineering (Pty) Ltd as per the requirements of Transnet during the negotiation. In order to realize our local content commitment, CSR eventually selected Transnet as the strategic partner to set up the joint venture in Capital Park to locally manufacture critical components of locomotives.

We are busy to and need more time to produce the break-down details, including both the relevant documentation evidencing the third party agreement, according to your request. We will provide them to you later on before the end this month immediately when we finish the preparation.

We confirm that we have no association with the above mentioned individuals and

Wang Fan

General Manager
CRRC E-LoCo Supply (Pty) Ltd
18 Floor, China Construction Bank Building,
99 Graydon Drive, Sandton, 2196, Johannesburg

王凡
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in Project 350 to any companies mentioned in the recent media allegations and have no knowledge of any other agreements entered into

We are engaging an independent auditor to investigate and/or inquiry into all our three South African locomotive projects. We will try to provide you the auditing report by 30 June 2017 according to your request. Please keep in mind that we are also state owned entity in China, we are strictly regulated by the national and public governance and compliance.

We would like to work closely together with Transnet to confirm and clarify the truth for the business.

Sincerely yours,



Wang Pan (Allen)
Director / General Manager
CRRC E-Loco Supply (Pty) Ltd

China Railway Group Limited
China Railway Engineering Corporation Limited
China Railway Signal & Communication Corporation Limited

中国中车集团有限公司
中国铁路工程集团有限公司
中国铁路信号集团有限公司