

2017 Annual Results Press Conference

Speaker	Contents
Moderator	<ul style="list-style-type: none"> ➤ Dear guests, investors and netizens, good morning! Welcome to CCCC 2017 Annual Results Press Conference. The presentation was organized by CCCC and technically supported by SSE Infonet Ltd. Thank you for your attention and participation.
Moderator	<ul style="list-style-type: none"> ➤ On March 30, CCCC announced its 2017 Annual Results. Investors can visit http://www.sse.com.cn/ or http://roadshow.sseinfo.com/ to view the announcements. ➤ To deepen investors' knowledge of the cash dividends and business performance of the company, the Company decided to hold 2017 Annual Results Press Conference. In today's event, core management of CCCC will communicate with investors online. And welcome all investors take active participation. ➤ Firstly, we will have the guest from the listed company to do the opening speech.
Executive Director & CFO FU Junyuan	<ul style="list-style-type: none"> ➤ Dear moderator and investors, good morning! Welcome to CCCC 2017 Annual Results Presentation. First of all, I would like to thank all investors for your great attention and strong support to us over the years. We will directly communicate with you online and present our business performance of 2017 to deepen your understanding of us. ➤ In 2017, the Company made systematic planning and took effective actions to grasp the market opportunities, occupy the commanding position of the industry, and accelerate the shift in driving forces for development, thereby continuously reinforcing our market shares in traditional business, achieving substantial results in cultivating the merging business market, expanding our market scale, enhancing our influence and control power in the industry, and contributing to the steady and sound growth in the overall operating results. The Company has once again won the uphill battle of maintaining the market, stabilizing the growth and promoting the development, and thus had another good harvest year with great achievements. ➤ In 2017, revenue of the Group was RMB482,804 million, representing a year-on-year increase of 11.83%; profit attributable to owners of the parent was RMB20,581 million, compared to RMB16,743 million in 2016; and earnings per share was RMB1.21. New contracts value amounted to RMB900,020 million, representing a year-on-year increase of 23.16%. As at 31 December 2017, the backlog of the Group amounted to RMB1,372,105 million. ➤ In the following Q&A session, we will answer common concerns and the questions of investors wanting a better understanding of us, and sincerely hope you will be satisfied with our answers.
Guangdong czk	<ul style="list-style-type: none"> ➤ Hi Management. After deducting non recurrent gains and losses, the increase of net profit of 2017 is -0.69%, what's the reason? VAT, R&D or any other influence?

Executive Director & CFO FU Junyuan	<ul style="list-style-type: none"> ➤ The revenue target of 2017 is RMB450,000 million, we actually accomplished RMB482,804 million. The increase of revenue mostly due to revenue of overseas projects and domestic PPP projects. ➤ The net profit registered RMB21319 million, wherein: profit from continuing operations amounted to RMB18136 millions, representing an increase of 6.0%, basically in line with our expectation; the disposal of ZPMC bring us profit from discontinued operation RMB3,183 million according to Chinese Accounting Standards.
Visitor 95655	<ul style="list-style-type: none"> ➤ Hi Board Secretary, the Company have finished the disposal of 29.99% share capital of ZPMC to CCCG in 2017, does that impact on the financial performance of 2017?
Board Secretary, Company Secretary ZHOU Changjiang	<ul style="list-style-type: none"> ➤ The Company initiated the transfer of an aggregate of 29.99% shares held in ZPMC to CCCG, the Company's controlling Shareholder, and its subsidiary by means of transfer agreement in July, at a consideration of approximately RMB5,661 million, and the estimated gains arising from this share transfer amounted to RMB3,227 million (before tax and related expenses). ➤ Upon completion of the equity transfer of ZPMC, CCCG and CCCG HK hold 29.99% of the total shares of ZPMC, and become its direct controlling shareholders. The shares held by the Company accounts for 16.24% of the total shares of ZPMC, so the Company becomes the second largest shareholder of ZPMC. The financial statements of ZPMC will no longer be consolidated into that of the Company since 27 December 2017, and the corresponding equity investment in ZPMC will be listed in the Company's investment in associates. ➤ Under the great support of the Shareholders and the regulatory authority, the equity transfer of ZPMC was completed on 27 December 2017. Based on its significant impact on the Company's business segments, heavy machinery manufacturing business will no longer be the Company's business segment, and the rest of the business in such business segment (except for that of ZPMC) will be covered in other business segments of the Company during this reporting period and the comparative period of last year (some production and operational data will be adjusted in 2018). ➤ Through transfer of the controlling power of ZPMC, the Company will focus more attention on the core business of infrastructure, input the resources in a more concentrated way, and further enhance the Company's core competence. In addition, the Company's main business is still in the rapid development period, the Company use the gains from the equity transfer to focus on main business development, thereby further improving the Company's profitability.
Visitor 51440	<ul style="list-style-type: none"> ➤ Hi Management, From the Announcement of the Company, why the Revenue of 2017 already amounted to RMB482,804 million, the revenue target of 2018 only be RMB490,000 million. Some impaction by the disposal of ZPMC?
Executive Director & CFO FU Junyuan	<ul style="list-style-type: none"> ➤ The equity transfer of ZPMC was completed on 27 December 2017. The financial statement of the Company in 2017 included with ZPMC but in 2018, ZPMC is not included. So after deducting the impaction of disposal of ZPMC, the revenue of 2017 amounted to RMB462,200 million, the target of 2018 amounted to RMB490,000 million, represent an increase of 6%.
Visitor 49821	<ul style="list-style-type: none"> ➤ Hi Management, please introduce the performance of each segments of company's business. Thank you.

Executive Director & CFO FU Junyuan	<ul style="list-style-type: none"> ➤ Revenue of 2017 increased by 11.83% to RMB482,284 million. The growth was attributable to the increase in the revenues from the infrastructure construction business, infrastructure design business, dredging business and other businesses, (all before elimination of inter-segment transactions), respectively, representing a growth rate of 14.67%, 2.42%, 12.59% and 28.25%, respectively, over the corresponding period of 2016. Meanwhile, revenue from heavy machinery manufacturing business (before elimination of inter-segment transactions), representing a decline rate of 8.19%, from the corresponding period of 2016. ➤ The integrated gross profit of first half is RMB67,432 million, representing an increase of 4.81%. Wherein, the integrated gross profit from main businesses is RMB65,914 million, representing an increase of 4.12%. ➤ The integrated gross profit margin is 13.97%, representing a decline of 0.93%. The integrated gross profit margin from main businesses is 13.75%, representing a decline of 1.00%. The decline of gross profit margin is main due to the gross profit margin increase in infrastructure construction business, infrastructure design, dredging business and other business and decline in heavy machinery manufacturing business.
Visitor 78738	<ul style="list-style-type: none"> ➤ Hi Board Secretary, as far as I am concerned, the profit of the Company soared in 2017. What was the reason?
Board Secretary & Company Secretary ZHOU Changjiang	<ul style="list-style-type: none"> ➤ In 2017, the investment profit was RMB 7,095 million, representing a year-on-year increase of 275.51%, thanks to the transfer of the 29.99% equity yield of ZPMC in the reporting period and considerable profits gained from the disposal of financial assets and other long-term equity investment by subsidiary companies.
Visitor 43420	<ul style="list-style-type: none"> ➤ What are the plans for the development of the Company in the second half of 2018?
Board Secretary & Company Secretary ZHOU Changjiang	<ul style="list-style-type: none"> ➤ We are making every effort to achieve the growth of new contracts up to 8% and operating revenues of RMB 490 billion in 2018.
Visitor 91089	<ul style="list-style-type: none"> ➤ According to the 2017 Annual Report, what was the main reason for the dramatically decrease of the corporate income tax?
Executive Director & CFO FU Junyuan	<ul style="list-style-type: none"> ➤ In 2017, the first-half corporate income tax rate was 24.85% while the whole year was 19.71% only, mainly due to the increase of the number of subsidiary companies that enjoy the beneficial low rate in the year and the surge of the nontaxable income in the second half.
Visitor 98516	<ul style="list-style-type: none"> ➤ How many PPP programs were there among the new orders and backlog of 2017? What were the contribute rates to revenues and profits by PPP programs respectively? How many programs of the Company will be involved with the clear-out of PPP programs?
Executive Director & CFO FU Junyuan	<ul style="list-style-type: none"> ➤ The PPP programs owned by the Company are mainly large-scale transport infrastructure engineering projects under the construction far from meeting the requirements of the national asset securitization pilot projects. Therefore, we will proactively follow up the adjustment of the policies to stably promote the pilot reform.
Visitor 49821	<ul style="list-style-type: none"> ➤ Why did the revenues of the dredging business of the Company rise sharply in 2017? Is there any listing plan for the dredging business in future?

Board Secretary & Company Secretary ZHOU Changjiang	<ul style="list-style-type: none"> ➤ In 2017, the dredging business completed a primary operating revenues of RMB 34,085 million, representing a year-on-year increase of 12.59%; the gross profit from primary businesses was RMB 4,567 million, down 9.94% from what was registered in the same period of last year; and the gross profit rate of primary businesses was 13.40%, dropped 3.35 percent from what was registered in the same period of last year. ➤ The soar of the operating revenues of the dredging business was mainly attributed to the volume expansion of the dredging businesses in the coastal areas. However, the fall of the gross profit rate was mainly caused by the high subcontracting cost of some projects. ➤ To consolidate the reform outcome, the Company will pay close attention to the variation of the reform policies, seeking for the reform channels of listing accordingly.
Visitor 91089	<ul style="list-style-type: none"> ➤ Hi the Management, I'm an investor supporting the Company all along. According to the Report, the Company holds a great number of financial assets locking a large amount of cash but continues financing through multiple channels for the development of the businesses; in this case, why not take the sale of financial assets into consideration to advance the utilization efficiency of capital? Are there any strategic concerns?
Executive Director & CFO FU Junyuan	<ul style="list-style-type: none"> ➤ According to the market value, the financial assets of the Company mainly involve with China Merchants Bank and China Merchants Securities in shares held since the system-reforming of the two corporations before the reconstruction of the Company. Still, the Company has in-depth strategic and business partnerships with the two corporations, which are of far-reaching significance. For the disposal of this category of financial assets, the Company will take the long-term development into account, thanks!
Visitor 15147	<ul style="list-style-type: none"> ➤ Hi Board Secretary, will there be plans such as a composite-ownership reform and share incentives issued in future? We are quite interested in this topic.
Board Secretary & Company Secretary ZHOU Changjiang	<ul style="list-style-type: none"> ➤ CCCG was identified as a pilot of central state-owned company, however, the overall plan for reform is in preparation without any notification related to the reform sent down to the Company. ➤ In light of national reform spirit and the actual condition of the enterprise, the Company is studying on facilitating reform of the salary allotment system based on the principle of "profitability rises, salary increases; profitability drops, salary decreases" to implement the classification assessment and differentiated allotment in depth, and exploring for the practical execution plans of employee stock ownership, stock option incentive, and equity dividends to boost a composite-ownership reform tentative in the appropriate business sectors or subsidiaries.
Visitor 49214	<ul style="list-style-type: none"> ➤ Does the Company have any plans of Seasoned Equity Offering? How is the progress of convertible bonds?
Board Secretary & Company Secretary ZHOU Changjiang	<ul style="list-style-type: none"> ➤ So far, the growth momentum of the Company is powerful. The PPP investment projects and overseas market development both require a large-scale capital. Therefore, the Company will continuously focus on various financing channels and choose appropriate means for financing in proper amount if required. ➤ The application materials of convertible bonds had been submitted to the regulatory and approval agency without any progress notified.
Visitor 50478	<ul style="list-style-type: none"> ➤ If CCCG pledges the shares of CCCG to the issuance of convertible bonds of RMB 16

	<p>billion, when will shares be transferred?</p>
<p>Board Secretary & Company Secretary ZHOU Changjiang</p>	<p>➤ According to the inquiry, CCCG issued convertible bonds of RMB 16 billion in November 2017 with the duration of 3 years. The stock period commences from the first trading day six months after the issuance till the bond maturity date. Accredited investors can inquire the information database of the Shanghai Stock Exchange for the original stock-for-stock price.</p>
<p>Guangdong czk</p>	<p>➤ Hi Mr. Fu, after deducting non recurrent gains and losses, the performances of 2016 and 2017 are RMB 15,130 million and 15,030 million, respectively, while the increase of net profit of 2017 is -0.69%, is it resulted from the replacement of business tax with value-added tax, increase of R&D expenditure or any other reasons?</p>
<p>Board Secretary & Company Secretary ZHOU Changjiang</p>	<p>➤ Just as I mentioned before, the transfer of the equity yield of ZPMC amounted to the discontinued operation profit of RMB 3,180 million in accordance with the accounting standards, which posed certain impact on the net profit after deducting non recurrent gains and losses.</p>
<p>Visitor 2933</p>	<p>➤ Hi CFO, did “replacement of business tax with value-added tax” affect the performance of 2017?</p>
<p>Executive Director & CFO FU Junyuan</p>	<p>➤ The “replacement of business tax with value-added tax” has been implemented for a year. From the perspective of 2017, the net profit rate was seldom affected in accordance with international standards; in terms of national standards, due to the features of “price-tax separation” in the value-added tax (VAT), “replacement of business tax with value-added tax” will result in many direct impacts on domestic infrastructure construction businesses and meanwhile drag the company’s operating income and total profit down to a certain extent, of which the income will decline by about 2 percent.</p> <p>➤ In the long run, the “replacement of business tax with value-added tax”, through the control of VAT, will propel the equipment upgrade, promote the implementation of specialization strategies, standardize the corporate operations, and improve the management level. Moreover, it will gradually weaken the negative effects on the Company, constantly facilitate management and development of the Company and unceasingly provide positive energy for the Company.</p>
<p>Visitor 1926</p>	<p>➤ Does the continuous rising price of the raw materials in the construction industry impact the profit of the Company?</p>
<p>Executive Director & CFO FU Junyuan</p>	<p>➤ In terms of the cost analysis and gross profit in 2017, the rising price of the raw materials had limited impact on the profit of the Company.</p> <p>➤ The contracts signed by the Company always include the risk provisions and risk transfer provisions for the price of materials, which specify the liabilities the Company must undertake within certain percentage while the exceeding part shall be born in compliance with the contract or by the proprietor. In addition, the centralized procurement of bulk materials has been piloting for several years, significantly enhancing its ability to resist the fluctuation of the material prices.</p>
<p>Visitor 125</p>	<p>➤ Have PPP programs been cleared out?</p>

Board Secretary & Company Secretary ZHOU Changjiang	➤ The overall operation of the PPP programs invested by the Company conforms to the standard since the national policies are strictly implemented, so is the Company approval process.
Visitor 84764	➤ What are the main operating risks of the Company?
Board Secretary & Company Secretary ZHOU Changjiang	<p>➤ As a competitor of a free market, the Company has to face up the systematic impact of the periodically fluctuation of the macro-economy on its business development; as a contractor of large-scale engineering projects, it is also confronted with the fluctuation risk of the prices of raw materials such as steel, concrete, fuel, sandstone, and asphalt. Due to the daily operation and business structure transformation, a certain scale of loans and bonds payable are in the risk of fluctuation or change of interest rates while overseas businesses are in the risk of fluctuation of exchange rates and change of international economic and political situations. Besides, most of the Company projects are under construction with the engineering sites exposed to the natural disasters such as rainstorms, floods, earthquakes, typhoons, tsunamis, and fires, emergent public health events, and force majeure risks possibly injuring engineers and damaging public properties.</p> <p>➤ Nevertheless, the annual operating revenues of the Company are more than RMB 400 billion and the total assets amount to RMB 800 billion, covering various market fields including transport infrastructure design, construction, investment, city complex development, and equipment manufacturing throughout more than 140 countries and districts overseas, endowing it with strong resistance ability to the market risks.</p>
Visitor 2233	➤ Does the Company participate in the construction of Xiong An New Area? Has the Company sensed any benefit from it yet?
Executive Director & CFO FU Junyuan	➤ In response to the national strategies, the Company actively took part in the construction of Xiong An New Area, in which it organized the high-end interaction with the Administrative Committee of Xiong An New Era for a dozen of times; facilitated the establishment of the tree platforms - CCCC Xiong An headquarters/investment company, funds investment platform, joint venture platform of China Xiong An Group; boosted the comprehensive control of the Baiyangdian Lake, comprehensive transportation of Xiong An New Area, and speciality town of temporary housing, generating a group of innovative research reports and outcomes. The substantial cooperation consensus has been reached for the Baiyangdian Lake control project and comprehensive transportation project, enabling the Company to make the largest landscape engineering among the first group of projects in Xiong An New Area come down to earth, grasping the predominance among various central state-owned enterprises, and laying a solid foundation for the development of the post projects.
Moderator	➤ Dear investors and netizens, the 2017 Annual Results Press Conference of CCCC has come to the end. Let's invite the guests from the listed company to make a summary speech.

Executive Director & CFO FU Junyuan	<ul style="list-style-type: none"> ➤ Distinguished stockholders, development knows no end and arduous endeavor launches from the time being. Standing at the new historical starting point and guided by Chinese President Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era, we initiate a new start based on the world, draw a future-oriented blueprint, seize the initiative of development, properly play the role of ace spiker of the reform by taking a leading position in the competition on the principle of integrity, liberal, and innovation, and strive to regain the glory in the building of a world-class enterprise with global competitiveness. Hope investors and social friends from all walks of life who pay attention to the Company all along continue to support us! ➤ We are more than pleased to communicate with everyone through various means and channels in future, thanks for all of you!
Moderator	<ul style="list-style-type: none"> ➤ The 2017 Annual Results Press Conference of CCCC has been successfully concluded. Thanks for your participation!