

2018 Interim Results Press Conference

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Moderator	<ul style="list-style-type: none"> ➤ Dear guests, investors and netizens, good afternoon! Welcome to CCCC 2018 Interim 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 August 29, CCCC announced its 2018 Interim Results. Investors can visit http://www.sse.com.cn/or http://roadshow.sseinfo.com/ to view the announcements. ➤ To deepen investors' knowledge of business performance of the Company, the Company decided to hold 2018 Interim 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.
Board Secretary, Company Secretary ZHOU Changjiang	<ul style="list-style-type: none"> ➤ Dear moderator and investors, good afternoon! Welcome to CCCC 2018 Interim 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 the first half of 2018 to deepen your understanding of us. ➤ In the first half of 2018, under the overall principle of making progress while maintaining stability, the strategy of “experts in five areas” and the position of “three roles”, the Company put forth effort to improve the quality, profitability and core competitiveness, and continuously optimized the industrial layout, improved the industry chain and strengthened the development foundation. It achieved good results of deep integration of party building work and businesses, and a steady development with sound momentum. ➤ In the first half of 2018, the revenue of the Group was RMB207,586 million, representing an increase of 16.1%; the profit attributable to owners of the parent was RMB8,257 million, representing an increase of 4.9%; the earnings per share were RMB0.46. The value of new contracts reached RMB428,768 million, up by 1.7%. As of 30 June 2018, the backlog amounted to RMB1,546,682 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.
Visitor	<ul style="list-style-type: none"> ➤ Is the revenue growth of 9.6% in the first half of the year in line with expectations? What is the difference between it and the 16% growth rate of Hong Kong stocks?
Board Secretary, Company Secretary ZHOU Changjiang	<ul style="list-style-type: none"> ➤ The Group's revenue target is RMB 490 billion in 2018, 43% of which has been achieved in the first half of the year, being in line with expectations. As of the end of 2017, the amount of the unperformed contracts reached RMB 1.37 trillion, showing that the orders are sufficient. The increase in revenue in the first half of the year was mainly reflected in the overseas revenue reaching RMB 43 billion, accounting for 21%, and a year-on-year increase of 24%. At the same time, the construction and installation projects driven by the PPP investment projects and the income from the highway

	<p>foreign exchange project settlement increased significantly.</p> <p>➤ In accordance with China Accounting Standards, ZPMC had off balance assets during the reporting period, but the previous year's base was not retrospectively adjusted, and compared with RMB 190.1 billion in the same period last year, the revenue growth was approximately 9.6%. According to the International Accounting Standards, ZPMC had off balance assets during the reporting period, but the previous year's base was retrospectively adjusted, and compared with RMB 178.8 billion in the same period last year, the revenue growth was approximately 16.1%.</p>
Visitor	➤ What is the reason for the significant decrease in income tax in the first half of the year?
Board Secretary, Company Secretary ZHOU Changjiang	➤ This was mainly due to the increase in the number of subsidiaries enjoying low tax incentives in this year and the significant increase in non-taxable income in the first half of the year.
Visitor	➤ Does the Company have an additional issuance plan? How is the progress of convertible bonds going?
Board Secretary, Company Secretary ZHOU Changjiang	<p>➤ At present, the Company has a good development momentum. In the process of PPP investment projects and overseas market expansion, there is a large demand for funds. The company will keep paying attention to various financing channels, and choose the right way for appropriate financing as necessary.</p> <p>➤ The convertible bond application materials have been submitted to the regulatory and approval authority and there is no progress.</p>
Visitor	➤ What is the price of the exchangeable bond/equity swap?
Board Secretary, Company Secretary ZHOU Changjiang	➤ According to the enquiry, China Communications Construction Group issued exchangeable bonds of RMB 16 billion in November 2017 with a term of three years. The exchangeable bond's conversion period is from the first trading day following 6 months of the date of the issuance of the current exchangeable bonds to the maturity date of the current exchangeable bonds. The initial conversion price qualified investment can be inquired in the trading information database of SSE.
Visitor	➤ Dear leaders, what is the reason for the significant drop of the profitability of dredging business? Are you still considering the spin-off listing?
Board Secretary, Company Secretary ZHOU Changjiang	➤ In the first half of 2018, the market development suffered and the progress in implementing large channel dredging projects was slow due to sustained downturn in the traditional dredging business market, protection of sea areas and coastal zones and intensified control of sea reclamation. Under market pressure, the Company gave full play to its unique advantages, actively expanded national key strategic projects, and focused on market opportunities in the field of ecological and environmental protection, thus achieving good performance. It promoted comprehensive development and extension of Jinjiang River and Tuojiang River projects towards both banks. It created and showed the "CCCC model" and "CCCC quality" of river basin treatment projects including Baiyangdian and Yongding River. It promoted the launch and implementation of projects of dredging and renovation of sea areas and coastal zones, including the EPC project of comprehensive treatment of water environment in Tieshi District of Qianhai in Shenzhen, and the project of comprehensive treatment in Shenzhen Bay. It won the bid for the PPP Project of Painted Surface Treatment and Soft Foundation Treatment in

	<p>East New District of Taizhou in Zhejiang Province, and the PPP project for the construction works of the ecological water system in Gongyi City.</p> <ul style="list-style-type: none"> ➤ In the next step, the Company will give full play to its advantages as a leading company under the guidance of “One Body and Two Wings”, enhance the development of key regions, and will shift its market focus from solely China to both China and foreign countries. ➤ The reform plan for dredging business has been included in the “Double Hundred Actions” of the State-owned Assets Supervision and Administration Commission of the State Council. The company will actively focus on the reform and regulatory policies and steadily promote the spin-off listing.
Visitor	➤ What is the performance of each segments of company’s business?
Board Secretary, Company Secretary ZHOU Changjiang	<ul style="list-style-type: none"> ➤ In the first half of the year, the operating income was RMB 208.4 billion, a year-on-year increase of 9.6%. Among them, the main business income was RMB 207.1 billion, a year-on-year increase of 9.7%. The main business revenue growth was mainly due to: a year-on-year respective increase of 16.7%, 8.8%, 4.2%, and 67.8% of the main business income of the infrastructure construction business, infrastructure design business, dredging business and other business (before the offsetting inter-segment transactions). ➤ The consolidated gross profit margin is 13.87%, an increase of 0.09%. The gross profit margin of the main business is 13.74%, an increase of 0.06%.
Visitor	➤ Dear leaders, the amount of the contracts newly signed by the Company in the first half of the year only increased by 1.68%. Recently, the government said it will increase infrastructure investment, so what areas will benefit in the perspective of the Company?
Board Secretary, Company Secretary ZHOU Changjiang	<ul style="list-style-type: none"> ➤ In the first half of the year, the amount of newly signed contracts reached RMB 428.8 billion, and 44% of the targets for new contracts in the year has been achieved, being in line with expectations. ➤ In the first half of the year, the domestic market, port construction and dredging market continued to be sluggish, the opportunities for supper major bridge projects were reduced, the launch of new projects such as subways and highways were slow down for being affected by de-leveraged and PPP project clearings, and emerging markets such as environmental protection and water conservancy projects though make supplements therefor, the effect is implicit. For the overseas market, which is affected by the large order base of the East Malaysia Railway in the same period of last year, the new orders signed were negative growth year-on-year, but they still could not cover up the new achievements of overseas market development. Among them, the development of the Australian market has achieved remarkable results, and the Company’s status of being the bellwether for the “Belt and Road” will be further consolidated in the future. ➤ In the second half of the year, the domestic market will focus on market opportunities in projects such as railways, highways, rail transit, and environmental protection & water conservation. The overseas markets will continue to focus on the “Belt and Road” initiative, Africa’s “High-speed railway network, highway network, regional aviation network, industrialization”, international capacity cooperation, and “six corridors, six roads, multi-country and multi-port” and other national strategic initiatives to increase key project opportunities, expand market development and strive to make new achievements continuously.

Visitor	<ul style="list-style-type: none"> ➤ Dear Leaders, what is the main reason for the gross profit margin of the infrastructure construction business to rise steadily? Is there any pressure on rising raw material prices?
Board Secretary, Company Secretary ZHOU Changjiang	<ul style="list-style-type: none"> ➤ In the first half of the year, the income from infrastructure construction business increased by 16.7%, and the gross profit margin improved slightly by 0.46%, which had a significant effect on the steady growth of the Company's performance. The improvement in gross profit margin was mainly attributable to the rapid growth of engineering revenue driven by overseas projects and PPP investment projects, which resulted from higher gross profit margins of these projects. ➤ In the first half of the year, the cost of infrastructure construction business accounted for 90% of the Company's total cost. By analyzing the Company's cost breakdown, raw materials increased by 4% year-on-year but lower than the growth rate of revenue, while the proportion of cost decreased from 32.8% in the same period of last year to 30.9% in the current year, indicating that the Company has proper control over material costs. By the reasonable arrangement of the annual procurement plan, the high bargaining power is obtained from the wide-ranging applications of centralized procurement, and the arrangements of transfer of appropriate raw material price risk to the subcontractor have achieved good results.
Visitor	<ul style="list-style-type: none"> ➤ Have PPP programs been cleared out?
Board Secretary, Company Secretary ZHOU Changjiang	<ul style="list-style-type: none"> ➤ 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. ➤ In the previous period, the Company has been cooperating with the competent authorities for verification. At present, the Company has not received any notice that any program is cleared out.
Visitor	<ul style="list-style-type: none"> ➤ Dear Board Secretary, may I ask if the Company will have reform plans such as mixed reform and equity incentives?
Board Secretary, Company Secretary ZHOU Changjiang	<ul style="list-style-type: none"> ➤ The controlling shareholder of the Company, China Communications Construction Group, was determined by the State Council as a pilot of the state-owned capital investment company, which is a full affirmation for the management, reform and development of the Company including China Communications Construction, and will have a far-reaching impact on the "13th Five-Year Plan" and later development of the China Communications Construction Group. ➤ The overall plan for the reform of China Communications Construction Group is in the progress. If there are reforms involving China Communications Construction, we will promptly disclose them to and communicate with investors according to regulatory requirements.
Visitor	<ul style="list-style-type: none"> ➤ Dear Board Secretary, what is the main reason for the Company's R&D expenses to increase by 27.4%?
Board Secretary, Company Secretary ZHOU Changjiang	<ul style="list-style-type: none"> ➤ Mainly for the rapidly increase of income in the first half of the year of the infrastructure construction business. The relevant subsidiaries are seeking high-tech enterprise certification (research and development expenses accounted for not less than 3% of income), thus enjoying 15% income tax rate concessions leading to the increase of R&D expenses (effective tax rate drops from 24.8% in the same period last year to

	21.6%). The above R&D expenses are mainly used for the R&D project arrangement corresponding to the newly started project.
Visitor	➤ How will the Company deal with exchange rate risk while it is vigorously developing overseas business? What is the main reason for the exchange loss in the first half of the year?
Board Secretary, Company Secretary ZHOU Changjiang	➤ The company's overseas revenue accounts for 21% of the Company's revenue, and the settlement currency is mostly in US dollars, followed by the euro and local currency. In order to reduce the exchange rate risk, the corresponding procurement and subcontracting expenses are also mainly made by foreign currency. At the same time, in order to deal with exchange rate risks, the Company will appropriately reduce risks by strengthening settlement and through forward foreign exchange products.
Visitor	➤ 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 900 billion, covering various market fields including transport infrastructure design, construction, investment, city complex development, throughout more than 135 countries and districts overseas, endowing it with strong resistance ability to the market risks.</p>
Visitor	➤ What are the impacts of cancelling the East Malaysia Railway on the Company?
Board Secretary, Company Secretary ZHOU Changjiang	<p>➤ In June 2017, the Company confirmed that the East Malaysia Railway contract entered the implementation phase, and the contract amount was converted into circa RMB 72.8 billion. In the second half of the year, according to the contract and at the request of the owner, the Company organized the pre-project design and survey work, as well as the pre-construction organization and entry arrangements. In July of this year, the Company shut down the entire project under the owner's notice.</p> <p>➤ In the above implementation phase, the Company received the owner's advance payment, and did not have an advance funding arrangement for the amount of work incurred.</p> <p>➤ At present, the Company has noticed relevant media reports, but the Company has not received official notice from the owners of the East Malaysia Railway. Therefore, the relevant situation must be further verified. If the East Malaysia Railway Project is</p>

	indeed cancelled, the Company hopes that the two parties will find a solution to the problem on the basis of respecting the contract and mutual benefit.
Visitor	➤ What are the advantages of the Company in environmental protection projects? What is the progress of the Yongding River project?
Board Secretary, Company Secretary ZHOU Changjiang	<ul style="list-style-type: none"> ➤ The company has rich technical and performance reserves in the field of environmental protection. At the same time, it will also consider cooperating with private enterprises with technological advantages. According to market changes, we will pool resources and rapidly enter emerging markets, focusing on water environment management and sponge city construction market. ➤ On June 28, Yongding River Basin Investment Co., Ltd. held an opening ceremony, marking the official implementation of the Yongding River Comprehensive Management and Ecological Restoration Project. The registered capital of the Company is RMB 8 billion. The shareholding ratio is: Beijing Water Authority 35%, China Communications Construction Dredging 30%, Shanxi Water Authority 15%, Hebei Water Authority 15%, Tianjin Water Authority 5%. The estimated total investment of the project is RMB 36.98 billion, of which 20% is funded by the central government, 20% is contributed by shareholders, and the remaining 60% is financed by Yongding River Basin Investment Co., Ltd. The project is planned to start construction at the end of 2018 and be completed in 2025.
Visitor	➤ Will the Company still have any ABS plan of PPP projects in 2018?
Board Secretary, Company Secretary ZHOU Changjiang	➤ 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.
Moderator	➤ Dear investors and netizens, the 2018 Interim Results Press Conference of CCCC has come to the end. Let's invite the guests from the listed company to make a summary speech.
Board Secretary, Company Secretary ZHOU Changjiang	<ul style="list-style-type: none"> ➤ The year 2018 is the first year after the 19th CPC National Congress as well as the 40th anniversary of the reform and opening up and a key transitional year for completion by the Company of tasks under the 13th Five-Year Plan. Facing new problems and the new trend in the complicated and changeable situation, the Company will gather strength to overcome difficulties in a more stirring, practical and steady manner in the second half of 2018, so as to ensure that annual targets and tasks are fully completed. ➤ We are more than pleased to communicate with everyone through various means and channels in future, thanks for all of you!
Moderator	➤ The 2018 Interim Results Press Conference of CCCC has been successfully concluded. Thanks for your participation!