

2021 Interim Performance Briefing of China Communications

Construction (601800.SH and 1800.HK)

Part I Performance Reporting

Moderator: Hello, everyone. Welcome to the 2021 Interim Performance Briefing of China Communications Construction (“CCCC”). On the basis of legal compliance and proper epidemic prevention and control, we hold this online performance briefing today to fully cover the market demand. The following CCCC leaders are present at this meeting today:

Executive Director and President Mr. Wang Haihui

CFO Mr. Zhu Hongbiao

Vice President Mr. Chen Zhong

Board Secretary and Company Secretary Mr. Zhou Changjiang

I am Yu Jingjing from the Board Office.

This meeting includes two parts. In Part I, the CCCC’s operating performance for the first half of 2021 will be reported, while in Part II, the management will answer your top concerns.

I hope that through this meeting, you will be able to better understand CCCC’s operating performance in the first half of the year, and that you can give your valuable comments and suggestions when the management shares the business development for the whole year and the medium and long-term business strategies. I hope that through this sincere exchange, we can further promote the high-quality, steady development of CCCC and create greater value for our investors.

Next, I will report CCCC's operating performance for the first half of 2021 to you for about half an hour.

If there is no special description of the PPT and the main data discussed, the international accounting standards will be applied. During the reporting, investors attending the meeting can leave a message online at any time to raise your concerns and suggestions. After the end of Part I, the management will select 2-3 questions

with high attention from your messages to answer.

I. Overall Performance

In 2021, which is the first year of the "14th Five-Year Plan" that focuses on high-quality development, CCCC steadily promoted each work in an orderly manner in the first half in accordance with the Group's strategic objective of "two maintains and one strive" and the idea of "tightening the belts", and all major performance indicators realized rapid growth.

In the first half of the year, the sales revenue amounted to RMB339.2 billion, a significant year-on-year increase of 38.2%, with 49% of the annual target achieved. The gross profit was RMB38.015 billion, a year-on-year increase of 33.3%. On the basis of the overhead rate which was controllable and improved to certain extent, the operating profit was RMB18.458 billion, a year-on-year growth of 36.3%. Given the controllable overall growth of financial expenses and a decrease in the expense rate, the effective tax rate decreased significantly on a year-on-year basis, and the impact of the increase in minority interest income was overcome. The profit attributable to the parent company reached RMB10.386 billion, a substantial year-on-year increase of 88.3%. The earnings per share reached RMB0.6.

II. Market Development

Faced with a complicated and severe external environment, CCCC made great achievements in market development again. In the first half of the year, the value of new contracts reached RMB685.131 billion, indicating 58% of the annual target has been realized. By business segment, the value of new contracts in infrastructure construction business, infrastructure design business, and dredging business realized RMB601.252 billion, RMB25.886 billion, and RMB52.828 billion, contributing 88%, 4%, and 8%, respectively, to CCCC; and the value of new contracts in other business realized RMB5.165 billion.

By region, the value of new contracts in overseas regions reached RMB91.77 billion, a year-on-year decrease of 21.5%, contributing 13% to CCCC.

By business type, the value of new contracts in investment business represented by urban complex development, franchising, and PPP projects in the first half of the

year amounted to RMB140.7 billion, contributing 21% to CCCC. These projects are expected to generate construction and installation contracts of RMB120.8 billion.

For the first half of the year, the value of CCCC's unfinished contracts in progress was RMB2,986.4 billion, and the order reserves were sufficient.

III. Infrastructure Construction Business Contracts

First of all, the value of new contracts for domestic projects in the infrastructure construction business was RMB510.898 billion, accounting for 85% of the infrastructure construction business, with a significant year-on-year increase of 40.8%. The value of new contracts for overseas projects was RMB90.354 billion, accounting for 15% of the infrastructure construction business, with a year-on-year decrease of 21.5%.

In terms of domestic projects, port construction, road and bridge construction, railway construction, and urban construction including airport, water conservancy, and housing construction accounted for 5.4%, 25.2%, 1.9%, and 52.5%, respectively.

By comparison, the significant increase in the value of new contracts in infrastructure construction business in the first half of the year was mainly attributable to the increase of road and bridge construction projects as well as the increase of various projects such as urban construction projects.

IV. Business Segments' Contribution to Revenue

In the first half of the year, the sales revenue from all business segments increased significantly. In terms of the four business segments, the infrastructure construction business generated RMB303.73 billion, a significant year-on-year increase of 38.8%, contributing 85.6% to CCCC; the infrastructure design business generated RMB20.897 billion, a year-on-year increase of 53.3%, contributing 5.9% to CCCC; the dredging business generated RMB23.245 billion, a year-on-year increase of 44.2%, contributing 6.6% to CCCC; and other business generated RMB6.728 billion, contributing 1.9% to CCCC and presenting a growth of 40.4%.

V. Segment Performance

The operating profit from the infrastructure construction business was RMB15.773 billion, representing a year-on-year growth of 31.7%. The operating

profit from the infrastructure design business was RMB1.44 billion, a year-on-year increase of 117.2%, which was mainly driven by the scale of EPC projects. The operating profit from the dredging business and other business was RMB1.011 billion and RMB195 million, representing a year-on-year increase of 93.7% and a year-on-year decrease of 5.3%.

VI. Operating Cost Structure

Through the analysis of main items of operating costs, it can be seen that costs of raw materials and consumables, subcontracting costs, and employee compensation accounted for 30.3%, 43.8%, and 8.7%, respectively, of operating costs. The overall proportions and composition were basically similar to those in previous years.

In terms of the proportion to the sales revenue, costs of raw materials and consumables accounted for 28.6%, down by 1 percentage point year on year; and subcontracting costs accounted for 41.3%, up by 6.6 percentage points year on year. Overall, CCCC effectively controlled the costs of raw materials in the first half of the year. The increase in subcontracting costs was mainly attributable to the increase in the subcontracting scale resulting from the increase in the business scale, with due consideration given to the pro rata transfer of prices of raw materials to subcontractors.

VII. Performance of Infrastructure Construction Business

The contract value in the infrastructure construction business increased significantly by 25.8% in the first half of the year. For the first half of the year, the value of unfinished contracts reached RMB2,660.7 billion.

In terms of financial performance, the revenue in the first half of the year reached RMB303.73 billion, a year-on-year increase of 38.8%, which was mainly attributable to the increase in revenue from various projects such as road projects and urban construction projects as well as the significant increase in revenue from overseas projects as the overall overseas epidemic prevention and control was appropriate.

The gross profit was RMB 31.872 billion, a significant increase of 32.8%. The gross profit margin decreased slightly from 11.0% of the same period last year to

10.5%, which was mainly attributable to the relatively low gross profit margin of some new projects but the significant increase in revenue contribution.

In terms of performance distribution, the operating profit was RMB15.773 billion, representing a year-on-year growth of 31.7%. The operating profit margin decreased slightly from 5.5% of same period last year to 5.2%. The year-on-year overhead rate was properly controlled, and the decrease was mainly attributable to the increase in R&D expenses.

VIII. Performance of Infrastructure Design Business

The value of new contracts in the infrastructure design business in the first half of the year was RMB25.886 billion, a significant year-on-year increase of 62.9%. By contract, survey and design contracts, engineering supervision contracts, EPC project contracts, and contracts for other projects including PPP projects accounted for 26%, 2%, 62%, and 8%, respectively. The value of unfinished contracts in progress was RMB139.8 billion.

In terms of financial performance, the sales revenue in the first half of the year was RMB20.897 billion, a significant increase of 53.3%, which was mainly attributable to the increase of EPC projects.

The gross profit was RMB2.951 billion, with a year-on-year significant increase of 52.3% and an obvious effect of the scale growth. However, the increase in revenue contribution from EPC projects resulted in a slight decrease of the gross profit margin which was 14.1% in the first half of the year.

The operating profit was RMB1.44 billion, a significant year-on-year increase of 117.2%. Given an increase in R&D expenses, the operating profit margin increased significantly to 6.9% from 4.9% in the same period last year.

IX. Performance of Dredging Business

In terms of the contract value, the dredging business generated RMB52.828 billion, a significant year-on-year increase of 52.1%, which was mainly attributable to the significant increase in the impact of the field of newly expanded projects, including environmental protection, water conservancy, and municipal projects, on the business, with the market share of traditional business maintained. The value of

unfinished contracts in progress was RMB177.1 billion, and the order reserves were sufficient.

In terms of financial performance, the sales revenue reached RMB23.245 billion, a year-on-year significant increase of 44.2%.

The gross profit was RMB2.616 billion, a year-on-year increase of 28%. The profit margin in the first half of the year dropped from 12.7% in the same period last year to 11.3% due to the relatively low profit margin of some new projects though the revenue contribution of these projects increased somewhat.

In terms of performance distribution, the operating profit was RMB1.011 billion, a year-on-year increase of 93.7%. Given an increase in R&D expenses, the operating profit margin increased from 3.2% in the same period last year to 4.3%.

X. Capital Expenditure

In the first half of the year, the capital expenditure was RMB22.261 billion, down by 2.5% on a year-on-year basis. Specifically, the capital expenditure for franchise BOT projects in the infrastructure construction business reached RMB14.438 billion, which was lower than RMB15.73 billion in the same period last year. The decrease was closely related to CCCC's strategic arrangement of strengthening investment and speeding up the adjustment to the project structure. In terms of investment projects, with the long, medium, and short investment return cycle taken into main consideration, CCCC will pay more attention to short and medium-term projects. The impact of the scale of franchise projects on investment projects is decreasing.

XI. Summary of Income Statement

In the first half of the year, sales revenue increased significantly by 38.2%. As the overall gross profit margin was controllable, the gross profit reached RMB38.015 billion, a year-on-year increase of 33.3%. The operating profit increased by 36.3% on a year-on-year basis. The increase was higher than that of gross profit because, on the one hand, the overhead rate was properly controlled and, on the other hand, the impact of losses in other net income due to the exchange loss (last year: exchange gain) caused by the appreciation of RMB was overcome. The profit attributable to the

owners of the parent company was RMB10.386 billion mainly due to the improvements and achievements in several aspects: first, the financial expenses were properly controlled, and the financial expenses rate dropped from 2.8% in the same period last year to 2.7% this year; second, direct and indirect investments in franchise projects recorded losses last year due to the impact of the epidemic, while revenue increased significantly this year as the expenses were normal; third, due to the decrease in the losses of deferred income tax assets of franchise projects, the income tax rate dropped sharply from 28.2% in the same period last year to 18.7% this year; and finally, the minority interest income increased significantly, which was mainly attributable to subsidiaries' increased demand for the issuance of perpetual bonds. Under the joint influence of the above factors, the profit attributable to the owners of the parent company reached RMB10.386 billion, and the net profit margin significantly improved from 2.2% in the same period last year to 3.1% this year, indicating significant improvements in performance.

XII. Summary of Balance Sheet

The main items of the balance sheet are shown in PPT. We draw investors' attention to the following aspects: First, the intangible assets of long-term assets realized limited growth in the first half of the year, reflecting CCCC's adjustment to investment projects. Second, the amount of short-term debts was relatively large, with an increase of 62.3% compared with the end of last year, which was mainly attributable to some arrangements in fund raising to meet the rapid increase of business scale in the first half year. The asset-liability ratio increased by 1.7 percentage points from the end of last year, but if compared with the same period last year, it decreased by 0.8 percentage point, reflecting certain improvement.

XIII. Financial Leverage

For the financial leverage measured based on different standards, please refer to PPT for reference.

XIV. Cash Flows

According to the Interpretation Document No.14 of the Accounting Standards for Business Enterprises, cash flows from operating and investing activities have been

adjusted accordingly this year. The data of H shares have been adjusted retrospectively and are directly comparable; no retroactive adjustment is made for A shares, but adjustment data can be obtained by consulting the notes to the financial report. According to international standards, the net outflow from operating activities in the first half of the year was RMB64.6 billion while that in the same period last year was RMB53.4 billion. The outflow scale was generally in line with the production and operation situation of CCCC in the first half of the year, and the growth rate of expenditure was lower than that of revenue.

In terms of cash flows from investing activities, the net outflow in the first half of the year was RMB22.4 billion, which was lower than that of RMB29.3 billion in the same period last year. The decrease was mainly attributable to the decrease in capital expenditure for franchise, coupled with the decrease in investment in PPE fixed assets.

In terms of cash flows from financing activities, the net inflow was RMB91 billion in the first half of the year.

In summary, the effectiveness of fund management is mainly reflected in two aspects. First, CCCC is speeding up the improvement in cash management, which is mainly reflected in the three-year action plan for "two funds" control. Second, cash flows have been incorporated into CCCC's control targets. Therefore, please pay more attention to CCCC's work progress in this aspect. The Company will continuously promote its high-quality development through measures such as strengthening management, adjusting project structure, and improving cash management.

The report on the overall operating performance for the first half of the year is shared as above for your reference.