
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any of the contents of this supplemental circular or as to what action to take in relation to this supplemental circular, you should consult appropriate independent advisers to obtain independent professional advice.

If you have sold or transferred all your shares in China Communications Construction Company Limited, you should at once hand this supplemental circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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中國交通建設股份有限公司
CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1800)

SUPPLEMENTAL CIRCULAR FOR THE ANNUAL GENERAL MEETING:
(1) EXTENSION OF THE VALIDITY PERIOD OF THE GENERAL MEETING
RESOLUTION IN RELATION TO THE A SHARE CONVERTIBLE BONDS AND
EXTENSION OF THE VALIDITY PERIOD OF
THE CORRESPONDING BOARD AUTHORISATION;
(2) POSSIBLE SUBSCRIPTION FOR
A SHARE CONVERTIBLE BONDS BY CCCG;
(3) ESTIMATED CAP FOR THE INTERNAL GUARANTEES
OF THE GROUP IN 2019;
(4) PROPOSED LAUNCH OF ASSET-BACKED SECURITIZATION; AND
(5) SUPPLEMENTAL NOTICE OF THE ANNUAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Possible Subscription for A Share Convertible Bonds by CCCG



This supplemental circular should be read together with the circular and notice of the AGM dated 30 April 2019. A letter from the Board is set out on pages 1 to 14 of this supplemental circular. A letter from the Independent Board Committee is set out on pages 15 to 16 of this supplemental circular. A letter from Somerley, the independent financial adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders on the Possible Subscription for A Share Convertible Bonds by CCCG is set out on pages 17 to 49 of this supplemental circular.

The AGM of the Company will be held as originally scheduled at CCCC Building, 85 De Sheng Men Wai Street, Xicheng District, Beijing, the PRC at 2:00 p.m. on 18 June 2019. The supplemental notice of the AGM is set out on pages 50 to 52 of this supplemental circular.

A supplemental form of proxy for the AGM is enclosed with this supplemental circular. Whether or not you intend to attend the AGM, you are requested to complete and return the enclosed supplemental form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time appointed for holding the AGM or any adjournment thereof (i.e. before 2:00 p.m. on Monday, 17 June 2019). Completion and return of the supplemental form of proxy will not preclude you as a Shareholder from attending and voting in person at the AGM or at any adjourned meeting should you so wish.

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DEFINITIONS

In this supplemental circular, unless the context otherwise requires, the following terms shall have the following meanings:

“AGM”	the annual general meeting of the Company to be held at CCCC Building, 85 De Sheng Men Wai Street, Xicheng District, Beijing, the PRC at 2:00 p.m. on 18 June 2019
“A Share(s)”	domestic share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange under the stock code 601800 and traded in RMB
“A Share Convertible Bond Issuance Plan”	the A Share convertible bonds issuance plan of the Company approved by the Shareholders at the 2017 second extraordinary general meeting of the Company on 22 November 2017 and renewed by the Shareholders at the 2017 annual general meeting held on 20 June 2018 for 12 month valid period commencing from the conclusion of the 2017 annual general meeting
“A Share Convertible Bonds”	the convertible corporate bonds in the total amount of not more than RMB20 billion which are convertible into new A Shares and proposed to be issued by the Company within the PRC
“A Shareholder(s)”	holder(s) of A Shares
“Board”	the board of directors of the Company
“CCCCG”	China Communications Construction Group (Limited), a state-owned enterprise established under the laws of the PRC and the controlling Shareholder of the Company
“CFHEC”	CCCC First Highway Engineering Co., Ltd. (中交第一公路工程局有限公司), a wholly-owned subsidiary of the Company
“Company”	China Communications Construction Company Limited, a joint stock limited company duly incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange under the stock code 1800 and the A shares of which are listed on the Shanghai Stock Exchange under the stock code 601800
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules

DEFINITIONS

“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	overseas-listed foreign invested share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange under the stock code 1800 and traded in Hong Kong dollars
“Independent Board Committee”	the committee of Directors consisting of Mr. HUANG Long, Mr. ZHENG Changhong and Mr. NGAI Wai Fung who are independent non-executive Directors, formed to advise the Independent Shareholders on the Possible Subscription for A Share Convertible Bonds by CCCG
“Independent Shareholders”	the Shareholders, other than CCCG and its associates who will abstain from voting on the relevant resolution in relation to the Possible Subscription for A Share Convertible Bonds by CCCG at the AGM
“Latest Practicable Date”	23 May 2019, being the latest practicable date for ascertaining certain information included herein before the printing of this supplemental circular
“Possible Subscription for A Share Convertible Bonds”	the possible exercise of the pre-emptive rights by CCCG to subscribe for A Share Convertible Bonds under the A Share Convertible Bond Issuance Plan
“PRC”	the People’s Republic of China and for the purpose of this supplemental circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Issuance of A Share Convertible Bonds”	the issuance of A Share Convertible Bonds proposed by the Company according to the A Share Convertible Bond Issuance Plan

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	A Share(s) and/or H Share(s)
“Shareholder(s)”	the shareholder(s) of the Company
“Sommerley” or “Independent Financial Adviser”	Sommerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders on the Possible Subscription for A Share Convertible Bonds by CCCG
“%”	per cent

LETTER FROM THE BOARD



中國交通建設股份有限公司
CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1800)

Executive Directors

LIU Qitao
SONG Hailiang
CHEN Yun

Registered Office:

85 De Sheng Men Wai Street
Xicheng District
Beijing 100088
the PRC

Non-executive Directors

LIU Maoxun
QI Xiaofei

Principal Place of Business in Hong Kong:

Room 2805, 28th Floor
Convention Plaza Office Tower
1 Harbour Road, Wanchai
Hong Kong

Independent non-executive Directors

HUANG Long
ZHENG Changhong
NGAI Wai Fung

30 May 2019

To the Shareholders,

Dear Sir or Madam,

**SUPPLEMENTAL CIRCULAR FOR THE ANNUAL GENERAL MEETING:
(1) EXTENSION OF THE VALIDITY PERIOD OF THE GENERAL MEETING
RESOLUTION IN RELATION TO THE A SHARE CONVERTIBLE BONDS AND
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LETTER FROM THE BOARD

A. INTRODUCTION

References are made to the circulars of the Company dated 3 November 2017, 30 April 2018 and 1 November 2018 in relation to, among others, the Proposed Issuance of A Share Convertible Bonds, the proposal to general meeting to authorise the Board or its authorised persons to manage the matters relating to the Proposed Issuance of A Share Convertible Bonds, the extension of the validity period of the general meeting resolution in relation to the A Share Convertible Bonds and extension of the validity period of the corresponding Board authorisation, and the Possible Subscription for A Share Convertible Bonds by CCCG. References are also made to the circular and the notice of the AGM dated 30 April 2019.

The purpose of this supplemental circular is to provide you with, among other things, (i) details of the extension of the validity period of the general meeting resolution in relation to the A Share Convertible Bonds and extension of the validity period of the corresponding Board authorisation, the Possible Subscription for A Share Convertible Bonds by CCCG, the estimated cap for the internal guarantees of the Group in 2019, and the proposed launch of asset-backed securitization; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders on the Possible Subscription for A Share Convertible Bonds by CCCG; (iii) a letter from Somerley containing its advice to the Independent Board Committee and the Independent Shareholders on the Possible Subscription for A Share Convertible Bonds by CCCG; and (iv) a supplemental notice of the AGM, in order to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the AGM.

B. EXTENSION OF THE VALIDITY PERIOD OF THE GENERAL MEETING RESOLUTION IN RELATION TO THE A SHARE CONVERTIBLE BONDS AND EXTENSION OF THE VALIDITY PERIOD OF THE CORRESPONDING BOARD AUTHORISATION

References are made to the circular of the Company dated 3 November 2017 and the announcement of the Company dated 22 November 2017 in relation to, among others, the Proposed Issuance of A Share Convertible Bonds and the proposal to general meeting to authorise the Board or its authorised persons to manage the matters relating to the Proposed Issuance of A Share Convertible Bonds. The Shareholders resolved by way of special resolutions at the 2017 second extraordinary general meeting held on 22 November 2017 in respect of such resolutions with validity periods of 12 months commencing from the conclusion of the 2017 second extraordinary general meeting. Under the proposal for the Board authorisation, the Shareholders also resolved to authorise the Board to delegate its authorisation to the Director team, which comprises of Mr. Liu Qitao, Mr. Chen Fenjian and Mr. Fu Junyuan with effect from the conclusion of the 2017 second extraordinary general meeting.

LETTER FROM THE BOARD

References are also made to the circular of the Company dated 30 April 2018 and the announcement of the Company dated 20 June 2018 in relation to, among others, the extension of the validity period of the general meeting resolution in relation to the A Share Convertible Bonds and extension of the validity period of the corresponding Board authorisation. The Shareholders resolved by way of a special resolution at the 2017 annual general meeting held on 20 June 2018 in respect of such resolution to extend the abovementioned validity periods for another 12 months commencing from the conclusion of the 2017 annual general meeting.

Reference are further made to the circular of the Company dated 1 November 2018 and the announcement of the Company dated 20 November 2018 in relation to, among others, the proposal to general meeting to authorise the Board or its authorised persons to manage the matters relating to the Proposed Issuance of A Share Convertible Bonds. As Mr. Chen Fenjian and Mr. Fu Junyuan resigned as the executive Directors on 16 July 2018 and 27 September 2018, respectively, the Shareholders resolved by way of a special resolution at the 2018 extraordinary general meeting to authorise the Board to delegate the above authorisation to the chairman and/or president and/or chief financial officer with effect from the conclusion of the 2018 extraordinary general meeting.

Given that the Proposed Issuance of A Share Convertible Bonds is still subject to approval by CSRC and it takes time for the Company to implement the issuance of A Share Convertible Bonds after obtaining such approval, to ensure the smooth advancement of the Proposed Issuance of A Share Convertible Bonds, the Company proposes to extend the validity periods of the resolutions on the Proposed Issuance of A Share Convertible Bonds and the authorisation to the Board or its authorised persons to manage the matters relating to the Proposed Issuance of A Share Convertible Bonds at the AGM for another 12 months from the conclusion of the AGM. Apart from the extension of the validity periods of such resolutions as aforesaid, the other terms regarding the Proposed Issuance of A Share Convertible Bonds and matters regarding the authorisation to the Board or its authorised persons shall remain unchanged.

A special resolution will be proposed at the AGM to approve the extension of the validity period of the general meeting resolution in relation to the A Share Convertible Bonds and extension of the validity period of the corresponding Board authorisation.

LETTER FROM THE BOARD

C. POSSIBLE SUBSCRIPTION FOR A SHARE CONVERTIBLE BONDS BY CCCG

1. Background

References are made to the circular of the Company dated 3 November 2017 and the announcement of the Company dated 22 November 2017 in relation to, among others, the Proposed Issuance of A Share Convertible Bonds and the Possible Subscription for A Share Convertible Bonds by CCCG. References are also made to the circular of the Company dated 30 April 2018 and the announcement of the Company dated 20 June 2018 in relation to, among others, the extension of the validity period of the general meeting resolution in relation to the A Share Convertible Bonds. References are further made to the circular of the Company dated 1 November 2018 and the announcement of the Company dated 20 November 2018 in relation to, among others, the Possible Subscription for A Share Convertible Bonds by CCCG.

On 22 November 2017, the Shareholders approved the A Share Convertible Bond Issuance Plan, which was renewed by the Shareholders at the 2017 annual general meeting held on 20 June 2018 for 12-month valid period commencing from the conclusion of the 2017 annual general meeting. Under the A Share Convertible Bond Issuance Plan, the Board proposed to issue A Share Convertible Bonds under the general mandate granted to it to issue new shares available as at the date of the issuance. The total amount of A Share Convertible Bonds proposed to be issued will not exceed RMB20 billion (inclusive of RMB20 billion), whose actual size shall be determined by the Board and its authorised persons within the above limit. Pursuant to the A Share Convertible Bond Issuance Plan, the existing A Shareholders are entitled to the pre-emptive rights to subscribe for the A Share Convertible Bonds to be issued on a pro rata basis. CCCG, as the controlling Shareholder, is entitled to the pre-emptive rights to subscribe for A Share Convertible Bonds under the A Share Convertible Bond Issuance Plan in proportion to its shareholding in A Shares.

The Possible Subscription for A Share Convertible Bonds by CCCG is a connected transaction of the Company under the Hong Kong Listing Rules, and accordingly the Company submitted this resolution to the Independent Shareholders for approval at the 2017 second extraordinary general meeting on 22 November 2017 and the 2018 extraordinary general meeting on 20 November 2018 respectively. As the mandate of the Independent Shareholders will expire on 19 June 2019, the Company proposes to extend the mandate for another 12 months at the AGM.

LETTER FROM THE BOARD

2. Terms of the Possible Subscription for A Share Convertible Bonds by CCCG

The terms of the Possible Subscription for A Share Convertible Bonds by CCCG (other than the subscription amount due to the changes in the shareholding percentage of A Shares held by CCCG) are same as the terms and conditions as set out in the A Share Convertible Bond Issuance Plan. Based on the maximum issuance size of the Proposed Issuance of A Share Convertible Bonds (i.e. RMB20 billion) and the shareholding percentage of A Shares held by CCCG (i.e. 82.48%), assuming 100% of the A Share Convertible Bonds are preferentially allocated to the existing A Shareholders, the maximum subscription amount under the Possible Subscription for A Share Convertible Bonds by CCCG is RMB16.496 billion.

Other than CCCG, to the best knowledge of the Directors, none of the Company's connected persons is entitled to pre-emptively subscribe for the A Share Convertible Bonds under the A Share Convertible Bond Issuance Plan. Further, A Share Convertible Bonds which are not subject to the preferential subscription by the existing A Shareholders and are not subscribed by the existing A Shareholders within the preferential subscription will be offered to institution investors offline or issued by way of online pricing through the trading system of the Shanghai Stock Exchange, and the remaining balance will be underwritten by the underwriters to be appointed. CCCG and its associates are not entitled to apply and/or subscribe for the remaining A Share Convertible Bonds (if any) through the abovementioned mechanism. As such, no A Share Convertible Bonds through online issuance and offline offering will be intended to be issued to the connected persons of the Company.

3. Implications under the Hong Kong Listing Rules

CCCG, which holds 82.48% of the A Shares and 59.91% of the Shares of the Company as at the Latest Practicable Date, is a connected person of the Company under the Hong Kong Listing Rules. The Possible Subscription for A Share Convertible Bonds therefore constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules and is subject to the requirements of reporting, announcement and approval by the Independent Shareholders.

All existing A Shareholders are entitled to pre-emptively subscribe for A Share Convertible Bonds on a pro rata basis. No Shareholder can enjoy any privilege in the capacity of connected persons of the Company.

The Board expects that the Company will maintain sufficient public float to meet the applicable minimum requirement under the Hong Kong Listing Rules. For details, please refer to the table in paragraph 4 below.

LETTER FROM THE BOARD

Mr. Liu Qitao and Mr. Song Hailiang, being the Directors of the Company, are also the directors of CCCG and therefore are deemed to have material interests in the Possible Subscription for A Share Convertible Bonds and have abstained from voting on the relevant Board resolution. Save for the aforementioned Directors, none of the Directors has or is deemed to have a material interest in the above transaction.

The Directors, including the independent non-executive Directors, having made all reasonable and due inquiries, consider that the Possible Subscription for A Share Convertible Bonds will not be conducted in the ordinary and usual course of business of the Company but it will be on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Effect on the Shareholding Structure of the Company

Pursuant to the A Share Convertible Bond Issuance Plan, the initial conversion price of A Share Convertible Bonds shall not be lower than (i) the average trading price of A Shares for the 20 trading days preceding the date of publication of the offering document (in the event that during such 20 trading days, the share price has been adjusted due to ex-rights or ex-dividend, the price of each of these trading days before adjustment shall be adjusted with reference to the adjusted share price following the ex-rights or ex-dividend events); (ii) the average trading price of A Shares on the trading day preceding the date of the offering document; and (iii) the latest audited net asset value per Share and the nominal value per Share. The actual initial conversion price shall be determined by the Board and its authorised persons upon negotiation with the sponsor (lead underwriter) in accordance with the market conditions, which is subject to the authorisation by the Shareholders at the AGM. The above complies with the principle for determining the initial conversion price stated in the relevant PRC laws and regulations.

For reference only and to illustrate the pricing mechanism, assuming the initial conversion price is being on the Latest Practicable Date, according to the pricing mechanism described above, the average trading price of A Shares for the 20 trading days preceding the Latest Practicable Date is RMB12.10 per Share, the average trading price of A Shares on the trading day preceding the Latest Practicable Date is RMB11.02 per Share, and the latest audited net asset value per Share (i.e. the audited net asset value per Share as of 31 December 2018) is RMB10.68 per Share. Therefore, the minimum initial conversion price on the Latest Practicable Date is RMB12.10 per Share, of which it is the highest amount among RMB12.10 per Share, RMB11.02 per Share and RMB10.68 per Share. For the avoidance of doubt, the actual initial conversion price shall be determined by the Board and its authorised persons before issuance, and the minimum initial conversion price on the Latest Practicable Date is a theoretical price determined according to the pricing mechanism, which is for illustration purpose only. Using the minimum initial conversion price of RMB12.10 per Share and

LETTER FROM THE BOARD

given the total size of A Share Convertible Bonds will not be more than RMB20 billion, the maximum number of A Shares to be converted would be approximately 1.65 billion A Shares.

The shareholding structure of the Company as at the Latest Practicable Date and upon the completion of the Proposed Issuance of A Share Convertible Bonds (assuming (i) an offering of RMB20 billion A Share Convertible Bonds; (ii) at the minimum initial conversion price of RMB12.10 per Share; (iii) the full exercise of the pre-emptive rights by CCCG (i.e. a subscription of 82.48% of the total offering, which is in proportion to its current shareholding percentage in the Company's A Shares); and (iv) the full conversion of the A Share Convertible Bonds into A Shares) is as follows:

Name of Shareholder	(i) As at the Latest Practicable Date		(ii) Immediately after the completion of the Proposed Issuance of A Share Convertible Bonds	
	Number of Shares	As a percentage of total issued Shares	Number of Shares	As a percentage of total issued Shares
A Share				
<i>Non-public</i>				
CCCG	9,689,540,204	59.91%	11,052,396,648	62.00%
<i>Public</i>				
Total issued A Shares held by the public Shareholders	<u>2,057,695,221</u>	<u>12.72%</u>	<u>2,347,186,551</u>	<u>13.16%</u>
Total issued A Shares	<u><u>11,747,235,425</u></u>	<u><u>72.63%</u></u>	<u><u>13,399,583,199</u></u>	<u><u>75.16%</u></u>
H Share				
<i>Public</i>				
Total issued H Shares held by the public Shareholders	<u>4,427,500,000</u>	<u>27.37%</u>	<u>4,427,500,000</u>	<u>24.84%</u>
Total issued H Shares	<u><u>4,427,500,000</u></u>	<u><u>27.37%</u></u>	<u><u>4,427,500,000</u></u>	<u><u>24.84%</u></u>
Total issued Shares	<u><u>16,174,735,425</u></u>	<u><u>100%</u></u>	<u><u>17,827,083,199</u></u>	<u><u>100%</u></u>

LETTER FROM THE BOARD

The conversion price is subject to adjustments upon the occurrence of events such as distribution of share dividends, capitalisation, issuance of new shares or rights issue (excluding any increase in the share capital as a result of conversion of the A Share Convertible Bonds) or the occurrence of distribution of cash dividends or where the creditor's interests or the interests derived from the share conversion of the A Share Convertible Bonds are affected. Upon occurrence of any of the abovementioned changes in Shares and/or Shareholder's interests, the Company will adjust the conversion price in accordance with the methods determined, and an announcement in relation to the adjustment of the conversion price shall be made on the media designated by the CSRC for information disclosure of listed companies.

5. Reasons for and Benefits of the Proposed Issuance of A Share Convertible Bonds and the Possible Subscription for A Share Convertible Bonds

The Directors believe that following the completion of the Proposed Issuance of A Share Convertible Bonds (including the Possible Subscription for A Share Convertible Bonds by CCCG), the Company will further expand its net assets, enhance its ability to resist risks, and consolidate the capital foundation for the sustainable development of its various business lines, which is beneficial to the Company's core competitiveness building-up and strategic objective achievement.

In recent years, the Company has maintained its fast pace of business development with abundant business reserves and increasing number of deals. Following the Company's strategic transformation, the financial demands grew and asset-liability ratio rose, which has risen the debt financing costs and will be detrimental to the future development of the Company. Therefore, the Company is required to improve its capital structure through equity type financing, such as the issuance of A Share Convertible Bonds.

Convertible bonds, as a financing instrument combining the characteristics of both shares and debts, have a long conversion period, thus being more acceptable to the investors and a more realistic choice for the Company to replenish its capital. In addition, investors are better able to benefit from their investments in convertible bonds than other equity financing tools because, with convertible bonds, the investors have the flexibility to control the timing of the conversion and profit when share prices rise above the conversion price.

When the convertible bonds are issued, the Company will pay the coupon in the short term. However, since the interest rate of the convertible bonds is comparably low, the issuance could hardly increase the Company's financial costs. After the conversion of the convertible bonds, the Company will further reduce its asset-liability ratio, improving its capital structure, enhancing its capital operation efficiency, effectively alleviating its financial cost pressures, and further releasing its growth potential. Meanwhile, the Proposed

LETTER FROM THE BOARD

Issuance of Convertible Bonds will also help the Company to raise funds to support its major businesses, including the infrastructure investment projects and relevant equipment purchase, which will in turn enhance the Company's overall efficiency and profitability. As set out in the circular of the Company dated 3 November 2017, the net proceeds from the Proposed Issuance of A Share Convertible Bonds is intended to be used for, among others, (i) as to approximately RMB12.2 billion in investment in infrastructure construction business in Guangxi, Xinjiang, Wuhan, Wenzhou, Chongqing and Fuzhou with total estimated investment value of approximately RMB38.8 billion; and (ii) as to approximately RMB7.8 billion in purchasing the engineering ships and engineering mechanical equipment to develop the infrastructure construction business. The Company has been implementing these projects using its own funds depending on the actual progress of the projects and such capital will be replaced according to the relevant regulations upon the receipt of the proceeds from the Proposed Issuance of A Share Convertible Bonds. As such, the Board believes that the delay in completion of the Proposed Issuance of A Share Convertible Bonds does not have any material adverse impact on the Company's development plan.

In addition, the Possible Subscription for A Share Convertible Bonds by CCCG also demonstrates the confidence CCCG places in the Company and its support to the development of the Company's business, which is conducive to enhancing the market image of the Company and stabilizing the trading price of the Company's Shares.

6. Internal Control Measures

To ensure other members of the Board, namely the non-executive Directors and independent non-executive Directors who do not have any connected relationship with CCCG, to promptly know the specific terms of the Proposed Issuance of A Share Convertible Bonds, the Director team comprising of Mr. Liu Qitao, Mr. Song Hailiang and Mr. Chen Yun (or any director who has connected relationship with CCCG afterwards) will report to them upon negotiation with the sponsor (the lead underwriter) in relation to the terms of the Proposed Issuance of A Share Convertible Bonds, including but not limited to the conversion price, interest rate, and maturity date. The Company will implement the A Share Convertible Bond Issuance Plan upon the approval of other members of the Board.

LETTER FROM THE BOARD

7. Latest Regulatory Procedures in relation to the Proposed Issuance of A Share Convertible Bonds

As at the Latest Practicable Date, the A Share Convertible Bond Issuance Plan is subject to the approval of the CSRC.

Within the 6 months effective period of the CSRC approval, the Board will discuss and determine the detailed terms of the Proposed Issuance of A Share Convertible Bonds with the sponsor (the lead underwriter), including shares conversion price and the number of bonds to be subscribed by existing A Shareholders. The Company will publish an announcement immediately following the issuance. If CCCG exercises its pre-emptive rights to subscribe for any A Share Convertible Bonds in its capacity as the existing A Shareholder of the Company, the Company will publish further connected transaction announcement under Chapter 14A of the Hong Kong Listing Rules.

8. General Information

The Company is a leading transportation infrastructure enterprise in the PRC with its core businesses of infrastructure construction, infrastructure design and dredging. It is primarily engaged in providing customers with integrated solutions services for each stage of the infrastructure projects leveraging on its extensive operating experience, expertise and know-how accumulated from projects undertaken in a wide range of areas over the past six decades.

CCCG is a state-owned enterprise established under the laws of the PRC and the controlling Shareholder of the Company holding approximately 59.91% interest in the issued ordinary shares of the Company as at the Latest Practicable Date. CCCG is primarily engaged in real estate development and property management, shipbuilding, ship chartering and maintenance, ocean engineering, consulting and construction services for ships and corollary equipment of harbours, import and export business, investment in and management of transportation industry, and other businesses.

An ordinary resolution will be proposed at the AGM to approve the connected transaction in relation to the Possible Subscription for A Share Convertible Bonds by CCCG.

LETTER FROM THE BOARD

D. ESTIMATED CAP FOR THE INTERNAL GUARANTEES OF THE GROUP IN 2019

According to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, a listed company, with the amount of guarantees aggregated over a period of twelve consecutive months exceeding 50 percent of its latest audited net assets and with the absolute amount exceeding RMB50 million, or when providing guarantees to enterprises with asset-to-liability ratio exceeding 70%, shall submit the transaction of granting guarantees to the shareholders' general meeting for consideration and approval, as well as make a timely disclosure.

The Company estimated that the cap for the internal guarantees of the Company in 2019 will amount to RMB67,300 million, among which, RMB59,600 million will be provided by the Company to its wholly-owned subsidiaries, RMB7,000 million will be provided by the Company to its non wholly-owned subsidiaries, and RMB700 million will be provided by the Company's wholly-owned second-tier subsidiaries to non wholly-owned third-tier subsidiaries.

The estimated cap for above guarantees can be adjusted accordingly on the basis of the possible changes: (i) the guarantee amounts for wholly-owned subsidiaries and non wholly-owned subsidiaries shall be adjusted within their respective aggregate guarantee amount; and (ii) the guarantee amount for wholly-owned subsidiaries shall not be adjusted to be used for the non wholly-owned subsidiaries, and the guarantee amount for non wholly-owned subsidiaries shall not be adjusted to be used for the wholly-owned subsidiaries either.

The resolution in relation to the estimated cap for the internal guarantees of the Group in 2019 will be valid from the date of passing the resolution at the AGM until the date of next annual general meeting of the Company. To the best knowledge and belief of the Company, none of those companies receiving guarantees is a connected person of the Company.

The aforesaid resolution, which has been resolved at the 21st meeting of the fourth session of the Board held on 29 April 2019, will be subject to the Shareholders' approval by way of an ordinary resolution at the AGM. The Board also proposed to the Shareholders to authorise the management of the Company to carry out relevant formalities when providing internal guarantees within the approved amount.

LETTER FROM THE BOARD

E. PROPOSED LAUNCH OF ASSET-BACKED SECURITIZATION

The Company intends to launch of asset-backed securitization in accordance with the following particulars:

- a. Category of asset-backed securitization: Including securitization of accounts receivable and accounts payable in the supply chain, and securitization of expressway, commercial real estate, PPP projects and other underlying assets, which will be issued by the Company in one or more installments in light of the actual underlying assets of the Company subject to the requirements of relevant regulatory authorities in the PRC, and appropriate arrangement will be taken, including but not limited to the guarantee measures such as holding of certain subordinated products and liquidity support
- b. Issuer: The Group
- c. Aggregate principal amount: Not exceeding RMB30,000 million which will be issued in one or more installments (including not exceeding RMB2,500 million to be issued by CFHEC)
- d. Effective term of the Shareholders' resolution: 12 months

The abovementioned proposed launch of asset-backed securitization requires approval of the Shareholders by way of an ordinary resolution. Accordingly, the Board proposed to seek the approval of the Shareholders by way of an ordinary resolution at the AGM to approve the abovementioned proposed launch of asset-backed securitization, to authorise the chairman and/or vice chairman and/or president and/or chief financial officer of the Company to deal with all relevant matters in relation to asset-backed securitization, and to approve the delegation of the aforementioned authorisation to the chairman and/or general manager and/or chief financial officer of CFHEC to deal with all relevant matters in relation to its asset-backed securitization of not exceeding RMB2,500 million.

F. RECOMMENDATION

The Board considers that the aforementioned proposals are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions at the AGM.

LETTER FROM THE BOARD

G. THE AGM

The AGM of the Company will be held as originally scheduled at CCCC Building, 85 De Sheng Men Wai Street, Xicheng District, Beijing, the PRC at 2:00 p.m. on 18 June 2019. The supplemental notice, which should be read together with the notice of the AGM dated 30 April 2019, is set out on pages 50 to 52 of this supplemental circular.

As a result of the additional proposed resolutions subsequent to the despatch of the notice of AGM, the original form of proxy for the AGM sent together with the notice of the AGM does not contain the additional resolutions proposed as set out in this supplemental circular. In this connection, a supplemental form of proxy for the AGM is enclosed with this supplemental circular. Whether or not you intend to attend the AGM, you are requested to complete and return the original and the supplemental forms of proxy for AGM in accordance with the instructions printed thereon not less than 24 hours before the time appointed for holding the AGM or any adjournment thereof (i.e. before 2:00 p.m. on Monday, 17 June 2019). Completion and return of the original and the supplemental forms of proxy will not preclude you as a Shareholder from attending and voting in person at the AGM or at any adjourned meeting should you so wish.

The supplemental form of proxy will not affect the validity of any form of proxy duly completed and delivered by you in respect of the resolutions set out in the notice of the AGM. If you have completed and delivered the original form of proxy and validly appointed a proxy to attend and act for you at the AGM but do not complete and deliver the supplemental form of proxy, your proxy will be entitled to vote at his discretion on the resolutions set out in the supplemental notice of the AGM dated 30 May 2019. If you do not complete and deliver the original form of proxy but have completed and delivered the supplemental form of proxy and validly appointed a proxy to attend and act for you at the AGM, unless otherwise instructed, your proxy will be entitled to vote at his discretion on the resolutions set out in the notice of the AGM dated 30 April 2019. Any vote of the Shareholders at the AGM shall be taken by poll unless otherwise required by the Hong Kong Listing Rules.

For particulars of the other resolutions proposed at the AGM, eligibility for attending the AGM, registration procedures for attending the AGM, closure of register of members and other matters regarding the AGM, please refer to the notice of the AGM and the circular of the Company dated 30 April 2019.

LETTER FROM THE BOARD

CCCG, which holds approximately 59.91% interests in the issued ordinary shares of the Company as at the Latest Practicable Date, is required to abstain from voting on the resolution approving the Possible Subscription for A Share Convertible Bonds at the AGM. Save as mentioned above, to the best of the Directors' knowledge, information and belief, none of the other Shareholders has any material interest in the transaction under the Possible Subscription for A Share Convertible Bonds and therefore will be required to abstain from voting on the relevant resolution at the AGM. In addition, to the best of the Directors' knowledge, information and belief, none of the Shareholders will be required to abstain from voting on the other resolutions as set out in this supplemental circular.

H. ADDITIONAL INFORMATION

The Independent Board Committee comprising all independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the Possible Subscription for A Share Convertible Bonds. Somerley, the Independent Financial Adviser, has been appointed in accordance with the Hong Kong Listing Rules to advise the Independent Board Committee and the Independent Shareholders on the Possible Subscription for A Share Convertible Bonds. Your attention is also drawn to the letter from the Independent Board Committee set out on pages 15 to 16, the letter from Somerley set out on pages 17 to 49 of this supplemental circular, and other information set out in the appendix to this supplemental circular.

By order of the Board

China Communications Construction Company Limited

ZHOU Changjiang

Company Secretary

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



中國交通建設股份有限公司
CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED
(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1800)

30 May 2019

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION: POSSIBLE SUBSCRIPTION FOR
A SHARE CONVERTIBLE BONDS BY CCCG**

Reference is made to the supplemental circular of the Company dated 30 May 2019 (the “**Supplemental Circular**”). Unless the content otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Supplemental Circular.

We have been appointed by the Board as the Independent Board Committee for the purpose of providing you with our opinion as to whether the Possible Subscription for A Share Convertible Bonds are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Somerley has been appointed by the Company as the Independent Financial Adviser to advise you and us in this respect. Details of its recommendation, together with the principal factors and reasons it has taken into consideration in arriving at its recommendation are set out in the letter from Somerley on pages 17 to 49 of the Supplemental Circular.

Your attention is also drawn to the letter from the Board set out on pages 1 to 14 of the Supplemental Circular. Having taken into consideration the information contained in the letter from the Board, the interests of Independent Shareholders and the advice and recommendation of Somerley, we consider that the Possible Subscription for A Share Convertible Bonds by CCCG is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, although not conducted in the ordinary and usual course of business of the Group due to the nature of such transaction, and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend that the Independent Shareholders to vote in favor of the resolution in relation to the Possible Subscription for A Share Convertible Bonds at the AGM.

Yours faithfully,
for and on behalf of
the Independent Board Committee of
China Communications Construction Company Limited

HUANG Long
*Independent Non-executive
Director*

ZHENG Changhong
*Independent Non-executive
Director*

NGAI Wai Fung
*Independent Non-executive
Director*

LETTER FROM SOMERLEY

Set out below is the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders in respect of the Possible Subscription for A Share Convertible Bonds by CCCG, which has been prepared for the purpose of inclusion in this supplemental circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

30 May 2019

*To: The Independent Board Committee and the Independent Shareholders of
China Communications Construction Company Limited*

Dear Sirs,

POSSIBLE SUBSCRIPTION FOR A SHARE CONVERTIBLE BONDS BY CCCG

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Possible Subscription for A Share Convertible Bonds by CCCG. Details of the A Share Convertible Bond Issuance Plan are set out in the supplemental circular issued by the Company to the Shareholders dated 30 May 2019 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 22 November 2017, the Shareholders approved the A Share Convertible Bond Issuance Plan. Under the A Share Convertible Bond Issuance Plan, the Board proposed to issue A Share Convertible Bonds under the general mandate granted to it to issue new shares available as at the date of the issuance. The total amount of A Share Convertible Bonds proposed to be issued will not exceed RMB20 billion (inclusive of RMB20 billion), whose actual size shall be determined by the Board and its authorised persons within the above limit. For details of the A Share Convertible Bond Issuance Plan (including but not limited to the issue price, interest rate and conversion price), please refer to the circular of the Company in relation to, among other things, the Proposed Issuance of A Share Convertible Bonds and the Possible Subscription for A Share Convertible Bonds by CCCG dated 3 November 2017 (the “**Previous Circular**”).

LETTER FROM SOMERLEY

At the 2017 annual general meeting held on 20 June 2018, the Shareholders approved to extend the validity period of the general meeting resolutions in relation to the A Share Convertible Bond Issuance Plan and the corresponding Board authorisation for another 12 months commencing from the conclusion of the 2017 annual general meeting.

As the mandate of the Possible Subscription for A Share Convertible Bonds by CCCG approved by the Independent Shareholders in November 2017 was expired in November 2018, the Company proposed and obtained the approval from the Independent Shareholders at the extraordinary general meeting of the Company held in November 2018 for the extension of such mandate for another seven months commencing from the conclusion of the said extraordinary general meeting.

Given that the Proposed Issuance of A Share Convertible Bonds is still subject to the approval by CSRC and it takes time for the Company to implement the issuance of A Share Convertible Bonds after obtaining such approval, to ensure the smooth advancement of the Proposed Issuance of A Share Convertible Bonds, the Company proposes to extend the validity periods of the resolutions on the Proposed Issuance of A Share Convertible Bonds and the authorisation to the Board or its authorised persons to manage the matters relating to the Proposed Issuance of A Share Convertible Bonds at the AGM for another 12 months from the conclusion of the AGM. Apart from the extension of the validity periods of such resolutions as aforesaid, the other terms regarding the Proposed Issuance of A Share Convertible Bonds and the authorisation to the Board and matters regarding the authorisation to the Board or its authorised persons shall remain unchanged.

Pursuant to the A Share Convertible Bond Issuance Plan, the existing A Shareholders are entitled to the pre-emptive rights to subscribe for the A Share Convertible Bonds to be issued on a pro rata basis. CCCG, as an existing A Shares Shareholder, is accordingly entitled to the pre-emptive rights to subscribe for A Share Convertible Bonds under the A Share Convertible Bond Issuance Plan in proportion to its shareholding in A Shares. Based on the maximum issuance size of the Proposed Issuance of A Share Convertible Bonds (i.e. RMB20 billion) and the shareholding percentage of the A Shares held by CCCG as at the Latest Practicable Date (i.e. 82.48%), assuming 100% of the A Share Convertible Bonds are preferentially allocated to the existing A Shareholders, the maximum subscription amount under the Possible Subscription for A Share Convertible Bonds by CCCG is RMB16.496 billion.

CCCG is the controlling shareholder of the Company holding approximately 59.91% of the Shares as at the Latest Practicable Date. It is therefore a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. As such, the Possible Subscription for A Share Convertible Bonds by CCCG constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under the Hong Kong Listing Rules.

LETTER FROM SOMERLEY

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Huang Long, Mr. Zheng Changhong and Dr. Ngai Wai Fung, has been established to advise the Independent Shareholders on the terms of the Possible Subscription for A Share Convertible Bonds by CCCG and to make a recommendation as to voting. We, Somerley Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

During the past two years, we have, on four occasions acted as an independent financial adviser to the Company in relation to (i) disposal of equity interest in a A-share and B-share listed subsidiary (circular dated 11 August 2017); (ii) two possible subscriptions for A Share Convertible Bonds by CCCG (the Previous Circular and circular dated 1 November 2018); and (iii) continuing connected transactions in relation to finance lease and commercial factoring services provided by a connected subsidiary of the Company to the Group (circular dated 19 October 2018). The past engagements were limited to providing independent advisory services to the Company pursuant to the Listing Rules, for which we received normal professional fees relevant to these type of engagement. Accordingly, we do not consider the past engagements would affect our independence to act as the independent financial adviser to the Company under the current engagement.

We are not associated with the Company, CCCG or their respective core connected persons, close associates or associates and accordingly are considered eligible to give independent advice on the Possible Subscription for A Share Convertible Bonds by CCCG. Apart from normal professional fees payable to us in connection with this or similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, CCCG or their respective core connected persons, close associates or associates.

In formulating our opinion, we have reviewed, among other things, the proposal in relation to the Proposed Issuance of A Share Convertible Bonds, the annual reports of the Company for the years ended 31 December 2018 (the “**2018 Annual Report**”) and 31 December 2017, and the information as set out in the Circular and the Previous Circular. We have also discussed with the management of the Group regarding the use of proceeds to be raised from the Proposed Issuance of A Share Convertible Bonds.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

LETTER FROM SOMERLEY

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation, we have considered the principal factors and reasons set out below:

1. Information of the Group

(a) *Business*

The Company was initiated and founded by CCCG. The Company's H Shares (stock code: 1800) were listed on the Main Board of the Hong Kong Stock Exchange in 2006. The Company's A Shares (stock code: 601800) were listed on the Shanghai Stock Exchange in 2012.

The Group's principal business includes primarily infrastructure construction, infrastructure design, dredging and other business. The infrastructure construction operation is the major contributor to the Group's revenue and profits. The infrastructure construction operation includes infrastructure construction of ports, roads, bridges and railways in the PRC and other regions (including countries in Africa, South East Asia, Australia and Middle East). The infrastructure construction operation is the core business segment of the Group, accounting for over 85% of the total revenue for the year ended 31 December 2018. The infrastructure design operation represents infrastructure design of ports, roads and bridges. The dredging operation includes capital dredging, maintenance dredging, environmental dredging and reclamation and related supporting projects.

(b) *Financial performance*

Set out in the table below is a summary of the Group's financial performance for the three years ended 31 December 2018, 2017 and 2016.

	For the year ended 31 December		
	2018	2017	2016
	(RMB million)	(RMB million)	(RMB million)
			(Restated)
Revenue	488,066	460,067	406,331
Operating profit	33,321	31,768	29,391
Profit attributable to the owners of the Company	19,819	20,943	17,210

LETTER FROM SOMERLEY

As shown above, revenue of the Group recorded an increase from approximately RMB406,331 million for the year ended 31 December 2016 to approximately RMB488,066 million for the year ended 31 December 2018, representing a compound annual growth rate (“CAGR”) of approximately 9.6%. The revenue growth was mainly attributable to the overall growth in infrastructure construction business and infrastructure design business. Accordingly, profit attributable to the owners of the Company increased from approximately RMB17,210 million for the year ended 31 December 2016 to approximately RMB19,819 million for the year ended 31 December 2017, representing a CAGR of approximately 7.3%.

While the Group recorded growths in both revenue and profit in recent years, the demand for the Group’s services continued to be strong. The value of new contracts entered into by the Group for the year ended 31 December 2018 was approximately RMB890,873 million, representing an increase of approximately 1.1% compared to that for the year ended 31 December 2017. Furthermore, as set out in the 2018 Annual Report, the backlog of the Group as at 31 December 2018 was approximately RMB1,689,738 million, representing an increase of approximately 23.1% compared with that as at 31 December 2017.

(c) Financial position

Set out below is a summary of the financial position of the Group as at 31 December 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	(RMB million)	(RMB million)	(RMB million)
ASSETS			
Non-current assets			
Intangible assets	188,370	161,158	143,380
Property, plant and equipment	56,365	52,751	66,775
Trade and other receivables	118,967	112,710	95,558
Others	115,272	73,724	58,223
	<u>478,974</u>	<u>400,343</u>	<u>363,936</u>

LETTER FROM SOMERLEY

	As at 31 December		
	2018	2017	2016
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Current assets			
Trade and other receivables	195,887	181,745	190,485
Cash and cash equivalents	127,413	129,197	108,720
Others	158,202	138,603	137,941
	<u>481,502</u>	<u>449,545</u>	<u>437,146</u>
Total assets	<u>960,476</u>	<u>849,888</u>	<u>801,082</u>
LIABILITIES			
Current liabilities			
Trade and other payables	314,496	332,703	292,990
Interest-bearing bank and other borrowings	79,243	82,680	99,484
Others	86,130	31,328	31,480
	<u>479,869</u>	<u>446,711</u>	<u>423,954</u>
Net current assets	<u>1,633</u>	<u>2,834</u>	<u>13,192</u>
Non-current liabilities			
Interest-bearing bank and other borrowings	215,384	178,522	173,996
Others	25,541	19,061	16,562
	<u>240,925</u>	<u>197,583</u>	<u>190,558</u>
Net assets	<u><u>239,682</u></u>	<u><u>205,594</u></u>	<u><u>186,570</u></u>

LETTER FROM SOMERLEY

	As at 31 December		
	2018	2017	2016
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
EQUITY			
Equity attributable to owners of the Company			
Capital and reserves	172,752	161,491	139,892
Financial instruments classified as equity	24,426	19,431	19,431
Non-controlling interests	42,504	24,672	27,247
	239,682	205,594	186,570

As at 31 December 2018, total assets of the Group were approximately RMB960,476 million, representing an increase of approximately 13.0% from that as at 31 December 2017. The Group had a significant portion of intangible assets, around 19.6% of its total assets as at 31 December 2018, which mainly represented the assets under “Build-Operate-Transfer” service concession arrangements of toll roads in Mainland China.

The Group maintained an active participation in investment projects. According to the 2018 Annual Report, the Group entered into a number of new investment projects during 2018 with the total investment budget estimate of RMB330,321 million and the expected construction and installation contract value of RMB239,714 million. Also, the Group had more than 20 concession projects under construction with outstanding investment value (i.e. the total investment budget estimated by the Company multiples by the relevant shareholding ratio and less the accumulated investment value) of RMB174,399 million.

The Group’s operation was largely financed by interest-bearing bank and other borrowings and, in a lesser extent, the Shareholders’ equity. As at 31 December 2018, the total interest-bearing bank and other borrowings were approximately RMB294,627 million, of which approximately RMB79,243 million or approximately 26.9% were due within one year. The gearing ratio as at 31 December 2018, calculated as net debt (i.e. total borrowings less cash and cash equivalents) divided by total capital (i.e. total equity plus net debt), was approximately 41.1%, representing an increase of approximately 2.0% compared to that of approximately 39.1% as at 31 December 2017. The total liabilities to the total assets as at 31 December 2018 was approximately 75.0%. As at 31 December 2018, the Group maintained a net current asset position of approximately RMB1,633 million and a current ratio of 1.0 time, which has been maintained at similar levels in the past few years.

LETTER FROM SOMERLEY

Net asset value (“NAV”) attributable to the ordinary equity holders of the Company was approximately RMB172,752 million as at 31 December 2018, representing an increase of approximately 7.0% from that as at 31 December 2017.

2. Information of CCCG

CCCG is a state-owned enterprise established under the laws of the PRC and the controlling Shareholder of the Company holding approximately 59.91% interest in the issued ordinary shares of the Company as at the Latest Practicable Date. CCCG is primarily engaged in real estate development and property management, shipbuilding, ship chartering and maintenance, ocean engineering, consulting and construction services for ships and corollary equipment of harbours, import and export business, investment in and management of transportation industry, and other businesses.

3. Reasons for and benefits of the Proposed Issuance of A Share Convertible Bonds and the Proposed Subscription of A Share Convertible Bonds by CCCG

(a) Reasons for and benefits of the Proposed Issuance of A Share Convertible Bonds

As set out in the letter from the Board in the Circular, the Directors believe that following the completion of the Proposed Issuance of A Share Convertible Bonds (including the Possible Subscription for A Share Convertible Bonds by CCCG), the Company will further expand its net assets, enhance its ability to resist risks, and consolidate the capital foundation for the sustainable development of its various business lines, which is beneficial to the Company’s core competitiveness building-up and strategic objective achievement.

Moreover, as mentioned in the Previous Circular, the Group has identified several favourable factors which could foster the demand for the infrastructure business of the Group. Details of each of these factors are set out in the section headed “II. The necessity and feasibility of project implementation” in Appendix III to the Previous Circular. Also, as set out in section headed “III. The particulars of the use of proceeds towards the investment projects” in Appendix III to the Previous Circular, six infrastructure investment projects with a total investment amount of approximately RMB38,760.6 million have been awarded to the Group. It is currently expected that part of the proceeds from the Proposed Issuance of A Share Convertible Bonds amounting to approximately RMB12,165.5 million will be applied to these six projects. The remaining balance of the proceeds of approximately RMB7,834.5 million will be used to fund the purchases of engineering ships and engineering mechanical equipment. With the rapid increase in number of infrastructure projects available and already undertaken by the Group and the objective to enhance the operation capacity of the Group, it is expected that additional funding is required to cope with the financing requirements of these infrastructure projects and expanding operation capacity.

LETTER FROM SOMERLEY

The Possible Subscription for A Share Convertible Bonds by CCCG also demonstrates the confidence CCCG places in the Company and its support to the development of the Company's business, which is conducive to enhancing the market image of the Company and stabilising the trading price of shares of the Company.

Further details of the reasons for and benefits of the Proposed Issuance of A Share Convertible Bonds are set out in the section headed "5. Reasons for and benefits of the Proposed Issuance of A Share Convertible Bonds and the Possible Subscription of A Share Convertible Bonds" in the letter from the Board in the Circular and the section headed "II. The necessity and feasibility of project implementation" in Appendix III to the Previous Circular.

Having considered the above, we concur with the management of the Group to leverage on favourable market conditions and the Company's expertise to expand the business scale and lay solid foundation for the long-term business development of the Group and to obtain additional funding to cope with the expansion of business.

(b) Use of proceeds

As set out in Appendices II and III to the Previous Circular, the net proceeds of the Proposed Issuance of A Share Convertible Bonds is intended to be used for, among others, (i) as to approximately RMB12.2 billion in investment in infrastructure construction business in Guangxi, Xinjiang, Wuhan, Wenzhou, Chongqing and Fuzhou with total estimated investment value of approximately RMB38.8 billion; and (ii) as to approximately RMB7.8 billion in purchasing the engineering ships and engineering mechanical equipment to develop the infrastructure construction business. The Company has been implementing these projects using its own funds depending on the actual progress of the projects and such capital will be replaced according to the relevant regulations upon the receipt of the proceeds from the Proposed Issuance of A Share Convertible Bonds. As such, the Board believes that the delay in completion of the Proposed Issuance of A Share Convertible Bonds does not have any material adverse impact on the Company's development plan.

As noted above, despite the Group possessed cash and cash equivalents of approximately RMB127.4 billion as at 31 December 2018, we are advised by the management of the Group that the cash of the Group is substantially committed to support its daily production and operation. In addition, the Group recorded net cash used in operating activities and investing activities in aggregate for the year ended 31 December 2018 of approximately RMB41.2 billion. Furthermore, the net current assets of the Group demonstrated a downward trend in the past few years reducing from approximately RMB13.2 billion as at 31 December 2016 to approximately RMB1.6 billion as at 31 December 2018. The current ratio of the Group as at 31 December 2018 was merely 1.0 times. Having considered: (i) the cash needed to sustain the Group's existing operation and investment projects, including the significant growth in

LETTER FROM SOMERLEY

the value of new contracts entered into by the Group; (ii) the existing low liquidity of the Group; and (iii) the intention to enter new investment projects in infrastructure construction business and further development of the infrastructure construction business, it is considered reasonable to obtain additional funding to finance the Group's future development.

(c) *Financing alternatives*

As advised by the management of the Group, apart from the Proposed Issuance of A Share Convertible Bonds, they have explored various fund raising alternatives.

Fund raising by way of new share placement will create immediate dilution on the existing Shareholders. It is also common that the investors will request for a discount of the new share placement price to the prevailing market price of the Shares, whereas the initial conversion price of the A Share Convertible Bonds (to be determined based on the pricing formula under the A Share Convertible Bond Issuance Plan) is expected to be a significant premium (based on the A Share price as at the Latest Practicable Date) over the prevailing market price of the H Shares. Fund raising through rights issue or open offer has similar issue as new share placement and it may also attract a higher transaction cost and dilution effect on those non-participating Shareholders will usually be greater as compared to new share placement and issue of convertibles. On the other hand, fund raising by way of issuing the A Share Convertible Bonds incurs lower transaction cost and is more effective given the higher market price of the A Shares and there will be less dilutive effect on the non-participating Shareholders.

The management of the Group have also considered the possibility of obtaining new banking facilities on top of the existing bank and other borrowings. However, debt financing by bank loan and other borrowings methods will usually incur higher interest expense as compared to convertible bonds given the potential upside offered by convertible bonds. As advised by the management of the Group, the interest rate of the available bank loan of the Company is expected to be significantly higher than the coupon rate of convertible bonds.

Issuing H Shares convertibles has also been explored but it was considered less desirable given (i) the prevailing market price of H Shares has been substantially lower than that of A Shares; and (ii) the intended use of proceeds of the Proposed Issuance of A Share Convertible Bonds is investing in projects in the PRC which are denominated in RMB.

Having considered the advantages and disadvantages of equity financing and debt financing alternatives to issuing convertible bonds, we concur with the management of the Group that the Proposed Issuance of the A Share Convertible Bonds is acceptable and that, after taking into account our other analysis as set out in this letter, the Proposed Issuance of the A Share Convertible Bonds is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM SOMERLEY

4. Principal terms of the Proposed Issuance of A Share Convertible Bonds

Set out below are the principal terms of the Proposed Issuance of A Share Convertible Bonds:

(a) *Type of securities to be issued*

The type of the securities to be issued is convertible bonds which can be converted into the A Shares. The A Share Convertible Bonds and the A Shares to be converted will be listed on the Shanghai Stock Exchange.

(b) *Size of issuance*

The total amount of the A Share Convertible Bonds proposed to be issued will not exceed RMB20 billion (inclusive of RMB20 billion). The actual size of the issuance shall be determined by the Board and its authorised persons within the above range, subject to the authorisation by the Shareholders at the AGM.

(c) *Par value and issue price*

A Share Convertible Bonds will be issued at par with a nominal value of RMB100 each.

(d) *Term*

The term of A Share Convertible Bonds will be six years from the date of the issuance.

(e) *Interest rate*

The Board proposes to the Shareholders at the AGM to authorise the Board and its authorised persons to determine the method for determination of nominal interest rate and the final interest rate for the interest accrual year upon negotiation with the sponsor (the lead underwriter) to be appointed in accordance with national policies, market conditions and the actual conditions of the Company, prior to the Proposed Issuance of A Share Convertible Bonds.

LETTER FROM SOMERLEY

To ensure other members of the Board, namely the non-executive Director and independent non-executive Directors who do not have any connected relationship with CCCG, to promptly know the specific terms of the Proposed Issuance of A Share Convertible Bonds, the Director team comprising of Mr. Liu Qitao, Mr. Song Hailiang and Mr. Chen Yun (or any director who has connected relationship with CCCG afterwards) will report to them upon negotiation with the sponsor (the lead underwriter) to be appointed in relation to the terms of the Proposed Issuance of A Share Convertible Bonds, including but not limited to the conversion price, interest rate, and maturity date. The Company will implement the A Share Convertible Bond Issuance Plan upon the approval of other members of the Board (collectively, the “**Internal Control Measures**”).

(f) Timing and method of interest payment

The interest of A Share Convertible Bonds will be paid annually, and the principal and the interest for the final year will be paid upon maturity. Details of calculation of annual interest and method of interest payment are set out in the Appendix I to the Previous Circular.

(g) Conversion period

The conversion period of the A Share Convertible Bonds shall commence on the first trading day immediately following the expiry of the six-month period after the date of issuance of the A Share Convertible Bonds and end on the maturity date of the A Share Convertible Bonds.

(h) Determination and adjustment of the conversion price

A. Basis for determining the initial conversion price

The initial conversion price of the A Share Convertible Bonds shall not be lower than:

- (i) the average trading price of A Shares for the 20 trading days preceding the date of publication of the offering document (in the event that during such 20 trading days, the share price has been adjusted due to ex-rights or ex-dividend, the price of each of these trading days before adjustment shall be adjusted with reference to the adjusted share price following the ex-rights or ex-dividend events);
- (ii) the average trading price of A Shares on the trading day preceding the date of the offering document;
- (iii) the latest audited net asset value per Share (Note); and

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- (iv) the nominal value per Share.

Note: This refers to the latest audited net asset value per Share in accordance with the China Accounting Standard for Business Enterprises.

The actual initial conversion price shall be determined by the Board and its authorised persons upon negotiation with the sponsor (the lead underwriter) to be appointed in accordance with the market conditions, which is subject to the authorisation by the Shareholders at the AGM.

For illustrative purpose, set out below is the comparison of the initial conversion price based on the abovementioned criteria assuming the date of publication of the offering document is the Latest Practicable Date.

Criteria for determining the initial conversion price	Initial conversion price (RMB)
(a) the average trading price of A Shares for the 20 trading days preceding the date of publication of the offering document	12.10
(b) the average trading price of A Shares on the trading day preceding the date of the offering document	11.02
(c) the latest audited net asset value per Share	10.68 <i>(Note)</i>
(d) the nominal value per Share	1.00

Note: This refers to the latest audited net asset value per Share in accordance with the China Accounting Standard for Business Enterprises.

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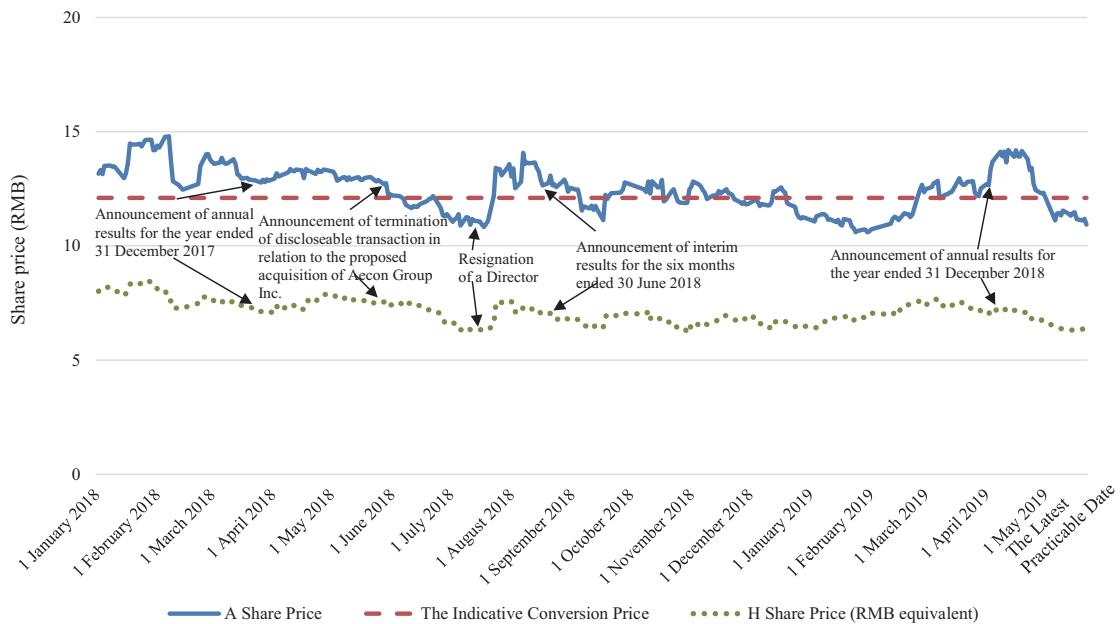
Assuming the date of publication of the offering document is the Latest Practicable Date, the theoretical initial conversion price (the “**Indicative Initial Conversion Price**”) shall be no less than approximately RMB12.10 per A Share. The Indicative Initial Conversion Price represents:

- (a) a premium of approximately 97.1% over the closing price of HK\$6.98 (equivalent to approximately RMB6.14) per H Share as quoted on the Hong Kong Stock Exchange and a premium of approximately 10.4% over the closing price of RMB10.96 per A Share as quoted on the Shanghai Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 92.7% over the average closing price of approximately HK\$7.14 (equivalent to approximately RMB6.28) per H Share as quoted on the Hong Kong Stock Exchange and a premium of approximately 9.3% over the average closing price of approximately RMB11.07 per A Share as quoted on the Shanghai Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Latest Practicable Date;
- (c) a premium of approximately 92.1% over the average closing price of approximately HK\$7.16 (equivalent to approximately RMB6.30) per H Share as quoted on the Hong Kong Stock Exchange and a premium of approximately 7.6% to the average closing price of approximately RMB11.25 per A Share as quoted on the Shanghai Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Latest Practicable Date;
- (d) a premium of approximately 80.6% over the average closing price of approximately HK\$7.61 (equivalent to approximately RMB6.70) per H Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 3.0% to the average closing price of RMB12.47 per A Share as quoted on the Shanghai Stock Exchange respectively for the last 30 consecutive trading days immediately prior to and including the Latest Practicable Date;
- (e) a premium of approximately 72.4% over the average closing price of approximately HK\$7.98 (equivalent to approximately RMB7.02) per H Share as quoted on the Hong Kong Stock Exchange and a premium of approximately 0.4% over the average closing price of approximately RMB12.05 per A Share as quoted on the Shanghai Stock Exchange for the last 90 consecutive trading days immediately prior to and including the Latest Practicable Date;

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- (f) a premium of approximately 76.4% over the average closing price of approximately HK\$7.79 (equivalent to approximately RMB6.86) per H Share as quoted on the Hong Kong Stock Exchange and a premium of approximately 0.1% over the average closing price of approximately RMB12.09 per A Share as quoted on the Shanghai Stock Exchange respectively for the last 180 consecutive trading days immediately prior to and including the Latest Practicable Date;
- (g) a premium of approximately 13.3% over the NAV per share of the Company of approximately RMB10.68 based on the NAV attributable to the Shareholders of approximately RMB172,752 million prepared in accordance with the International Financial Reporting Standards as at 31 December 2018 divided by approximately 16,174.7 million Shares in issue as at the Latest Practicable Date.

Set out below is the price performance of the Shares since the beginning of 2018 to the Latest Practicable Date (the “**Review Period**”).



Source: Bloomberg and websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange

Note: For illustrative purpose, the exchange rate used to calculate the RMB equivalent of the H Share price is HK\$1:RMB0.88.

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During the Review Period, the closing price of the A Shares generally followed the trend of Shanghai stock exchange composite index, ranging from RMB10.59 to RMB14.80 with an average and a median of approximately RMB12.48.

As for the H Shares, during the Review Period, the closing prices of the H Shares ranged from HK\$6.98 (equivalent to approximately RMB6.14) to HK\$9.67 (equivalent to approximately RMB8.51) with an average and a median of approximately HK\$8.10 (equivalent to approximately RMB7.13) and HK\$8.11 (equivalent to approximately RMB7.14) respectively. The Indicative Initial Conversion Price has been substantially higher than closing prices of the H Shares throughout the Review Period.

B. Adjustments to the conversion price

The conversion price is subject to adjustment upon the issuance in case of certain events which affect the share capital of the Company and lead to distribution of cash dividends, such as distribution of share dividends, capitalisation, issuance of new shares or rights issue (excluding any increase in the share capital as a result of conversion of the A Share Convertible Bonds). The Company will adjust the conversion price based on the following formula:

Distribution of share dividends or capitalisation:

$$P_1 = P_0 / (1+n);$$

Issuance of new shares or rights issue:

$$P_1 = (P_0 + A \times k) / (1+k);$$

The above two events occurring concurrently:

$$P_1 = (P_0 + A \times k) / (1+n+k);$$

Distribution of cash dividends:

$$P_1 = P_0 - D;$$

The above three events occurring concurrently:

$$P_1 = (P_0 - D + A \times k) / (1 + n + k).$$

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Where:

“ P_0 ” denotes the conversion price before adjustment;

“ n ” denotes the rate of distribution of share dividends or capitalisation;

“ k ” denotes the rate of issuance of new shares or rights issue;

“ A ” denotes the price of issuance of new shares or rights issue;

“ D ” denotes the cash dividend per share;

“ P_1 ” denotes the adjusted conversion price.

Upon the occurrence of any of the above-mentioned changes in Shares and/or Shareholder’s interests, the Company will adjust the conversion price in accordance with the methods determined, and an announcement in relation to the adjustment of the conversion price shall be made on the media designated by CSRC for information disclosure of listed companies. Such announcement will indicate the date of adjustment to the conversion price, adjustment method and suspension period of share conversion (if necessary).

In the event that the creditor’s interests or the interests derived from the share conversion of the A Share Convertible Bond Holders are affected by the change in the Company’s share class, quantity and/or Shareholders’ interests due to any possible share repurchase, consolidation, division or any other circumstances, the Company will adjust the conversion price based on the actual situations and in accordance with the principles of fairness, justice and equality so as to fully protect the interests of A Share Convertible Bond Holders. The details of adjustments to conversion price and its implementation measures shall be determined in accordance with then relevant national laws and regulations and the relevant requirements of the securities regulatory authorities.

Besides, the adjusted conversion price shall not be lower than the latest audited net asset value per Share and the nominal value per Share of the Company.

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(i) *Terms of downward adjustment to conversion price*

If, during the term of the A Share Convertible Bonds, the closing prices of A Shares in any 15 trading days out of any 30 consecutive trading days are lower than 80% of the prevailing conversion price, the Board may propose a downward adjustment to the conversion price to Shareholders at the general meeting for their consideration and approval.

The above-mentioned proposals are subject to approval of two-thirds of the Shareholders with voting rights who attend the meeting. Shareholders who hold the A Share Convertible Bonds should abstain from voting at the general meeting. The adjusted conversion price should be no less than the average trading price of the A Shares for 20 trading days preceding the date of the general meeting for consideration and approval of the aforementioned proposals and the average trading price of A Shares on the trading day preceding the date of the general meeting, and should be also no less than the latest audited net asset value per Share and the nominal value per Share of the Company.

(j) *Entitlement to dividend in the year of conversion*

The new Shares of the Company to be issued as a result of the conversion of A Share Convertible Bonds shall rank pari passu with all the existing Shares of the Company, and all ordinary Shareholders (including those derived from the conversion of the A Share Convertible Bonds) whose names are recorded on the register of members of the Company on the record date for dividend distribution shall be entitled to receive the dividend of that period.

(k) *Terms of redemption*

A. *Terms of redemption upon maturity*

Within five trading days upon the maturity of A Share Convertible Bonds, the Company will redeem all the A Share Convertible Bonds from A Share Convertible Bond Holders which have not been converted into Shares by then, at a price calculated at a premium (including the interest accrued in the last interest accrual year) in addition to the nominal value of A Share Convertible Bonds. The actual premium shall be determined by the Board and its authorised persons upon negotiation with the sponsor (the lead underwriter) to be appointed with reference to the market conditions, which is subject to the authorisation by the Shareholders at the general meeting.

As mentioned above, the Company will adopt the Internal Control Measures in determining the term of redemption of the A Share Convertible Bonds upon maturity.

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B. Terms of conditional redemption

During the conversion period of A Share Convertible Bonds to be issued hereunder, if the closing prices of A Shares during at least 15 trading days out of any 30 consecutive trading days are no less than 130% (inclusive) of the prevailing conversion price, or the amount of the outstanding convertible bonds is lower than RMB30 million, the Company shall have the right to redeem all or part of the outstanding A Share Convertible Bonds, at a price equal to the nominal value of A Share Convertible Bonds plus then accrued interest.

(I) Terms of sale back

A. Terms of conditional sale back

During the last two interest accrual years within the term of the A Share Convertible Bonds, if the closing prices of the A Shares on any 30 consecutive trading days are lower than 70% of the prevailing conversion price, the A Share Convertible Bond Holders are entitled to sell back all or part of the A Share Convertible Bonds they hold to the Company at par plus the then accrued interest.

The A Share Convertible Bond Holders can exercise their sale back rights once every year when the sale back conditions are initially satisfied according to the abovementioned agreed terms in the last two interest accrual years within the term of the A Share Convertible Bonds. If the sale back conditions are initially satisfied, but the A Share Convertible Bond Holders do not apply for and exercise their sale back rights during the sale back declaration period then announced by the Company, they shall not exercise the sale back rights during such accrual year. The A Share Convertible Bond Holders are not allowed to exercise part of their sale back rights repeatedly.

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B. Additional terms of sale back

If the actual use of the proceeds from A Share Convertible Bonds significantly differs from the undertakings of the use of proceeds set out by the Company in the offering document, and such change is deemed as a deviation in the use of proceeds pursuant to relevant rules of CSRC or is considered by CSRC as a deviation in the use of proceeds, the A Share Convertible Bond Holders will be entitled to a one-off right to sell all or partial of A Share Convertible Bonds back to the Company at par plus then accrued interest. Upon the satisfaction of the additional condition of sale back, the A Share Convertible Bond Holders may sell their A Share Convertible Bonds back to the Company during the additional sale back declaration period after it is announced by the Company. If the A Share Convertible Bond Holders do not exercise their sale back rights during such period, they shall not exercise such rights later.

(m) Subscription arrangement for the existing Shareholders

The existing ordinary A Shareholders are entitled to the pre-emptive rights to subscribe for A Share Convertible Bonds to be issued. It will be proposed at the AGM to authorise the Board and its authorised persons to determine the actual amount to be preferentially allocated in accordance with the actual market conditions before the issuance, and shall be disclosed in the offering document of A Share Convertible Bonds.

A Share Convertible Bonds which are not subject to the preferential subscription by existing ordinary A Shareholders and are not subscribed by the existing ordinary A Shareholders within the preferential subscription will be offered to institution investors offline or issued by way of online pricing through the trading system of the Shanghai Stock Exchange, and the remaining balance will be underwritten by the underwriters to be appointed.

Further details of the A Share Convertible Bonds Issuance Plan are set out in Appendix I to the Previous Circular.

5. Comparable Transactions

In assessing the fairness and reasonableness of terms of the A Share Convertible Bond Issuance Plan, we have also compared the terms of the A Share Convertible Bond Issuance Plan against those of similar A share convertible bonds issues proposed by companies listed on both (i) the Shanghai Stock Exchange or the Shenzhen stock exchange; and (ii) the Hong Kong Stock Exchange (the “**Comparable Transactions**”) from 1 January 2014 up to the Latest Practicable Date. Set out below is a summary of the principal terms of the A Share Convertible Bond Issuance Plan and the Comparable Transactions as set out in the relevant circulars or prospectus.

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Company name (Stock code)	Circular or prospectus date	Maximum size of issuance	Duration	Basis of determination of interest rate	Basis of determining the initial conversion price	Adjustments to the conversion price	Downward adjustment to the conversion price	Terms of redemption upon maturity	Terms of conditional redemption	Terms of sale back	
The Company (1800)	30 May 2019	Not more than RMB20.0 billion	6 years	To be determined by the Board or other authorised persons after discussion and agreement upon negotiation with the sponsor (the lead underwriter) in accordance with the PRC national policies, market conditions and the actual conditions of the Company, prior to the Proposed Issuance of A Share Convertible Bonds.	The initial conversion price of the A Share Convertible Bonds shall not be lower than (i) the average trading price of A Shares for the 20 trading days preceding the date of publication of the offering document; (ii) the average trading price of A Shares on the trading day preceding the date of offering document; (iii) the latest audited net asset value per Share; and (iv) the nominal value per Share. The actual initial conversion price shall be determined by the Board and its authorised person upon negotiation with the sponsor (the lead underwriter) in accordance with the market condition.	In the case of certain events occurring which affect the share capital of the Company and lead to distribution of cash dividends, such as distribution of share dividends, capitalisation, issuance of new shares or rights issue, the Company will adjust the conversion price based on a pre-set formula. For details, please refer to the paragraph headed “B. Method of adjustments to the conversion price” above.	To be adjusted when the closing price of A Shares in any 15 trading days out of 30 consecutive trading days are lower than 80% of the prevailing conversion price, subject to two-thirds of Shareholders’ approval and existing A shares convertible bonds holders shall abstain from voting.	To be redeemed at a premium (including the interest accrued in the last interest accrual year) in addition to the nominal value of the A Share Convertible Bonds. The actual premium shall be determined by the Board and its authorised persons upon negotiation with the sponsor (the lead underwriter) with reference to the market conditions.	To be redeemed when the closing price of the A Shares during at least 15 trading days out of any 30 consecutive trading days are no less than 130% (inclusive) of the prevailing conversion price, or when the outstanding balance of the A Share Convertible Bonds is lower than RMB30 million.	Terms of conditional sale back (“ Conditional Sale Back ”): If the closing prices of the A Shares on any 30 consecutive trading days are lower than 70% of the prevailing conversion price during the last two interest accrual years within the term of the A Share Convertible Bonds, the A Share Convertible Bond Holders are entitled to sell back all or part of the A Share Convertible Bonds they hold to the Company at par plus the then accrued interest.	Terms of additional sale back (the “ Additional Sale Back ”): If the actual use of the proceeds from A Share Convertible Bonds significantly differs from the undertakings of the use of proceeds set out by the Company in the offering document, and such change is deemed as a deviation in the use of proceeds pursuant to relevant rules of CSRC or is considered by CSRC as a deviation in the use of proceeds, the A Share Convertible Bond Holders will be entitled to a one-off right to sell all or partial of A Share Convertible Bonds back to the Company at par plus then accrued interest.

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Company name (Stock code)	Circular or prospectus date	Maximum size of issuance	Duration	Basis of determination of interest rate	Basis of determining the initial conversion price	Adjustments to the conversion price	Downward adjustment to the conversion price	Terms of redemption upon maturity	Terms of conditional redemption	Terms of sale back
Lanzhou Zhuangyuan Pasture Co., Ltd. ("Lanzhou Zhuangyuan Pasture") (1533)	24 April 2019	Not more than RMB0.4 billion	6 years	Same as the A Share Convertible Bond Issuance Plan except that the board of the company has the sole discretion to decide the interest rate.	Same as the A Share Convertible Bond Issuance Plan, except for the initial conversion price does not make reference to the latest audited net asset value per share and the nominal value per share of the company	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan, except for the adjustment threshold of the prevailing conversion price is 90%	Same as the A Share Convertible Bond Issuance Plan except that only the board of the company has the sole discretion to decide the actual price with reference to the market conditions	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan
Shenzhen Expressway Company Limited ("SZ Expressway") (548)	13 February 2019 (Note 1)	Not more than RMB2.2 billion	6 years	Same as the A Share Convertible Bond Issuance Plan	Same as Lanzhou Zhuangyuan Pasture	Same as the A Share Convertible Bond Issuance Plan	Same as Lanzhou Zhuangyuan Pasture	Same as the A Share Convertible Bond Issuance Plan except that the redemption price shall be fixed at face value or a certain proportion higher than the face value of the A share convertible bond	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan

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Company name (Stock code)	Circular or prospectus date	Maximum size of issuance	Duration	Basis of determination of interest rate	Basis of determining the initial conversion price	Adjustments to the conversion price	Downward adjustment to the conversion price	Terms of redemption upon maturity	Terms of conditional redemption	Terms of sale back
China CITIC Bank Corporation Limited ("CITIC Bank") (998)	10 January 2019 (Note 2)	Not more than RMB40.0 billion	6 years	Same as the A Share Convertible Bond Issuance Plan except that the board of the company has the sole discretion to decide the interest rate	Same as the A Share Convertible Bond Issuance Plan, except for the initial conversion price shall also not be lower than the average trading prices of A shares of the company for the 30 trading days preceding the date of the offering document. In addition, the board of the company has the sole discretion to decide the initial conversion price.	In case of certain events that affect the share capital of the company and lead to distribution of cash dividends, such as distribution of share dividend, capitalisation, issuance of new shares or rights issue. The company will adjust the conversion price of A share convertible bonds based on the actual situation and in accordance with the principles of fairness, justice, equity so as to fully protect the A share convertible bond holders' interests. The specific formulas for adjustments to the conversion price will be determined by the board of the company.	Same as the A Share Convertible Bond Issuance Plan, except for the adjusted conversion price should also be no less than the average trading prices of the company for the 30 trading days immediately prior to the general meeting for approving the downward adjustment	Same as the A Share Convertible Bond Issuance Plan except that only the board of the company has the sole discretion to decide the actual premium with reference to the market conditions	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan except that there is no conditional sale back

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Company name (Stock code)	Circular or prospectus date	Maximum size of issuance	Duration	Basis of determination of interest rate	Basis of determining the initial conversion price	Adjustments to the conversion price	Downward adjustment to the conversion price	Terms of redemption upon maturity	Terms of conditional redemption	Terms of sale back
Shanghai La Chapelle Fashion Co., Ltd. (6116)	25 October 2018	Not more than RMB1.53 billion	6 years	Same as the A Share Convertible Bond Issuance Plan except that the board of the company has the sole discretion to decide the interest rate and it will also take reference to levels of interest rates of other debt securities	Same as the A Share Convertible Bond Issuance Plan, except for the board has the sole discretion to decide the initial conversion price and it does not make reference to the latest audited net asset value per share and the nominal value per share of the company	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Issuance Plan, except for the adjustment threshold of the prevailing conversion price is 85%	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Issuance Plan, except for the conditional sale back threshold of the prevailing conversion price is 80%

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Company name (Stock code)	Circular or prospectus date	Maximum size of issuance	Duration	Basis of determination of interest rate	Basis of determining the initial conversion price	Adjustments to the conversion price	Downward adjustment to the conversion price	Terms of redemption upon maturity	Terms of conditional redemption	Terms of sale back
China Minsheng Banking Corp., Ltd. ("Minsheng Bank") (1988)	8 May 2018	Not more than RMB50.0 billion	6 years	Same as CITIC Bank	Same as the A Share Convertible Bond Issuance Plan, except for (i) it does not make reference to the nominal value per share of the company; and (ii) it shall also make reference to the average trading price of A shares of the company for the five trading days preceding the date of the board resolution of the company. In addition, the board of the company has the sole discretion to decide the initial conversion price.	Same as CITIC Bank	Same as the A Share Convertible Bond Issuance Plan	Same as CITIC Bank	Same as the A Share Convertible Bond Issuance Plan	Same as CITIC Bank
Bank of Communications Co., Ltd. ("BoCom") (3328)	4 May 2018	Not more than RMB60.0 billion	6 years	Same as CITIC Bank	Same as CITIC Bank	Same as CITIC Bank	Same as the A Share Convertible Bond Issuance Plan	Same as CITIC Bank	Same as the A Share Convertible Bond Issuance Plan	Same as CITIC Bank

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Company name (Stock code)	Circular or prospectus date	Maximum size of issuance	Duration	Basis of determination of interest rate	Basis of determining the initial conversion price	Adjustments to the conversion price	Downward adjustment to the conversion price	Terms of redemption upon maturity	Terms of conditional redemption	Terms of sale back
Central China Securities Co., Ltd. ("CCS") (1375)	2 May 2018 (Note 3)	Not more than RMB2.55 billion	6 years	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan, except for the initial conversion price shall (i) also not be lower than the average trading prices of A shares of the company for the 30 trading days preceding the date of the offering document; and (ii) it does not make reference to the latest audited net asset value per share and the nominal value per share of the company.	Same as the A Share Convertible Bond Issuance Plan	Same as Lanzhou Zhuangyuan Pasture	The actual redemption price shall be determined by the board of the company and the sponsor with reference to the market conditions at the time of issuance of convertible bonds.	Same as the A Share Convertible Bond Issuance Plan	Same as CITIC Bank
China Railway Construction Corporation Limited (1186)	25 November 2017	Not more than RMB10.0 billion	6 years	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan

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Company name (Stock code)	Circular or prospectus date	Maximum size of issuance	Duration	Basis of determination of interest rate	Basis of determining the initial conversion price	Adjustments to the conversion price	Downward adjustment to the conversion price	Terms of redemption upon maturity	Terms of conditional redemption	Terms of sale back
Guotai Junan Securities Co., Ltd. (2611)	28 March 2017 (Note 4)	Not more than RMB7.0 billion	6 years	Same as the A Share Convertible Bond Issuance Plan	Same as Lanzhou Zhuangyuan Pasture	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan	To be redeemed at par value (including interest on the final term) of the convertible bonds	Same as the A Share Convertible Bond Issuance Plan	Same as CITIC Bank
China Everbright Bank Company Limited (6818)	15 June 2016	Not more than RMB30.0 billion	6 years	Same as the A Share Convertible Bond Issuance Plan	Same as CITIC Bank	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan	Same as CITIC Bank	Same as the A Share Convertible Bond Issuance Plan	Same as CITIC Bank
Guangzhou Automobile Group Co., Ltd. (2238)	5 August 2014	Not more than RMB6.0 billion	Not more than 6 years	Same as the A Share Convertible Bond Issuance Plan	Same as Lanzhou Zhuangyuan Pasture	Same as the A Share Convertible Bond Issuance Plan	Same as Lanzhou Zhuangyuan Pasture	To be redeemed with an ascent ratio of 103% - 108% of the par value (including the final term of annual interest). The actual ascent ratio shall be determined by the board of the company with reference to market conditions.	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan
Shanghai Electric Group Company Limited (2727)	30 June 2014 (Note 5)	Not more than RMB6.0 billion	6 years	Same as the A Share Convertible Bond Issuance Plan	Same as Lanzhou Zhuangyuan Pasture	Same as the A Share Convertible Bond Issuance Plan	To be adjusted when the closing price of A shares of Shenzhen Electric in any 10 trading days out of any 20 consecutive trading days are lower than 85% of the prevailing conversion price, subject to shareholders' approval and A Share convertible bonds holders shall abstain from voting	Same as CITIC Bank	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan, except for the consideration for the sale back is at 103% (accrued interests included) of the nominal value of A share convertible bonds.

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Source: Circulars, prospectus or announcements published in respect of the Comparable Transactions by the respective companies

Notes:

1. On 13 February 2019, Shenzhen Expressway extended the validity period of the resolution and the authorisation period of its A share convertible bonds for further 12 months.
2. On 10 January 2019, CITIC Bank extended the validity period of the resolution and the authorisation period of its A share convertible bonds for further 12 months.
3. On 2 May 2018, CCS extended the validity period of the resolution and the authorisation period of its A share convertible bonds based on the same terms, except for reducing the maximum size of issuance from RMB2.70 billion to RMB2.55 billion, for further 12 months.
4. Certain principal terms of the issuance of A share convertible bonds by GJSC are extracted from the announcements of GJSC dated 5 July 2017.
5. On 19 November 2018, Shanghai Electric revised the proposed use of proceeds and proposed downward adjustment of the share conversion price of A share convertible bonds and other terms of its A share convertible bonds remain unchanged as disclosed in its circular dated 30 June 2014.

As set out above, similar to the A Share Convertible Bond Issuance Plan, certain terms of the Comparable Transactions, such as initial conversion price and interest rates, were not fixed and would be determined subsequently at the time of publication of offering document, subject to the then market conditions. A number of terms, including downward adjustment to the conversion price, redemption upon maturity and terms of sale back, of the A Share Convertible Bond Issuance Plan may be slightly different from those of the Comparable Transactions, the terms of the A Share Convertible Bonds Issuance Plan are in general comparable with those of the Comparable Transactions. In view of the above, the terms of the Proposed Issuance of A Share Convertible Bonds are considered in line with the general market terms of the Comparable Transactions.

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6. Financial effects of the Proposed Issuance of A Share Convertible Bonds on the Group

(a) *Earnings*

With reference to Appendix IV to the Previous Circular – The dilution of immediate returns by the Proposed Issuance of A Share Convertible Bonds and the remedial measures to be adopted, upon the issuance of A Share Convertible Bonds, the number of the Company's outstanding dilutive potential ordinary Shares will increase. In the event that the A Share Convertible Bonds were issued and converted, the earnings per Share will decrease.

In addition, the Company will be required to pay interest to the A Share Convertible Bond Holders whose A Share Convertible Bonds have not been converted. The earnings of the Group will be reduced by the interest expense arising from the issuance of the A Share Convertible Bonds.

Shareholders are reminded that the actual impact of the Proposed Issuance of A Share Convertible Bonds shall be determined with reference to various factors such as the actual interest rate of A Share Convertible Bonds, the actual number of Shares to be issued under the A Share Convertible Bonds and the incremental earnings from utilising the net proceeds of the Proposed Issuance of A Share Convertible Bonds in the operations of the Group.

(b) *NAV*

Upon the issuance of A Share Convertible Bonds, as advised by the management of the Group, the A Share Convertible Bonds will be accounted for in two separate components in the Group's statement of financial position, comprising a liability component and an equity component, at initial recognition. The liability component will be determined using a market interest rate for an equivalent non-convertible bond and will be recorded as a non-current liability at initial recognition. The difference between the net proceeds from the issuance of A Share Convertible Bonds and the liability component will be recognised as the equity component and included in the Shareholders' equity. Accordingly, there will be a positive impact on the NAV of the Group.

Shareholders are reminded that the actual positive impact on the NAV of the Group shall be determined with reference to the valuation of the equity component of the A Share Convertible Bonds.

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(c) Liquidity

As at 31 December 2018, the Group had cash and bank balances of approximately RMB127,413 million and net current assets (i.e. total current assets less total current liabilities) of approximately RMB1,633 million. As advised by the management of the Group, the net proceeds from the Proposed Issuance of A Share Convertible Bonds will not be included in the cash and cash equivalents of the Group given the net proceeds will be used for specific purposes. On this basis, the cash balance is not anticipated to have any change but the net proceeds from the Proposed Issuance of A Share Convertible Bonds is expected to improve the net current asset position of the Group as the A Share Convertible Bonds have a term of 6 years and a significant portion of the A Share Convertible Bonds will therefore be classified as a non-current liability.

(d) Gearing

As at 31 December 2018, the Group's gearing ratio, being net debt (i.e. total borrowings of approximately RMB294,627 million less cash and cash equivalents of approximately RMB127,413 million) divided by total capital (i.e. total equity of approximately RMB239,682 million plus net debt of approximately RMB167,214 million), was approximately 41.1%. Upon the Proposed Issuance of A Share Convertible Bonds, both net debt and total capital of the Group are expected to increase and the change of the gearing ratio will be depending on the proportions of liability component and equity component of the A Share Convertible Bonds. If liability component exceeds equity component, the gearing ratio of the Group will increase upon the Proposed Issuance of A Share Convertible Bonds, and vice versa. Having said the above, given the maximum size of RMB20 billion, the Proposed Issuance of A Share Convertible Bonds is not expected to have a very significant impact on the gearing ratio of the Group.

LETTER FROM SOMERLEY

7. Potential dilution effect on the shareholdings of the Independent Shareholders

As set out in the letter from the Board, by applying the Indicative Initial Conversion Price of approximately RMB12.10 per A Share and the maximum size of the Proposed Issuance of A Share Convertible Bonds of RMB20 billion, the maximum number of A Shares to be issued will be 1,652,347,774. As stated in the Circular, the existing ordinary A Shareholders are entitled to the pre-emptive rights to subscribe for A Share Convertible Bonds to be issued, it is therefore possible for the existing ordinary A Shareholders to fully subscribe for the A Share Convertible Bonds.

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and upon completion of the issuance of A Share Convertible Bonds (assuming all the A Share Convertible Bonds are subscribed by the existing ordinary A Shareholders and the full conversion of the A Shares Convertible Bonds into A Shares at the Indicative Initial Conversion Price):

Name of Shareholder	(i) As at the Latest Practicable Date		(ii) Immediately after completion of the Proposed Issuance of A Share Convertible Bonds (assuming the full conversion of the A Share Convertible Bonds into A Shares at the Indicative Initial Conversion Price)	
	Number of Shares	As a percentage of total issued Shares	Number of Shares	As a percentage of total issued Shares
A Shares				
<i>Non-public</i>				
CCCG	9,689,540,204	59.91%	11,052,396,648	62.00%
<i>Public</i>				
A Shares held by the public Shareholders	<u>2,057,695,221</u>	<u>12.72%</u>	<u>2,347,186,551</u>	<u>13.16%</u>
Total issued A Shares	<u>11,747,235,425</u>	<u>72.63%</u>	<u>13,399,583,199</u>	<u>75.16%</u>
H Shares				
<i>Public</i>				
H Shares held by the public Shareholders	<u>4,427,500,000</u>	<u>27.37%</u>	<u>4,427,500,000</u>	<u>24.84%</u>
Total issued H Shares	<u>4,427,500,000</u>	<u>27.37%</u>	<u>4,427,500,000</u>	<u>24.84%</u>
Total issued Shares	<u><u>16,174,735,425</u></u>	<u><u>100.00%</u></u>	<u><u>17,827,083,199</u></u>	<u><u>100.00%</u></u>

LETTER FROM SOMERLEY

As shown in the table above, the shareholding of the existing H Share public Shareholders will decrease from approximately 27.37% to approximately 24.84% immediately after completion of the Proposed Issuance of A Share Convertible Bonds and assuming the full conversion of the A Share Convertible Bonds into A Shares at the Indicative Initial Conversion Price, it represents a dilution by approximately 2.53%. Although the shareholding interest of the existing H Share public Shareholders will be diluted, having taken into account, among others, (i) CCCG already has a majority control of the Company and shall remain as the single largest Shareholder; (ii) the potential benefits to be brought forth by the Proposed Issuance of A Share Convertible Bonds as mentioned in the section 3 headed “Reasons for and benefits of the Proposed Issuance of A Share Convertible Bonds and the Proposed Subscription of A Share Convertible Bonds by CCCG”; (iii) the fairness and reasonableness of the principal terms of A Share Convertible Bond Issuance Plan; and (iv) the improvements in NAV and net current asset level of the Group, we are of the opinion that the dilution effect on shareholding of the existing public Shareholders to be acceptable.

DISCUSSION AND ANALYSIS

The Company, being a leading transportation infrastructure group in the PRC, operates a capital-intensive business providing various customers in all parts of the world with integrated solutions and services for transportation infrastructure projects in the areas of investment, design, construction, operation and management. The Company plans to further expand its operation by investing in various projects in infrastructure construction business and infrastructure design business, which arouse genuine need of additional funding. The management of the Group has reviewed various financing alternatives apart from the Proposed Issuance of A Share Convertible Bonds. Fund raising involving an issuance of new Shares will have immediate dilution on existing Shareholders’ shareholding and it is often issued at a discount to the prevailing market price of the Shares as opposed to the expected premium (as compared to the prevailing market price of the H Shares) over the initial conversion price based on the pricing formula under the A Share Convertible Bond Issuance Plan. Debt financing will inevitably impose additional financial burden to the Group. The Proposed Issuance of A Share Convertible Bonds, on the other hand, is expected to replenish capital without having significant finance costs and immediate dilutive effect on existing shareholding structure.

The characteristics of convertible bonds for having a long conversion period and a combination of equity and debt nature adds on to its suitability to be a preferable fundraising instrument for the Company. In addition, the Possible Subscription of A Share Convertible Bonds by CCCG demonstrates its confidence in the Company’s future development, improving the Company’s image and potentially have an positive impact on the Share price.

LETTER FROM SOMERLEY

Similar to the A Share Convertible Bond Issuance Plan, certain terms of the Comparable Transactions, such as initial conversion price and interest rates, were not fixed and would be determined subsequently at the time of publication of offering document, subject to the then market conditions. While a number of terms, including downward adjustment to the conversion price, redemption upon maturity and terms of sale back, of the A Share Convertible Bond Issuance Plan may be slightly different from those of the Comparable Transactions, the terms of the A Share Convertible Bond Issuance Plan are in general comparable to those of the Comparable Transactions. In view of the above, the terms of the Proposed Issuance of A Share Convertible Bonds are in line with the general market terms of the Comparable Transactions.

The Proposed Issuance of A Share Convertible Bonds are expected to improve the NAV and net current asset level while having insignificant increase, if any, in gearing ratio of the Group.

The shareholding of the existing public H Share Shareholders will decrease from approximately 27.37% to approximately 24.84% immediately after completion of the Proposed Issuance of A Share Convertible Bonds (assuming the full conversion of the A Shares Convertible Bonds into A Shares at the Indicative Initial Conversion Price). In view of the positive factors highlighted, we are of the opinion that the dilution effect on shareholding of the existing H Share Shareholders to be acceptable.

OPINION AND RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the A Share Convertible Bond Issue Plan, which is pre-emptive to all A Shareholders, and including the Possible Subscription for A Share Convertible Bonds by CCCG, which has the same terms as the possible subscriptions by the other A Shareholders, though not conducted in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole and the terms of the Possible Subscription for A Share Convertible Bonds by CCCG are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the AGM to approve the Possible Subscription for A Share Convertible Bonds by CCCG.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Danny Cheng
Director

SUPPLEMENTAL NOTICE OF THE ANNUAL GENERAL MEETING

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中國交通建設股份有限公司
CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1800)

SUPPLEMENTAL NOTICE OF THE ANNUAL GENERAL MEETING

Reference is made to the notice of the annual general meeting (the “AGM”) of China Communications Construction Company Limited (the “Company”) dated 30 April 2019 (the “Notice”), which sets out the time and venue of the AGM and contains the resolutions to be proposed at the AGM for shareholders’ approval.

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the AGM will be held as originally scheduled at CCCC Building, 85 De Sheng Men Wai Street, Xicheng District, Beijing, the PRC at 2:00 p.m. on 18 June 2019 for the purpose of considering and, if thought fit, passing the following resolutions in addition to the resolutions set out in the Notice:

As Special Resolution

9. To consider and approve the extension of the validity period of the general meeting resolution in relation to the A Share Convertible Bonds and extension of the validity period of the corresponding Board authorisation.

SUPPLEMENTAL NOTICE OF THE ANNUAL GENERAL MEETING

As Ordinary Resolutions

10. To consider and approve the proposal on the connected transaction in relation to the possible subscription for A share convertible bonds by China Communications Construction Group (Limited).
11. To consider and approve the estimated cap for the internal guarantees of the Group in 2019 and the authorisation to the management of the Company to carry out relevant formalities when providing internal guarantees within the approved amount.
12. To consider and approve the launch of asset-backed securitization by the Group: (i) that the aggregate principal amount of the securities shall not exceed RMB30,000 million (including not exceeding RMB2,500 million to be issued by CCCC First Highway Engineering Co., Ltd. (“CFHEC”)); (ii) that the chairman and/or vice chairman and/or president and/or chief financial officer be authorised to deal with all relevant matters in relation to asset-backed securitization; and (iii) that the delegation of the abovementioned authorisation be granted to the chairman and/or general manager and/or chief financial officer of CFHEC to deal with all relevant matters in relation to its asset-backed securitization of not exceeding RMB2,500 million.

By Order of the Board

China Communications Construction Company Limited

Zhou Changjiang

Company Secretary

Beijing, the PRC

30 May 2019

As at the date of this notice, the Directors are LIU Qitao, SONG Hailiang, CHEN Yun, LIU Maoxun, QI Xiaofei, HUANG Long[#], ZHENG Changhong[#] and NGAI Wai Fung[#].

[#] *Independent non-executive Director*

SUPPLEMENTAL NOTICE OF THE ANNUAL GENERAL MEETING

Notes:

1. The supplemental circular of the AGM containing the above resolutions as set out in this supplemental notice has been despatched to the Shareholders on 30 May 2019.
2. A supplemental form of proxy for the AGM is enclosed with this supplemental notice. Whether or not you intend to attend the AGM, you are requested to complete and return the supplemental form of proxy for AGM in accordance with the instructions printed thereon not less than 24 hours before the time appointed for holding the AGM or any adjournment thereof (i.e. before 2:00 p.m. on Monday, 17 June 2019). Completion and return of the supplemental forms of proxy will not preclude you as a Shareholder from attending and voting in person at the AGM or at any adjourned meeting should you so wish.

The supplemental form of proxy will not affect the validity of any form of proxy duly completed and delivered by you in respect of the resolutions set out in the notice of the AGM. If you have completed and delivered the original form of proxy and validly appointed a proxy to attend and act for you at the AGM but do not complete and deliver the supplemental form of proxy, your proxy will be entitled to vote at his discretion on the resolutions set out in the supplemental notice of the AGM dated 30 May 2019. If you do not complete and deliver the original form of proxy but have completed and delivered the supplemental form of proxy and validly appointed a proxy to attend and act for you at the AGM, unless otherwise instructed, your proxy will be entitled to vote at his discretion on the resolutions set out in the notice of the AGM dated 30 April 2019.

3. Please refer to the notice of the AGM dated 30 April 2019 for details of other resolutions to be proposed for consideration and approval at the AGM, closure of register of members, eligibility for attending the AGM and registration procedures for attending the AGM and other matters regarding the AGM.

1. RESPONSIBILITY STATEMENT

This supplemental circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this supplemental circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this supplemental circular misleading.

2. DISCLOSURE OF INTERESTS**(a) Interests and Short Positions of Directors, Supervisors and Chief Executives**

As at the Latest Practicable Date, none of the Directors, Supervisors and chief executives of the Company and their respective associates had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was (a) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest and short position which any such Director, Supervisor, chief executive or member of senior management was taken or deemed to have under such provisions of the SFO); (b) required to be recorded in the register of interests required to be kept by the Company pursuant to section 352 of the SFO; or (c) otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Hong Kong Listing Rules in force as at the Latest Practicable Date.

Mr. Liu Qitao, the Director of the Company, concurrently acts as the chairman of the board of directors and the secretary of the Party Committee of CCCG. Mr. Song Hailiang, the Director of the Company, concurrently acts as the director, the general manager and a deputy secretary of the Party Committee of CCCG. Mr. Chen Yun, the Director of the Company, concurrently acts as the deputy secretary of the Party Committee of CCCG.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates (as defined in the Hong Kong Listing Rules) was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Hong Kong Listing Rules as if each of them were a controlling Shareholder).

4. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors or Supervisors had any interest in any assets which have been, since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement, subsisting at the date of this supplemental circular, which is significant in relation to the business of the Group.

5. CONSENT AND QUALIFICATION OF EXPERT

- (a) The following is the qualification of the expert who has given an opinion or advice which is contained in this supplemental circular:

Name	Qualification
Somerley	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

- (b) As at the Latest Practicable Date, the above expert did not have any shareholding directly or indirectly in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and it had no interest, either directly or indirectly, in any assets which have been, since 31 December 2018 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

- (c) As at the Latest Practicable Date, the above expert has given and has not withdrawn its written consent to the issue of this supplemental circular with the inclusion herein of its letter and reference to its name and letter, where applicable, in the form and context in which it appears.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within a year without payment of any compensation (other than statutory compensation)).

7. MATERIAL ADVERSE CHANGE

As the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Room 2805, 28th Floor Convention Plaza Office Tower 1 Harbour Road, Wanchai, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this supplemental circular up to and including the date of the AGM:

- (a) the letter from the Independent Board Committee, the text of which is set out in this supplemental circular;
- (b) the letter from Somerley, the text of which is set out in this supplemental circular; and
- (c) the written consent of Somerley as referred to in this appendix.