

2018 Annual Results Press Conference

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Moderator	<ul style="list-style-type: none"> ➤ Hello, dear guests, investors and netizens! Welcome to CCCC 2018 Annual Results Press Conference. The presentation was organized by CCCC and technically supported by SSE Infonet Ltd. Thank you for your attention and participation. 	
Moderator	<ul style="list-style-type: none"> ➤ On March 30, CCCC announced its 2018 Annual Results. Investors can visit http://www.sse.com.cn/or http://roadshow.sseinfo.com/ to view the announcements. ➤ To deepen investors' knowledge of the cash dividends and business performance of the Company, the Company decided to hold 2018 Annual Results Press Conference. In today's event, core management of CCCC will communicate with investors online. And welcome all investors take active participation. ➤ Firstly, we will have the guest from the listed company to do the opening speech. 	
CFO Bihong	PENG	<ul style="list-style-type: none"> ➤ Dear moderator and investors, good morning! Welcome to CCCC 2018 Annual Results Presentation. First of all, I would like to thank all investors for your great attention and strong support to us over the years. We will directly communicate with you online and present our business performance of 2018 to deepen your understanding of us. ➤ In 2018, faced with the complicated external environment, CCCC insisted development on a steady basis as guided by its majority shareholder and with the support of all minority shareholders. CCCC promoted reform with its strategic goals and objectives, and enhanced development as a whole. Therefore, all links recorded stable and steady progress and high-quality development. ➤ CCCC's revenue was RMB 490,872 million and net profit attributable to shareholders was RMB 19,819 million, with earnings per share being RMB 1.15. New contracts value amounted to RMB 890,873 million. As of December 31, 2018, the uncompleted contract amount was RMB 1,689,738 million. Sufficient business provides strong support and guarantee for the Company's sustainable and steady development. ➤ In the following Q&A session, we will answer common concerns and the questions of investors wanting a better understanding of us, and sincerely hope you will be satisfied with our answers.
BI Bo		<ul style="list-style-type: none"> ➤ Will the Company shoulder the construction of the Malaysia high-speed railway project, if it is restarted?
Board Secretary & Company Secretary Changjiang	ZHOU	<ul style="list-style-type: none"> ➤ In June 2017, the Company confirmed that East Malaysia railway link contract was put into implementation with the contract value equivalent to RMB 72.8 billion. In the second half, as required by the contract and at the request of the owner, the Company organized pre-project design and survey and pre-construction and made arrangements for entry. In July of this year,

		<p>the Company shut down the entire project as notified by the owner. In the above implementation stage, the Company received the owner's advance payment, and did not advance fund for the work incurred.</p> <p>➤ After suspension, the Company communicated with the owner with the utmost sincerity and the belief of friendly cooperation between China and Malaysia. The Company put forward feasible solutions such as reducing the overall cost and implementation in stages through the adjustment of project scope, value engineering and alignment and other measures to the extent that the functions are secured. On the other hand, the Company actively protected its legitimate rights and interests as a general contractor of design and construction, and timely reported to the owner the additional costs and losses caused by the shutdown. The Company maintained an open attitude towards the negotiations and hoped that two sides sought for solutions subject to the contract for mutual benefit, so as to create value for the country and the people.</p>
sssss445		<p>➤ Does the Company have any reform plans as mixed-ownership reform and equity incentives?</p>
CFO Bihong	PENG	<p>➤ The controlling shareholder, China Communications Construction Group, was determined by the State Council as an enterprise subject to pilot regarding investment by state-owned capital, which is a full affirmation of the management, reform and development of the Group including CCCC, and will have a far-reaching impact on its development during the "13th Five-Year Plan" period and later.</p> <p>➤ The overall plan for the reform of the Group is under promotion. We will promptly disclose to and communicate with investors according to regulatory requirements measures involving the Company, if any.</p>
Lan Tian Xia De You Ling		<p>➤ Hi! I would like to ask if there is any plan with respect to the news on CCCC Dredging Company's preparation for listing via spin-off in the past few years? How about CCCC Dredging Company's business development?</p>
CFO Bihong	PENG	<p>➤ In 2018, the traditional dredging business market continued to be sluggish. China strictly controlled the development of sea areas and reclamation activities and therefore large-scale channel dredging projects were slowly and difficultly promoted. Due to the obvious shortage of traditional market, it has accelerated the development of new business areas in the past two years. Trade logistics, environmental protection and other projects had made effective contributions. However, the new business field is still in the incubation period, and its own profit level is not high. The gross profit margin of the dredging business will still be under pressure in the past two years.</p> <p>➤ In the face of market pressure, it will strive to give play to its traditional advantages, actively expand major strategic projects of the State, pay attention to market opportunities in the field of eco-environmental protection, and do its utmost to reduce the impact of the decline in the traditional market. At the same time, it will give play to its leading role in the</p>

		<p>general objectives of the reform, and pay equal attention to domestic and overseas market.</p> <ul style="list-style-type: none"> ➤ Its spin-off plan for listing has been included by the State-owned Assets Supervision and Administration Commission of the State Council into the "Reform Actions". The company will actively focus on reforms and regulatory policy changes, and steadily promote the listing via spin-off.
Yun Zhong Jiao Zi		<ul style="list-style-type: none"> ➤ Hello, I would like to ask the CFO if CCCC is a leader in the Belt and Road Initiative and why did its income of overseas business fall? As CCCC guided 10% for its revenue growth in 2019, how much can overseas business contribute?
CFO Bihong	PENG	<ul style="list-style-type: none"> ➤ Domestic income increased by 8.5% in 2018, significantly higher than the growth rate of infrastructure fixed assets investment announced by the National Bureau of Statistics (3.8% year-on-year), which was mainly attributable to PPP investment projects and a large number of projects to finish. ➤ Overseas revenue fell by 19%, mainly due to the end of settlement peak for large overseas projects, and no greater contributions from new projects as well as the suspension of the East Malaysia Railway. ➤ The revenue growth target of 10% for 1019 is mainly based on the better-than-expected market environment as a whole, the potential increasing new orders, sufficient order in stock and favorable commencement. CCCC's orders in hand reached RMB 1.69 trillion as at the end of 2018, which is 3.46 times of the revenue in 2018. According to statistics, overseas unfinished contracts accounted for about 43%, and for PPP investment projects, unfinished contracts took up 31% according to equity ratio.
Ling Shan Song		<ul style="list-style-type: none"> ➤ Why did CCCC's new contract growth lag behind its peers in 2018? Please estimate new contracts in 2019.
CFO Bihong	PENG	<ul style="list-style-type: none"> ➤ In 2018, the port construction and dredging traditional market continued to be sluggish at home, coupled with less opportunities for grand bridge projects and slowdown in implementation of subway and municipalities due to the PPP project clear-out. Such emerging markets as environmental protection and water conservancy exert limited effects. ➤ In the international market, new orders went down by 26% on a year-on-year basis due to the high base as a result of the East Malaysia Railway in the same period last year. However, if the impact of the East Malaysia Railway is deducted, overseas orders rose by 12%. In 2018, overseas market development continued to gain new achievements. Among others, remarkable results were obtained in the Australian market, which will further consolidate the Company's leading role in the "Belt and Road" initiative in the future. ➤ In 2019, CCCC will pay close attention to market opportunities in domestic railways, highways, rail transit, housing construction, environmental protection and water conservancy projects, as well as military and civilian integration. Internationally, it will continue focusing on key market

	<p>opportunities brought from the "Belt and Road" initiative, Africa's "three networks and industrialization", international capacity cooperation, "six corridors and six road networks as well as ports under cooperation with countries" and other national strategic initiatives so as to strive for new highlights.</p>
Yun Zhong Jiao Zi	<p>➤ How were the Company's various segments in 2018?</p>
CFO PENG Bihong	<p>➤ Revenue grew by 6.49% on a year-on-year basis from RMB 460.9 billion to RMB 490.9 billion. In calculating the said figure, to accurately reflect changes in operating conditions, ZPMC's figure for the same period disclosed was deducted from the main operating data for the same period last year since ZPMC was no longer included in the consolidated statement during the reporting period. Among them, the main business income was RMB 487.4 billion, an increase of 6.50% when compared with RMB 457.6 billion (after deduction) in the same period of last year. The uptick was mainly attributable to the growing main business income from the infrastructure construction business, infrastructure design business and other business that went up by 5.34%, 17.03% and 66.14% respectively, and reduction of dredging business by 3.85%.</p> <p>➤ The consolidated gross profit margin was 13.49%, a dip of 0.31 percentage point (after deduction) from the same period of the previous year. Gross profit margin of main business was 13.35%, a shrink of 0.24 percentage point (after deduction) when compared with the previous year. The decrease in gross profit margin within reasonable range was mainly due to the decline in the gross profit margin of infrastructure construction business, infrastructure design business and the improvement of that of the dredging business and other business segments.</p>
Bao Hu Lu De Mi Mi	<p>➤ What measures were taken in response to the State's requirements for a reduction in leverage?</p>
Board Secretary & Company Secretary ZHOU Changjiang	<p>➤ In 2018, the Company strengthened fund management, which significantly improved its funds concentration; scientifically arranged the timetable for financing funds, which slightly cut down the cost of debt financing (5.18%) when compared with 2017, rationally applied the Accounting Standards for Business Enterprises, and adopted other equity instruments to raise funds in an amount of RMB 19.25 billion, which effectively guaranteed the business development.</p>
Lan Tian Xia De You Ling	<p>➤ Why did the Company spend much more funds on research and development than its peers?</p>
Board Secretary & Company Secretary ZHOU Changjiang	<p>➤ Scientific and technological innovation is a must to adapt to the situation and concerns the fate and future of the Company. Over the years, the Company has always insisted on innovation-driven development. In 2018, the Company set aside 2% of revenue, i.e. RMB 10.2 billion on research and development, an increase of about 1 percentage point compared with five years ago. Therefore, the Company's scientific and technological innovation capabilities have been comprehensively upgraded. Support from scientific</p>

	<p>and technological innovation has been remarkably enhanced, and technological innovation has shown some effects in terms of pushing development.</p> <ul style="list-style-type: none"> ➤ At the same time, a certain proportion of R&D expenditure (not less than 3% of revenue) is beneficial for the subsidiaries to obtain high-tech enterprise certification so as to be entitled to 15% income tax rate. In 2018, the effective tax rate of the Company was 20.3%, which was the lowest among peers.
包子馒头	<ul style="list-style-type: none"> ➤ What is CFO's guidance for the growth rate of the Company's various segments in 2019? Are there any initiatives to improve performance?
CFO PENG Bihong	<ul style="list-style-type: none"> ➤ Growth rate of the Company's new contract value in 2019 is planned to be no less than 8% on a year-on-year basis and that of revenue, not less than 10%.
Ling Shan Song	<ul style="list-style-type: none"> ➤ Why did the Company's gross profit margin stay unchanged in 2018 amid rise in prices of many raw materials, such as cement and steel?
Board Secretary & Company Secretary ZHOU Changjiang	<ul style="list-style-type: none"> ➤ In recent years, the Company's main business profitability has continued to improve, mainly due to the continuous improvement of the business structure, as well as the centralized procurement of raw materials and strengthened basic management, which effectively digested unfavorable rise in prices. Specifically: first, PPP investment project contributed about RMB 93 billion to Jian'an in 2018, accounting for 22% of the Company's revenue, higher ratio than previous years; in addition, the gross profit margin of this part of the project is usually around 20%, which is higher than the traditional ones. Second, revenue from the overseas market recorded RMB 95.4 billion, accounting for 19%. Although the proportion slightly declined, the gross profit margin improved from 2017 to around 14%. ➤ The company believes that in 2019, it will continue comprehensively improving management quality via strengthened efforts in terms of "three basics", "three comprehensives", "four modernizations" and target management, striving to make up weakness within one year, render substantial results within two years and achieve material improvements within three years. ➤ To respond to the raw material price risk in 2019, the Company will actively implement the price adjustment clause, conscientiously carry out the "334" project to improve the material management level, continue to optimize the technical process to moderately reduce its dependence on materials and strengthen strategic cooperation with building material enterprises by means of securing favorable prices via quantity and stabilizing price via advance payment, so as to maximize the benefits between partners.
Ming Ming Jiu	<ul style="list-style-type: none"> ➤ What do you think about the implicit responsibility?
CFO PENG Bihong	<ul style="list-style-type: none"> ➤ This friend may ask about implicit liabilities. We have noted that some research institutions equate other equity instrument financing with corporate liabilities, and we respect this approach. However, it needs to be clear that, perpetual bonds, perpetual medium-term notes and others issued according to

	<p>the Accounting Standards for Business Enterprises belong to other equity instruments and are not liabilities. At the same time, the Company has established a comprehensive credit risk monitoring system. We will strive to prevent and control business risks and financial risks from the front end, control the leverage and liquidity at a reasonable level, and rationally use various tools to raise funds.</p>
包子馒头	<p>➤ Mr. Peng, will the Company have new big orders in 2019? What are your expectations for the Belt and Road initiative?</p>
CFO PENG Bihong	<p>➤ Led by the "Belt and Road" initiative, the Company actively sought for high-quality development, and cooperated with more and more countries along the "Belt and Road". It arranged for "Seven Corridors, Seven Roads and Ports under Cooperation with Countries" and seized major opportunities of China-Africa joint construction of the "Belt and Road" and "Eight Actions". It brings into play the advantages of the Company to promote the tracking and implementation of projects in the fields of port, marine scientific research, highways, railways, urban complexes, tourism and leisure, airports, etc., so as to realize high-quality development led by the "Belt and Road" initiative.</p>
Kan Jin Zhao	<p>➤ Which segment will drive economic growth in 2019?</p>
Board Secretary & Company Secretary ZHOU Changjiang	<p>➤ This question was mentioned in former part. In 2019, CCCC will pay close attention to market opportunities in domestic railways, highways, rail transit, housing construction, environmental protection and water conservancy projects, as well as military and civilian integration. Internationally, it will continue focusing on key market opportunities brought from the "Belt and Road" initiative, Africa's "three networks and industrialization", international capacity cooperation, "six corridors and six road networks as well as ports under cooperation with countries" and other national strategic initiatives so as to strive for new highlights.</p>
Lan Tian Xia De You Ling	<p>➤ I would like to ask what currency was used to settle the Company's a great number of overseas business? What were the risks in terms of exchange rates? What were the countermeasures?</p>
CFO PENG Bihong	<p>➤ The Company's overseas income accounted for 19% and the settlement was mainly made in US dollars, followed by the euro and local currencies. In order to reduce exchange risk, the corresponding procurement and subcontracting expenses were also mainly settled in foreign currency. At the same time, in order to deal with exchange rate risks and strengthen settlement, we appropriately applied forward foreign exchange products.</p> <p>➤ As at December 31, 2018, if the RMB appreciated/depreciated by 5% against the US dollar and all other factors remained unchanged, net profit will decrease/increase by RMB 436 million (2017: decrease/increase RMB 293 million), mainly from exchange gains/losses arising from conversion of USD-denominated monetary funds, accounts receivable, other receivables, long-term receivables, borrowings, accounts payable, other payables, and long-term payables.</p>

Ming Ming Jiu	<ul style="list-style-type: none"> ➤ China advocates for building a beautiful China, so what advantages do the Company have in environmental protection? Has the Yongding River project made new progress?
Board Secretary & Company Secretary ZHOU Changjiang	<ul style="list-style-type: none"> ➤ The Company has rich technical and performance in the field of environmental protection. At the same time, it will also consider cooperating with private enterprises with technological advantages. According to market changes, we will concentrate resources and quickly enter emerging market areas, with focus on water environment management and sponge city construction market. ➤ June 28 witnessed the unveiling ceremony of Yongding River Basin Investment Co., Ltd., marking the formal implementation of the Yongding river comprehensive management and ecological restoration project. The Company's registered capital is RMB 8 billion. Shareholding ratios are: Beijing Water 35%, CCCC Dredging Company 30%, Shanxi Water 15%, Hebei Water 15% and Tianjin Water 5%. The estimated total investment was RMB 36.98 billion, of which 20% was funded by the central government, 20% by shareholders, and the remaining 60% was financed by the Company. The project is planned to start construction at the end of 2018 and be completed in 2025.
Kan Jin Zhao	<ul style="list-style-type: none"> ➤ What are the targeted measures for the decline in demand for port construction business?
CFO PENG Bihong	<ul style="list-style-type: none"> ➤ The Group is China's largest player in port construction. It has built most of the coastal large and medium-sized port terminals since the founding of the People's Republic of China, and has obvious competitive advantages. Therefore, few competitors can form substantial competition with the Group. In 2018, value of the Group's new contracts in port construction in Mainland China was RMB 27.284 billion, a year-on-year drop of 8.06%, accounting for 4% of the infrastructure construction business. The contract value confirmed from the PPP investment project was RMB 4.212 billion. Decrease in new contract value was mainly due to contracted demand in the traditional market. ➤ According to the Ministry of Transport, the investment in fixed assets of coastal and inland river traffic from January to November 2018 was approximately RMB 106.092 billion, a year-on-year decrease of 4.61%. Affected by the limited port construction space, overcapacity in the industry, and insufficient investment by local governments, the overall growth of the market is limited. The investment in the coastal traditional water transport construction project continued to decline at a narrowed range, and that in the inland waterway construction market saw modest rise. ➤ The launch of the strategy of the Yangtze River Economic Belt and the release of the Opinions on Comprehensively Advancing the Development of Green Transportation trigger the integration of domestic ports and accelerate the development of inland waterways. Inland navigation construction market and the basin comprehensive management project construction market

		aiming at promoting the development of green transportation and serving the construction of a powerful transportation country will drive the traditional water transport construction.
Lan Tian Xia De You Ling		➤ Why was the Company's cash dividend level less than 30%? Will it improve in the future?
CFO Bihong	PENG	<p>➤ The board of directors recommended following continuous and stable profit distribution policy for 2018 annual dividends. Therefore, dividends at 20% of profit available for distribution to common shareholders of RMB 18,662,915,776 (deducting perpetual medium-term note interest of RMB 300,000,000 and preferred stock dividend of RMB 717,500,000) will be distributed to all shareholders, i.e. a dividend of RMB 0.23077 per share (including tax). The profit distribution plan for 2018 is a plan, which is still subject to review and approval at the 2018 annual general meeting. The dividend plan complies with the Articles of Association.</p> <p>➤ Since being listed in 2006, the Company has made cash dividends every year. As of December 31, 2018, the Company's accumulated cash dividend amounted to RMB 28.8 billion. In the future, the Company will further enhance its profitability and actively create sustainable returns for shareholders.</p>
Bao Hu Lu De Mi Mi		➤ How much impact of the value-added tax cut on the Company?
CFO Bihong	PENG	➤ Amid the deepened VAT reform, current 10% tax rate for the construction industry fell to 9%. Since VAT will not be included in the income statement, it will affect the Company's bargaining power to the upstream and downstream and in turn affect its profit. On the whole, the corporate earnings are more likely to stay unchanged or increase.
sssss445		➤ Does CCCC have an additional issuance plan in 2019? What is the progress of the Company's convertible bonds?
Board Secretary & Company Secretary Changjiang	ZHOU	<p>➤ At present, the Company has a good development momentum. PPP investment projects and overseas market expansion demand lots of funds. The company will continue to focus on a variety of different financing channels, and choose the right way to carry out the right amount of financing when needed.</p> <p>➤ Application materials regarding the convertible bonds have been submitted to the regulators and there is no progress at present.</p>
sssss445		➤ What risks does the Company have in its operations?
CFO Bihong	PENG	➤ As a free market player, the Company must face the systemic impact of macroeconomic cycle fluctuations on its business development. As a large-scale project contractor, it also faces the risk of fluctuations in the prices of raw materials such as steel, cement, fuel, sand and asphalt. As needed by the Company's daily business operations and transformation of the business structure, borrowings and bonds payable are subject to the risk of fluctuations in interest rate and the development of overseas business is

	<p>subject to exchange rate fluctuation risks and the risks of changes in the international economic and political situation. The company has a large number of projects under construction, and therefore it also face the risk of force majeure that may cause damage to workers and property due to heavy rains, floods, earthquakes, typhoons, tsunamis, fires and other natural disasters at the construction site.</p> <p>➤ At present, the Company's annual operating income is close to RMB 500 billion, and its total assets are nearly RMB 1 trillion. Its business involves transportation infrastructure design, construction, investment, urban complex development and many other market areas, and it has presences in 139 countries and regions overseas. Its ability to resist market risks is very strong.</p>
Moderator	<p>➤ Dear investors and netizens, the 2018 Annual Results Press Conference of CCCC has come to the end. Let's invite the guests from the listed company to make a summary speech.</p>
CFO Bihong	PENG <p>➤ Dear shareholders, amid the new era, CCCC will insist on quality development driven by innovation and bravely and sincerely shoulder its responsibilities and chase its dreams so as to build itself a world-class player and welcome the 70th anniversary of the founding of the People's Republic of China with outstanding achievements! Hope investors and social friends from all walks of life who pay attention to the Company all along continue to support us during the reform and development!</p> <p>➤ We are more than pleased to communicate with everyone through various means and channels in future, thanks for all of you!</p>
Moderator	<p>➤ The 2018 Annual Results Press Conference of CCCC has been successfully concluded. Thanks for your participation!</p>