
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any of the contents of this circular or as to what action to take in relation to this 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 circular together with the supplemental form of proxy 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)

CIRCULAR FOR EXTRAORDINARY GENERAL MEETING:
(1) CONTINUING CONNECTED TRANSACTIONS, DISCLOSEABLE
TRANSACTIONS AND MAJOR TRANSACTIONS:
REVISION OF ANNUAL CAP FOR THE LABOUR AND SUBCONTRACTING
SERVICES UNDER THE EXISTING MUTUAL PROJECT CONTRACTING
FRAMEWORK AGREEMENT; AND
RENEWAL OF CERTAIN CONTINUING CONNECTED TRANSACTIONS
UNDER THE EXISTING AGREEMENTS;
(2) RENEWAL OF ORDINARY RELATED PARTY TRANSACTIONS UNDER
THE EXISTING AGREEMENTS;
(3) PROPOSED AMENDMENTS TO THE MANAGEMENT MEASURES FOR
CONNECTED TRANSACTIONS; AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders



SOMERLEY CAPITAL LIMITED

A notice convening the EGM 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 Thursday, 18 November 2021 is set out on pages 115 to 117 of this circular.

Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof (i.e. before 2:00 p.m. on Wednesday, 17 November 2021). Completion and return of the form of proxy will not preclude you as a Shareholder from attending and voting in person at the EGM or at any adjourned meeting should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

- (1) Compulsory temperature screening/checks
- (2) Checks on travel history and quarantine restrictions of attendees
- (3) Wearing of surgical face mask
- (4) No provision of refreshments or drinks

Attendees who do not comply with the precautionary measures above may be denied entry to the EGM venue, at the absolute discretion of the Company as permitted by law. Attendees must pay attention in advance and abide by the regulations and requirements of Beijing on health status declaration, quarantine and observation during the epidemic containment period. **For the health, safety and convenience of the Shareholders, the Company would like to encourage the Shareholders to consider exercising their voting right at the EGM by appointing the chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.**

CONTENTS

	<i>Pages</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	49
LETTER FROM SOMERLEY	51
APPENDIX I – PROPOSED AMENDMENTS TO THE CONNECTED TRANSACTIONS MANAGEMENT MEASURES.	95
APPENDIX II – FINANCIAL INFORMATION OF THE GROUP	105
APPENDIX III – GENERAL INFORMATION	110
NOTICE OF THE EXTRAORDINARY GENERAL MEETING	115

DEFINITIONS

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

“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 Renminbi
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“Board”	the board of directors of the Company
“CCCC Finance”	CCCC Finance Company Limited (中交財務有限公司), a limited liability company incorporated under the laws of the PRC
“CCCC Leasing”	CCCC Financial Leasing Co., Ltd.* (中交融資租賃有限公司), a limited liability company incorporated under the laws of the PRC
“CCCG”	China Communications Construction Group (Limited), a state-owned enterprise established under the laws of the PRC and the controlling Shareholder of the Company
“CCCG Group”	CCCG and its subsidiaries, excluding the Group
“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
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary 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 November 2021
“Existing Finance Lease and Commercial Factoring Agreement”	the finance lease and commercial factoring agreement entered into between CCCC Leasing and CCCG on 29 August 2018

DEFINITIONS

“Existing Finance Lease and Commercial Factoring Framework Agreement”	the finance lease and commercial factoring framework agreement entered into between the Company and CCCC Leasing on 29 August 2018
“Existing Financial Services Agreement”	the financial services agreement entered into between CCCC Finance and CCCG on 29 August 2018, as amended by the supplemental agreements entered into on 27 December 2019, 31 March 2020 and 30 March 2021, respectively
“Existing Leasing Framework Agreement”	the leasing and asset management services framework agreement entered into between the Company and CCCG on 30 December 2020
“Existing Mutual Product Sales and Purchase Agreement”	the mutual product sales and purchase agreement entered into between the Company and CCCG on 29 August 2018, as amended by the supplemental agreements entered into on 31 March 2020, 29 October 2020, 30 March 2021 and 30 August 2021, respectively
“Existing Mutual Project Contracting Framework Agreement”	the mutual project contracting framework agreement entered into between the Company and CCCG on 29 August 2018, as amended by the supplemental agreements entered into on 2 January 2019, 27 December 2019, 31 March 2020, 29 October 2020 and 30 March 2021, respectively
“Finance Lease and Commercial Factoring Agreement”	the finance lease and commercial factoring agreement entered into between CCCC Leasing and CCCG on 15 October 2021
“Finance Lease and Commercial Factoring Framework Agreement”	the finance lease and commercial factoring framework agreement entered into between the Company and CCCC Leasing on 15 October 2021
“Financial Services Agreement”	Collectively, the Financial Services – Deposit Services and Loan Services Framework Agreement, the Financial Services – Guarantee Letter Services Framework Agreement, and the Financial Services – Other Credit Services Framework Agreement, all of which are entered into between CCCC Finance and CCCG on 15 October 2021
“Financial Services – Deposit Services and Loan Services Framework Agreement”	the financial services – deposit services and loan services framework agreement entered into between CCCC Finance and CCCG on 15 October 2021
“Financial Services – Guarantee Letter Services Framework Agreement”	the financial services – guarantee letter services framework agreement entered into between CCCC Finance and CCCG on 15 October 2021

DEFINITIONS

“Financial Services – Other Credit Services Framework Agreement”	the financial services – other credit services framework agreement entered into between CCCC Finance and CCCG on 15 October 2021
“Group”	the Company and its subsidiaries
“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
“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
“Independent Board Committee”	the committee of Directors consisting of Mr. HUANG Long, Mr. ZHENG Changhong and Dr. NGAI Wai Fung who are independent non-executive Directors, formed to advise the Independent Shareholders on (i) the revision of annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement, and (ii) the Renewal of Certain Continuing Connected Transactions under the existing agreements
“Independent Shareholders”	the Shareholders, other than CCCG and its associates who will abstain from voting on the relevant resolutions in relation to (i) the revision of annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement, and (ii) the Renewal of Certain Continuing Connected Transactions under the existing agreements at the EGM
“Latest Practicable Date”	19 October 2021, being the latest practicable date for ascertaining certain information included herein before the printing of this circular
“Leased Assets”	assets specified in the Leasing Framework Agreement, including buildings, plants and auxiliary equipment, facilities, etc. for production and operation
“Leasing Framework Agreement”	the leasing and asset management services framework agreement entered into between the Company and CCCG on 9 September 2021

DEFINITIONS

“Mutual Product Sales and Purchase Agreement”	the mutual product sales and purchase agreement entered into between the Company and CCCG on 9 September 2021
“Mutual Project Contracting Framework Agreement”	the mutual project contracting framework agreement entered into between the Company and CCCG on 15 October 2021
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Renewal of Certain Continuing Connected Transactions”	the continuing connected transactions of the Company contemplated under (i) the Mutual Project Contracting Framework Agreement, (ii) the Finance Lease and Commercial Factoring Agreement, (iii) the Finance Lease and Commercial Factoring Framework Agreement, and (iv) the Financial Services Agreement, all of which are subject to reporting, announcement and Independent Shareholders’ approval requirements under the Hong Kong Listing Rules
“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
“Somerley” or “Independent Financial Adviser”	Somerley 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 (i) the revision of annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement, and (ii) the Renewal of Certain Continuing Connected Transactions under the existing agreements
“Supervisor(s)”	the supervisor (s) of the Company
“Supervisory Committee”	the supervisory committee of the Company

DEFINITIONS

“Supplemental Agreement to the Existing Mutual Project Contracting Framework Agreement”	the supplemental agreement to the Existing Mutual Project Contracting Framework Agreement entered into between the Company and CCCG on 30 August 2021
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“%”	per cent
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The English names of Chinese entities and documents adopted in this circular marked “” are translations from their Chinese names for identification purpose only and shall not be regarded as their official English translation.*

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

WANG Tongzhou
WANG Haihui
LIU Xiang

Non-executive Director

LIU Maoxun

Independent non-executive Directors

HUANG Long
ZHENG Changhong
NGAI Wai Fung

Registered Office:

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

Principal Place of Business in Hong Kong:

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

25 October 2021

To the Shareholders,

Dear Sir or Madam,

- (1) CONTINUING CONNECTED TRANSACTIONS, DISCLOSEABLE
TRANSACTIONS AND MAJOR TRANSACTIONS:
REVISION OF ANNUAL CAP FOR THE LABOUR AND SUBCONTRACTING
SERVICES UNDER THE EXISTING MUTUAL PROJECT CONTRACTING
FRAMEWORK AGREEMENT; AND
RENEWAL OF CERTAIN CONTINUING CONNECTED TRANSACTIONS
UNDER THE EXISTING AGREEMENTS;
(2) RENEWAL OF ORDINARY RELATED PARTY TRANSACTIONS UNDER
THE EXISTING AGREEMENTS;
(3) PROPOSED AMENDMENTS TO THE MANAGEMENT MEASURES FOR
CONNECTED TRANSACTIONS; AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

References are made to (i) the announcement of the Company dated 30 August 2021 in relation to, among others, the proposed revision of annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement; (ii) the announcement of the Company dated 15 October 2021 in relation to the Renewal of Certain Continuing Connected Transactions under the existing agreements; and (iii) the announcement of the Company dated 9 September 2021 in relation to the renewal of ordinary related party transactions under the existing agreements.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things:

- (i) details of the revision of annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement, the Renewal of Certain Continuing Connected Transactions under the existing agreements, the renewal of ordinary related party transactions under the existing agreements, and the proposed amendments to the Management Measures For Connected Transactions;
- (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders on the revision of annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement, and the Renewal of Certain Continuing Connected Transactions under the existing agreements;
- (iii) a letter from Somerley containing its advice to the Independent Board Committee and the Independent Shareholders on the revision of annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement, and the Renewal of Certain Continuing Connected Transactions under the existing agreements; and
- (iv) a supplemental notice of the EGM, in order to enable you to make an informed decision on whether to vote for or against the proposed resolution at the EGM.

II. CONTINUING CONNECTED TRANSACTIONS, DISCLOSEABLE TRANSACTIONS AND MAJOR TRANSACTIONS

(I) Revision of Annual Cap for the Labour and Subcontracting Services under the Existing Mutual Project Contracting Framework Agreement

(1) Background

On 29 August 2018, the Company and CCCG entered into the Existing Mutual Project Contracting Framework Agreement, pursuant to which, among other things, CCCG Group agreed to provide labour and subcontracting services to the Group for its construction projects for the three years from 1 January 2019 to 31 December 2021.

On 30 August 2021, the Company and CCCG entered into the Supplemental Agreement to the Existing Mutual Project Contracting Framework Agreement to further revise the existing annual cap of fees for the labour and subcontracting services provided by CCCG Group to the Group thereunder for the year ending 31 December 2021 from RMB4,500 million to RMB6,500 million.

LETTER FROM THE BOARD

(2) *Revision of the Existing Annual Cap*

<i>RMB' million</i>			
Transaction	Actual amount for the six months end 30 June 2021	Existing annual cap for the year ending 31 December 2021	Revised annual cap for the year ending 31 December 2021
Labour and subcontracting services provided by CCCG Group to the Group	1,342	4,500	6,500

The revised annual cap of fees for labour and subcontracting services payable by the Group to CCCG Group under the Existing Mutual Project Contracting Framework Agreement is determined with reference to the following factors: (i) the increasing demands of the Group for labour and subcontracting services from CCCG Group, which is determined based on the value of new contracts entered into (approximately RMB828 million in aggregate) or potential new contracts that might enter into (approximately RMB1,123 million in aggregate) between the Group and CCCG Group to be recognised for the year ending 31 December 2021; (ii) the current capacity of CCCG Group; and (iii) the prevailing market price for comparable types of services in the same industry.

The Board further confirms that, as at the Latest Practicable Date, the existing annual cap of fees for the labour and subcontracting services provided by CCCG Group to the Group pursuant to the Existing Mutual Project Contracting Framework Agreement for the year ending 31 December 2021 has not yet been exceeded.

Save as disclosed above, all the other principal terms of the Existing Mutual Project Contracting Framework Agreement remain unchanged.

(3) *Reasons for and Benefits of the Transactions*

As the Company is mainly engaged in the transportation infrastructure industry, it may require labour and subcontracting services from time to time in the course of its ordinary business. By selecting CCCG Group as a provider of such services, Directors of the Company are of the view that the Company can benefit from its relatively low quotations, its understanding of the Company's business and its extensive experience and expertise in providing such services, and accordingly receive professional and high-quality services at a reasonable cost, which will be conducive to the Company's business operation.

An ordinary resolution will be proposed at the EGM to approve the revision of annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement.

LETTER FROM THE BOARD

(II) Renewal of Certain Continuing Connected Transactions under the Existing Agreements

1. *Renewal of the Continuing Connected Transactions under the Mutual Project Contracting Framework Agreement*

(1) *Background*

As the Existing Mutual Project Contracting Framework Agreement will expire on 31 December 2021, the Company entered into the Mutual Project Contracting Framework Agreement with CCCG to regulate the existing continuing connected transactions between the Company and CCCG for the three financial years ending 31 December 2024 and set the respective annual caps thereof.

(2) *Mutual Project Contracting Framework Agreement*

The principal terms of the Mutual Project Contracting Framework Agreement are set out as follows:

Date

15 October 2021

Parties

(1) the Company; and

(2) CCCG

Term

Three years from 1 January 2022 to 31 December 2024

Description of the transactions

Considering that the Group is a leading transportation infrastructure enterprise focusing on infrastructure construction, infrastructure design and dredging, the Group agreed to provide, within the business scope and specialized field of the Group, the project construction and management services to CCCG Group, which may include (i) provision of construction, design, consultation and management services for the construction projects that may be undertaken by CCCG Group; and (ii) design, construction, operation, management and dismantlement of temporary supporting facilities.

LETTER FROM THE BOARD

Considering that CCCG Group is primarily engaged in real estate development, wastewater treatment, airport construction, etc., CCCG Group agreed to provide, within the business scope and specialized field of CCCG Group, the labour and subcontracting services to the Group, which may include (i) provision of professional services for construction projects that may be undertaken by the Group; (ii) design, construction, operation, management and dismantlement of temporary supporting facilities; and (iii) provision of consultation, management and technical services.

Price determination

The fees payable by CCCG Group for the project contracting services provided by the Group shall be arrived at arm's length negotiation between the parties with reference to and taking into account the factors set out below:

- (i) with reference to the prevailing market prices;
- (ii) after taking into consideration the various aspects of the projects, such as project scale, construction period, technical difficulties and risk factors; and
- (iii) the Group will refer to its quotations for similar services to three independent third parties, so as to assess and review whether the services quotations provided by the Group to CCCG Group in accordance with items (i) and (ii) above are fair and reasonable.

The fees received by CCCG Group for the labour and subcontracting services provided to the Group shall be agreed upon by arm's length negotiation between the parties and specified in agreement entered into for each transaction in accordance with the following market-oriented pricing principles:

- (i) The fees proposed by CCCG Group for each future transaction shall be made with reference to its expected costs to be incurred, such as labour costs and management costs. CCCG Group is entitled to charge the service fees with a price at the costs plus gross profit of comparable transactions in the market after taking into account the actual circumstances for each future transaction; and
- (ii) The Group will seek fee quotes for similar services from three independent third parties on a quarterly basis in the market in order to assess and review the fairness and reasonableness of the quotes for the services proposed by CCCG Group in accordance with item (i) above.

LETTER FROM THE BOARD

The above-mentioned project contracting service fees and the labour and subcontracting service fees and relevant periodic reports will be submitted to the independent non-executive Directors for their annual review on the pricing so as to ensure its fairness and reasonableness. The Directors consider such methods and procedures can ensure the transactions will be conducted on normal commercial terms and will not prejudice the interests of the Company and its Shareholders.

Payment

The specific payment terms (including time and method of payment) for the project contracting services provided by the Group to CCCG Group and the labour and subcontracting services provided by CCCG Group to the Group will be agreed by the parties in the individual contract to be entered into by them, with reference to the payment terms of similar services in the market and the payment terms offered by independent third parties.

(3) *Historical Amounts*

Set out below are the project contracting service fees and the labour and subcontracting service fees for the two financial years ended 31 December 2020 and the six months ended 30 June 2021:

<i>RMB' million</i>			
Transaction	Actual amount for the year ended 31 December 2019	Actual Amount for the year ended 31 December 2020	Actual Amount for the six months ended 30 June 2021
Project contracting services provided by the Group to CCCG Group	4,552	12,431	4,992
Labour and subcontracting services provided by CCCG Group to the Group	2,936	3,500	1,342

LETTER FROM THE BOARD

(4) *Proposed Annual Caps and Basis for Determination*

The proposed annual caps for the project contracting service fees and the labour and subcontracting service fees for the three financial years ending 31 December 2024 are as follows:

	<i>RMB' million</i>		
	Annual cap for the year ending 31 December 2022	Annual cap for the year ending 31 December 2023	Annual cap for the year ending 31 December 2024
Transaction			
Project contracting services to be provided by the Group to CCCG Group	33,155	34,554	34,656
Labour and subcontracting services to be provided by CCCG Group to the Group	8,628	8,232	6,210

In estimating the proposed annual caps for the project contracting service fees to be received by the Group from CCCG Group under the Mutual Project Contracting Framework Agreement, the Company has principally considered the following factors: (i) CCCG Group's development plan in real property projects, wastewater treatment projects and other construction projects and its need for project contracting services; (ii) the estimated project contracting service fees to be recognised from the existing projects and currently foreseeable potential projects, i.e. approximately RMB29,818 million, RMB30,358 million and RMB31,053 million for the year ending 31 December 2022, 2023 and 2024, respectively; (iii) the prevailing market price of service fees charged for projects contracting services; (iv) the current construction capacity of the Group; and (v) a buffer of approximately 10%-15% for unexpected increase of projects by CCCG Group in the future that requires the project contracting services from the Group.

In estimating the proposed annual caps for the labour and subcontracting service fees to be paid by the Group to CCCG Group under the Mutual Project Contracting Framework Agreement, the Company has principally considered the following factors: (i) the Group's construction plan and its need for labour and subcontracting services for the years of 2022, 2023 and 2024; (ii) the estimated labour and subcontracting service fees to be recognised from the existing projects and currently foreseeable potential projects, i.e. approximately RMB8,386 million, RMB7,974 million and RMB6,078 million for the year ending 31 December 2022, 2023 and 2024, respectively; (iii) the prevailing market price for comparable types of services in the industry; (iv) the current capacity of CCCG Group; and (v) a slight buffer for unexpected additional demands for the labour and subcontracting services by the Group from CCCG Group.

LETTER FROM THE BOARD

(5) Reasons for and Benefits of the Transactions

The Group provides the project contracting services for real property projects, wastewater treatment projects and other construction projects that may be undertaken by CCCG Group. CCCG has made certain progress in exploring each of the aforesaid areas, which therefore boosts the demands for project contracting services. The Directors of the Company believe that the provision of project contracting services to CCCG Group will help the Company to accumulate more experience in relevant sectors, improve the business performance and expand the business scale, which will further strengthen the market competitiveness and facilitate the Group's business development.

As the Company is mainly engaged in the transportation infrastructure industry, it may require labour and subcontracting services from time to time in the course of its ordinary business. By selecting CCCG Group as a provider of such services, Directors of the Company are of the view that the Company can benefit from its relatively low quotations, its understanding of the Company's business and its extensive experience and expertise in providing such services, and accordingly receive professional and high-quality services at a reasonable cost, which will be conducive to the Company's business operation.

Ordinary resolutions will be proposed at the EGM to approve the project contracting services and the labour and subcontracting services contemplated under the Mutual Project Contracting Framework Agreement and the respective proposed annual caps thereof.

2. *Renewal of the Continuing Connected Transactions under the Finance Lease and Commercial Factoring Agreement*

(1) Background

As the Existing Finance Lease and Commercial Factoring Agreement will expire on 31 December 2021, CCCC Leasing entered into the Finance Lease and Commercial Factoring Agreement with CCCG to regulate the existing continuing connected transactions between CCCC Leasing and CCCG for the three financial years ending 31 December 2024 and set the respective annual caps thereof.

(2) Finance Lease and Commercial Factoring Agreement

The principal terms of the Finance Lease and Commercial Factoring Agreement are set out as follows:

Date

15 October 2021

LETTER FROM THE BOARD

Parties

- (1) CCCC Leasing; and
- (2) CCCG

Term

Three years from 1 January 2022 to 31 December 2024

Finance Lease

Pursuant to the Finance Lease and Commercial Factoring Agreement, CCCC Leasing shall provide finance lease services to CCCG Group in respect of the leased assets through direct leasing or sale and leaseback arrangements.

(a) Types of Finance Lease

(i) Direct Leasing

CCCC Leasing shall purchase the designated assets from designated suppliers as notified by CCCG Group and then lease the subject assets to CCCG Group in consideration of rental fees and other miscellaneous fees on a periodic basis. CCCC Leasing shall have the ownership of such subject assets during the lease period. Upon expiry of the lease period, CCCG Group may choose to renew, return or purchase the leased assets at a nominal consideration, subject to the commercial negotiation with CCCC Leasing.

(ii) Sale and Leaseback

CCCC Leasing shall purchase the subject assets from CCCG Group and then lease such subject assets back to CCCG Group in consideration of rental fees and other miscellaneous fees on a periodic basis. The ownership of such subject assets shall be transferred to CCCC Leasing after acquiring the same from CCCG Group during the lease period. Upon expiry of the lease period, CCCC Leasing shall transfer the ownership of the subject assets back to CCCG Group at a nominal consideration.

(b) Leased Assets

The leased assets primarily include engineering equipment and fixtures, hotel equipment and furniture, and equipment for commercial centers, etc.

LETTER FROM THE BOARD

(c) Rental fees and other Miscellaneous Fees

The rental fees and other miscellaneous fees payable by CCCG Group to CCCC Leasing with respect to the finance lease services shall be determined following arm's length negotiation between the parties with reference to the prevailing market prices for comparable finance lease services, after taking into account various factors, such as finance costs, value of the leased assets, lease period, etc.

CCCC Leasing will refer to its quotations for similar services offered to at least three independent third parties, so as to ensure that such fees payable by CCCG Group shall not be lower than the fees for similar finance lease services provided by CCCC Leasing to other companies or the fees for comparable finance lease services available from other financial leasing companies in the PRC.

Commercial Factoring

Pursuant to the Finance Lease and Commercial Factoring Agreement, CCCC Leasing will provide commercial factoring services to CCCG Group in respect of receivables through factoring or reverse factoring arrangement.

(a) Types of Commercial Factoring

(i) Factoring

CCCG Group shall transfer the ownership of the receivables to CCCC Leasing, and then CCCC Leasing shall provide commercial factoring services to CCCG Group, such as factoring finance, management or collection of receivables, in consideration of the factoring fees and other miscellaneous fees from CCCG Group on a periodic basis.

(ii) Reverse Factoring

CCCC Leasing shall grant credit to CCCG Group in respect of its payables, and then the creditors of CCCG Group in respect of the payables will transfer their rights under such payables to CCCC Leasing in line of such credit. CCCC Leasing will also provide the commercial factoring services to the creditors of CCCG Group, such as factoring finance, management or collection of the payables of CCCG Group and CCCG Group will pay the finance interest and other miscellaneous fees on a periodic basis.

LETTER FROM THE BOARD

(b) Finance interest and Other Miscellaneous Fees

The finance interest and other miscellaneous fees payable by CCCG Group to CCCC Leasing with respect to commercial factoring services shall be determined following arm's length negotiation between the parties with reference to the prevailing market prices for comparable commercial factoring services, after taking into account various factors, such as the benchmark lending rate for loans of relevant grade announced and implemented by the PBOC, finance costs, factoring period, the ownership of the right of recourse, etc.

CCCC Leasing will refer to its quotations for similar services offered to at least three independent third parties, so as to ensure that such fees payable by CCCG Group shall not be lower than the fees for similar commercial factoring services provided by CCCC Leasing to other companies or the fees for comparable commercial factoring services available from other commercial factoring companies in the PRC.

Individual Contracts

In respect of each finance lease or commercial factoring, CCCC Leasing and the relevant member of CCCG Group will enter into individual contract(s). The terms of the individual contract will be in line with the terms of the Finance Lease and Commercial Factoring Agreement. Each individual contract shall be subject to and conditional upon the Finance Lease and Commercial Factoring Agreement continuing to be in force.

LETTER FROM THE BOARD

(3) *Historical Amounts*

Set out below are the historical amounts of the finance lease services and commercial factoring services provided by CCCC Leasing to CCCG Group for the two financial years ended 31 December 2020 and the six months ended 30 June 2021:

	<i>RMB' million</i>		
Transaction	Actual amount for the year ended 31 December 2019	Actual Amount for the year ended 31 December 2020	Actual Amount for the six months ended 30 June 2021
Finance lease services provided by CCCC Leasing to CCCG Group ^{Note 1}	524	1,410	1,304
Commercial factoring services provided by CCCC Leasing to CCCG Group ^{Note 2}	83	2,869	2,601

Notes:

1. The aggregate amount of the finance lease services provided by CCCC Leasing to CCCG Group for each of the year ended 31 December 2019 and 2020 and the six months ended 30 June 2021 is the sum of the rental fees and other miscellaneous fees payable by CCCG Group to CCCC Leasing with respect to the finance lease services under the individual contracts of the Finance Lease and Commercial Factoring Agreement entered into between CCCC Leasing and CCCG Group during each of the year ended 31 December 2019 and 2020 and the six months ended 30 June 2021, respectively. Wherein, the rental fees equals to the sum of the principal and the interest.
2. The aggregate amount of the commercial factoring services provided by CCCC Leasing to CCCG Group for each of the year ended 31 December 2019 and 2020 and the six months ended 30 June 2021 is the sum of the principal, the finance interest and other miscellaneous fees payable by CCCG Group to CCCC Leasing with respect to the commercial factoring services under the individual contracts of the Finance Lease and Commercial Factoring Agreement entered into between CCCC Leasing and CCCG Group during each of the year ended 31 December 2019 and 2020 and the six months ended 30 June 2021, respectively.

LETTER FROM THE BOARD

(4) *Proposed Annual Caps and Basis for Determination*

The proposed annual caps for the finance lease services and the commercial factoring services for the three financial years ending 31 December 2024 are as follows:

<i>RMB' million</i>			
Transaction	Annual cap for the year ending 31 December 2022	Annual cap for the year ending 31 December 2023	Annual cap for the year ending 31 December 2024
Finance lease services to be provided by CCCC Leasing to CCCG Group ^{Note 1}	5,200	6,300	6,900
Commercial factoring services to be provided by CCCC Leasing to CCCG Group ^{Note 2}	7,000	7,500	7,900

Notes:

1. The aggregate amount of the finance lease services provided by CCCC Leasing to CCCG Group for each of the year ending 31 December 2022, 2023 and 2024 is the sum of the rental fees and other miscellaneous fees payable by CCCG Group to CCCC Leasing with respect to the finance lease services under the individual contracts of the Finance Lease and Commercial Factoring Agreement entered into between CCCG Group and CCCC Leasing during each of the year ending 31 December 2022, 2023 and 2024, respectively. Wherein, the rental fees equals to the sum of the principal and the interest.
2. The aggregate amount of the commercial factoring services provided by CCCC Leasing to CCCG Group for each of the year ending 31 December 2022, 2023 and 2024 is the sum of the principal, the finance interest and other miscellaneous fees payable by CCCG Group to CCCC Leasing with respect to the commercial factoring services under the individual contracts of the Finance Lease and Commercial Factoring Agreement entered into between CCCG Group and CCCC Leasing during each of the year ending 31 December 2022, 2023 and 2024, respectively.

LETTER FROM THE BOARD

In estimating the proposed annual caps for the finance lease services provided by CCCC Leasing under the Finance Lease and Commercial Factoring Agreement, the Company has principally considered the following factors: (i) the value, nature and expected life of the leased assets; (ii) the development plan of the CCCG Group and its demand for the finance lease services provided by CCCC Leasing; (iii) the capability and flexibility of CCCC Leasing in providing finance lease services to the CCCG Group; (iv) the historical amounts for the six months ended 30 June 2021; and (v) the growth rate of historical amounts. The aggregate amount for finance lease services for the year ended 31 December 2020 increased by approximately 169.08% as compared to that of the same period of 2019.

In estimating the proposed annual caps for the commercial factoring services provided by CCCC Leasing under the Finance Lease and Commercial Factoring Agreement, the Company has principally considered the following factors: (i) the development plan of the CCCG Group and its demand for the commercial factoring services provided by CCCC Leasing; (ii) the capability and flexibility of CCCC Leasing in providing commercial factoring services to the CCCG Group; (iii) the historical amounts for the six months ended 30 June 2021; and (iv) the growth rate of historical amounts. The aggregate amount for commercial factoring services for the year ended 31 December 2020 increased by approximately 3,356.63% as compared to that of the same period of 2019.

(5) *Reasons for and Benefits of the Transactions*

CCCC Leasing is a non-banking financial institution offering comprehensive finance lease and commercial factoring services to enterprises. CCCC Leasing provides finance lease and commercial factoring services to CCCG Group in its ordinary and usual course of business. CCCC Leasing will generate revenue from the provision of finance lease and commercial factoring services to CCCG Group under the Finance Lease and Commercial Factoring Agreement whereas the risks are controllable.

Ordinary resolutions will be proposed at the EGM to approve the finance lease services and the commercial factoring services contemplated under the Finance Lease and Commercial Factoring Agreement and the respective proposed annual caps thereof.

3. ***Renewal of the Continuing Connected Transactions under the Finance Lease and Commercial Factoring Framework Agreement***

(1) *Background*

As the Existing Finance Lease and Commercial Factoring Framework Agreement will expire on 31 December 2021, the Company entered into the Finance Lease and Commercial Factoring Framework Agreement with CCCC Leasing to regulate the existing continuing connected transactions between the Company and CCCC Leasing for the three financial years ending 31 December 2024 and set the respective annual caps thereof.

LETTER FROM THE BOARD

(2) *Finance Lease and Commercial Factoring Framework Agreement*

The principal terms of the Finance Lease and Commercial Factoring Framework Agreement are set out as follows:

Date

15 October 2021

Parties

(1) the Company; and

(2) CCCC Leasing

Term

Three years from 1 January 2022 to 31 December 2024

Finance Lease

Pursuant to the Finance Lease and Commercial Factoring Framework Agreement, CCCC Leasing shall provide finance lease services to the Group in respect of the leased assets through direct leasing or sale and leaseback arrangements.

(a) Types of Finance Lease

(i) Direct Leasing

CCCC Leasing shall purchase the designated assets from designated suppliers as notified by the Group and then lease the subject assets to the Group in consideration of rental fees and other miscellaneous fees on a periodic basis. CCCC Leasing shall have the ownership of such subject assets during the lease period. Upon expiry of the lease period, the Group may choose to renew, return or purchase the leased assets at a nominal consideration, subject to the commercial negotiation with CCCC Leasing.

(ii) Sale and Leaseback

CCCC Leasing shall purchase the subject assets from the Group and then lease such subject assets back to the Group in consideration of rental fees and other miscellaneous fees on a periodic basis. The ownership of such subject assets shall be transferred to CCCC Leasing after acquiring the same from the Group during the lease period. Upon expiry of the lease period, CCCC Leasing shall transfer the ownership of the subject assets back to the Group at a nominal consideration.

LETTER FROM THE BOARD

(b) Leased Assets

The leased assets are for the business operations of the Company, including but not limited to infrastructure, engineering equipment and ships, etc.

(c) Rental fees and other Miscellaneous Fees

The rental fees and other miscellaneous fees payable by the Group to CCCC Leasing with respect to the finance lease services shall be determined following arm's length negotiation between the parties with reference to the prevailing market prices for comparable finance lease services, after taking into account various factors, such as finance costs, value of the leased assets, lease period, etc.

The Group will refer to the quotations for similar services offered by at least three independent third parties, so as to ensure that the fees payable by the Group shall not be higher than the fees for comparable finance lease services available from other financial leasing companies in the PRC.

Commercial Factoring

Pursuant to the Finance Lease and Commercial Factoring Framework Agreement, CCCC Leasing will provide commercial factoring services to the Group in respect of receivables through factoring or reverse factoring arrangement.

(a) Types of Commercial Factoring

(i) Factoring

The Group shall transfer the ownership of the receivables to CCCC Leasing, and then CCCC Leasing shall provide commercial factoring services to the Group, such as factoring finance, management or collection of receivables, in consideration of the factoring fees and other miscellaneous fees from the Group on a periodic basis.

(ii) Reverse Factoring

CCCC Leasing shall grant credit to the Group in respect of its payables, and then the creditors of the Group in respect of the payables will transfer their rights under such payables to CCCC Leasing in line of such credit. CCCC Leasing will also provide the commercial factoring services to the creditors of the Group, such as factoring finance, management or collection of the payables of the Group and the Group will pay the finance interest and other miscellaneous fees on a periodic basis.

LETTER FROM THE BOARD

(b) Finance interest and Other Miscellaneous Fees

The finance interest and other miscellaneous fees payable by the Group to CCCC Leasing with respect to commercial factoring services shall be determined following arm's length negotiation between the parties with reference to the prevailing market prices for comparable commercial factoring services, after taking into account various factors, such as the benchmark lending rate for loans of relevant grade announced and implemented by the PBOC, finance costs, factoring period, the ownership of the right of recourse, etc.

The Group will refer to the quotations for similar services offered by at least three independent third parties, so as to ensure that such fees payable by the Group shall not be higher than the fees for comparable commercial factoring services available from other commercial factoring companies in the PRC.

Consultation Services

Pursuant to the Finance Lease and Commercial Factoring Framework Agreement, CCCC Leasing will provide consultation services to the Group in relation to the leasing transactions, which may include financing scheme planning, enterprise operation analysis and suggestions, enterprise financial analysis and consultation, enterprise management consultation, personalized design of leasing structure, leasing transaction arrangement, leasing effect analysis, etc.

The fees for the consultation services will be determined after arm's length negotiations between the parties by reference to the quotations for similar services offered by three independent third parties and taking into consideration the actual situations and relevant factors.

Individual Contracts

In respect of each finance lease or commercial factoring, CCCC Leasing and the relevant member of the Group will enter into individual contract(s). The terms of the individual contract will be in line with the terms of the Finance Lease and Commercial Factoring Framework Agreement. Each individual contract shall be subject to and conditional upon the Finance Lease and Commercial Factoring Framework Agreement continuing to be in force.

LETTER FROM THE BOARD

(3) *Historical Amounts*

Set out below are the historical amounts of the finance lease services and commercial factoring services provided by CCCC Leasing to the Group for the two financial years ended 31 December 2020 and the six months ended 30 June 2021:

	<i>RMB' million</i>		
	Actual amount for the year ended 31 December 2019	Actual Amount for the year ended 31 December 2020	Actual Amount for the six months ended 30 June 2021
Transaction			
Finance lease services provided by CCCC Leasing to the Group ^{Note 1}	6,188	3,072	2,741
Commercial factoring services provided by CCCC Leasing to the Group ^{Note 2}	13,369	8,464	3,080
Consultation services provided by CCCC Leasing to the Group ^{Note 3}	—	88	38

Notes:

1. The aggregate amount of the finance lease services provided by CCCC Leasing to the Group for each of the year ended 31 December 2019 and 2020 and the six months ended 30 June 2021 is the sum of the rental fees and other miscellaneous fees payable by the Group to CCCC Leasing with respect to the finance lease services under the individual contracts of the Finance Lease and Commercial Factoring Framework Agreement entered into between the Group and CCCC Leasing during each of the year ended 31 December 2019 and 2020 and the six months ended 30 June 2021, respectively. Wherein, the rental fees equals to the sum of the principal and the interest.
2. The aggregate amount of the commercial factoring services provided by CCCC Leasing to the Group for each of the year ended 31 December 2019 and 2020 and the six months ended 30 June 2021 is the sum of the principal, the finance interest and other miscellaneous fees payable by the Group to CCCC Leasing with respect to the commercial factoring services under the individual contracts of the Finance Lease and Commercial Factoring Framework Agreement entered into between the Group and CCCC Leasing during each of the year ended 31 December 2019 and 2020 and the six months ended 30 June 2021, respectively.
3. The consultation services provided by CCCC Leasing to the Group for each of the year ended 31 December 2019 and 2020 and the six months ended 30 June 2021 fall within the de minimis threshold as stipulated under Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

(4) *Proposed Annual Caps and Basis for Determination*

The proposed annual caps for the transactions contemplated under the Finance Lease and Commercial Factoring Framework Agreement for the three financial years ending 31 December 2024 are as follows:

		<i>RMB' million</i>		
		Annual cap for the year ending 31 December 2022	Annual cap for the year ending 31 December 2023	Annual cap for the year ending 31 December 2024
Transaction				
Finance lease services to be provided by CCCC Leasing to the Group	Direct leasing: right-of-use assets (for those leases of which the lease term exceeds one year) ^{Note 1}	2,500	2,800	3,200
	Direct leasing: other payments (including rent for those leases of which the lease term is no more than one year) ^{Note 1}	100	100	100
	Sale and leaseback ^{Note 2}	8,000	8,600	10,400
Commercial factoring services to be provided by CCCC Leasing to the Group ^{Note 3}		7,400	8,800	10,600
Consultation services to be provided by CCCC Leasing to the Group		100	200	200

Notes:

- As International Financial Reporting Standard 16 “Leases” has become effective on 1 January 2019, the Group as the lessee shall recognize leases for a term of more than one year as right-of-use assets and lease liabilities. The right-of-use assets represent its rights to use the underlying leased asset over the lease term and the lease liabilities represent its obligations to make lease payments (i.e. the rental payment). In accordance with the Hong Kong Listing Rules, in respect of the direct leasing under the Finance Lease and Commercial Factoring Framework Agreement, the Company is required to set annual caps on the total value of right-of-use assets relating to the leases for a term of more than one year, and other amounts payable by the Group as lessee (including rent for those leases for a term of no more than one year) will be recorded as expenses by the Company and separate annual caps are set in accordance with the Hong Kong Listing Rules.

LETTER FROM THE BOARD

2. For the purpose of the Hong Kong Listing Rules, the sale and leaseback constitutes “disposal” and therefore separate annual caps are set. The aggregate amount for the sale and leaseback is calculated based on the proposed contract value for the sale and leaseback, which is usually 70% to 100% of the value of the lease assets.
3. The aggregate amount of the commercial factoring services provided by CCCC Leasing to the Group for each of the year ending 31 December 2022, 2023 and 2024 is the sum of the principal, the finance interest and other miscellaneous fees payable by the Group to CCCC Leasing with respect to the commercial factoring services under the individual contracts of the Finance Lease and Commercial Factoring Framework Agreement entered into between the Group and CCCC Leasing during each of the year ending 31 December 2022, 2023 and 2024, respectively.

In estimating the proposed annual caps for the finance lease services provided by CCCC Leasing under the Finance Lease and Commercial Factoring Framework Agreement, the Company has principally considered the following factors: (i) the value, nature and expected life of the leased assets; (ii) the development plan of the Group and its demand for the finance lease services provided by CCCC Leasing (in the case of direct leasing for a term of more than one year, the total value of right-of-use assets as to be recognised by the Company; in the case of direct leasing for a term of no more than one year, the rent to be paid by the Company; and in the case of sale and leaseback, the amounts of the assets subject to finance leasing arrangement); (iii) the capability and flexibility of CCCC Leasing in providing finance lease services to the Group; and (iv) the historical amounts for the year ended 31 December 2019 and the six months ended 30 June 2021. The transaction amounts for the year ended 31 December 2020 is noticeably lower than that in 2019, which was mainly caused by the change in regulatory environment as the China Banking and Insurance Regulatory Commission issued the Notice of Measures for the Supervision and Administration of Financial Leasing Companies* (《融資租賃公司監督管理暫行辦法》(銀保監發[2020]22號)) in May 2020, which sets out the requirement on customers concentration of financial leasing companies and business proportion involving connected persons as a percentage of the net asset value of financial leasing companies. However, such requirements are loosened since July 2021, and therefore the transaction amounts in respect of the finance lease is expected to rebound to a higher level in the future.

In estimating the proposed annual caps for the commercial factoring services provided by CCCC Leasing under the Finance Lease and Commercial Factoring Framework Agreement, the Company has principally considered the following factors: (i) the development plan of the Group and its demand for the commercial factoring services provided by CCCC Leasing; (ii) the capability and flexibility of CCCC Leasing in providing commercial factoring services to the Group; and (iii) the historical amounts for the two financial years ended 31 December 2020 and the six months ended 30 June 2021.

LETTER FROM THE BOARD

In estimating the proposed annual caps for the consultation services provided by CCCC Leasing to the Group, the Company has principally considered the following factors: (i) the proposed aggregate financing amount to be provided by CCCC Leasing to the Group for the three years ending 31 December 2024 and the proposed rate for consultation services; and (ii) the historical amounts for the financial year ended 31 December 2020 and the six months ended 30 June 2021.

(5) *Reasons for and Benefits of the Transactions*

To provide finance lease services and commercial factoring services to the Group, CCCC Leasing was established in 2014 as a wholly-owned subsidiary of the Company, being owned as to 70% by the Group and 30% by ZPMC (the then subsidiary of the Company, of which an aggregate of 29.99% equity interest was transferred to CCCG Group in the end of 2017, please refer to the announcement of the Company dated 18 July 2017 and the circular of the Company dated 11 August 2017 for details), respectively. CCCC Leasing is a non-banking financial institution and primarily engaged in the finance lease services in relation to infrastructure, engineering equipment, ships and other assets and relevant consulting services, guarantee and factoring business. It has been providing finance lease services and commercial factoring services to the Group, since its establishment, which provides strong financial support for the business development of the Group.

In particular, these services are of great importance and benefits for the subsidiaries of the Company as they not only enable the subsidiaries to reduce their leverage and broaden their financing channels for upgrading credit rating level, raising low-cost funds, but also provide them with more flexible and convenient financing tools to enhance their fund management level and thus promote their business development and smooth operation, which further benefits the Company in its improvement of revenue and business operation and are therefore conducive to the interests of the Company and the Shareholders as a whole.

Ordinary resolutions will be proposed at the EGM to approve the finance lease services and the commercial factoring services contemplated under the Finance Lease and Commercial Factoring Framework Agreement and the respective proposed annual caps thereof.

LETTER FROM THE BOARD

4. *Renewal of the Continuing Connected Transactions under the Financial Services Agreement*

(1) *Background*

As the Existing Financial Services Agreement will expire on 31 December 2021, to facilitate the supervision and monitoring over the transactions and in accordance with the applicable laws and regulations, CCCC Finance entered into (i) the Financial Services – Deposit Services and Loan Services Framework Agreement, (ii) the Financial Services – Guarantee Letter Services Framework Agreement, and (iii) the Financial Services – Other Credit Services Framework Agreement, respectively with CCCG, to regulate the financial services under the Existing Financial Services Agreement between CCCC Finance and CCCG for the three financial years ending 31 December 2024 and set the annual caps thereof.

(2) *Financial Services – Deposit Services and Loan Services Framework Agreement*

The principal terms of the Financial Services – Deposit Services and Loan Services Framework Agreement are set out as follows:

Date

15 October 2021

Parties

(1) CCCC Finance; and

(2) CCCG

Term

Three years from 1 January 2022 to 31 December 2024

Principal Services

Pursuant to the Financial Services – Deposit Services and Loan Services Framework Agreement, CCCC Finance agreed to provide deposit services and loan services to CCCG Group according to the principal terms as below.

LETTER FROM THE BOARD

(a) Deposit Services

CCCC Finance will provide deposit services to CCCG Group. The deposit interest rates shall be determined through negotiation on an arm's length basis between the parties in accordance with market principles for their own interests and in compliance with interest rate requirements of the PBOC on such type of deposits. The cap and floor deposit rates shall be in accordance with requirements of the PBOC on deposits of the same term and same category and shall not be higher than the interest rates applicable to deposit services of the same term and same category provided by major domestic commercial banks.

The provision of deposit services by CCCC Finance to CCCG Group is to be made on normal commercial terms or more favourable terms which are in the Group's interests, and no assets of the Group are to be pledged as security for such deposit services in favour of CCCG Group. Therefore, pursuant to Rule 14A.90 of the Hong Kong Listing Rules, the provision of deposit services by CCCC Finance to CCCG Group is exempt from the announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(b) Loan Services

CCCC Finance will provide loans to CCCG Group. The lending interest rates shall be determined through negotiation on an arm's length basis between the parties in accordance with market principles for their own interests and the lending rates shall not be lower than the interest rates applicable to loan services of the same term and same category provided by major domestic commercial banks, and the reference basis of the lending interest rates is changed from the benchmark interest rate prescribed by the PBOC for such type of loans to the rate quoted in the market.

Risk Management

- (i) As a banking financial institution, CCCC Finance will manage its accounts in strict compliance with the Measures for Payment and Settlement and Measures for the Administration of RMB Bank Settlement Accounts issued by the PBOC, and ensure the safety of the funds of the account holders in accordance with the laws. The accounts opened by CCCG Group with CCCC Finance are independent of those opened by the Group, and there is no interchange of funds in the accounts;
- (ii) The daily balance of loans provided by CCCC Finance to CCCG Group (including the interests accrued thereon) is under strict control, which shall not exceed 75% of the average daily balance of deposits of CCCG Group with CCCC Finance in any case;

LETTER FROM THE BOARD

- (iii) CCCC Finance will conduct credit review before conducting business, perform credit rating and credit asset rating based on internal rating standards, and regularly arrange post-loan inspections (every six months). During the course of business, CCCC Finance will also assign dedicated personnel to follow up the utilisation of loan by CCCG Group. If the use of loan is changed, CCCC Finance will recover the entire principal and interest, and impose an additional penalty of 100% interest;
- (iv) If CCCG Group does not repay the principal and interest within the repayment period as stipulated in the individual contract, CCCC Finance is entitled to require CCCG Group to repay the principal and interest within a certain period of time, and charge a penalty interest on the overdue borrowings in accordance with the individual contract, generally at 50% of the benchmarking rate for the same period of borrowings. In addition, CCCC Finance is entitled to directly deduct the corresponding amounts from the account opened by CCCG Group with CCCC Finance regardless of the maturity date, and any loss arising from such deduction shall be borne by CCCG Group. If the currency of the deducted amounts is different from the currency of the repayable principal and interest, the exchange rate published by the competent authority at the date of such deduction shall apply; and
- (v) CCCG provides unconditional and irrevocable guarantee to the Group during the term of the Financial Services – Deposit Services and Loan Services Framework Agreement, pursuant to which CCCG will guarantee the full performance of obligations by CCCG Group and will indemnify the Group for all the losses caused by the failure of CCCG Group to perform its obligations and liabilities.

(3) *Financial Services – Guarantee Letter Services Framework Agreement*

The principal terms of the Financial Services – Guarantee Letter Services Framework Agreement are set out as follows:

Date

15 October 2021

Parties

(1) CCCC Finance; and

(2) CCCG

Term

Three years from 1 January 2022 to 31 December 2024

LETTER FROM THE BOARD

Principal Services

Pursuant to the Financial Services – Guarantee Letter Services Framework Agreement, subject to the applicable laws and regulations, CCCC Finance agreed to provide guarantee letter services to CCCG Group according to the actual operation and development needs of CCCG Group. The fees charged by CCCC Finance for the provision of guarantee letter services shall not be lower than that charged by major domestic commercial banks for financial services of the same type or that charged from the Group.

Risk Management

- (i) When a guarantee letter is issued to CCCG Group, relevant protection terms for CCCC Finance shall be specified in the individual contract. If CCCC Finance receives an eligible claim statement from the beneficiary, CCCC Finance is entitled to directly deduct the deposits agreed in the individual contract and all the amounts in the account opened by CCCG Group with CCCC Finance regardless of the maturity date for the repayment of the claim from the beneficiary, and any loss arising from such deduction shall be borne by CCCG Group. If the currency of the deducted deposits and amounts is different from the currency of the claims to be repaid, the exchange rate published by the competent authority at the date of such deduction shall apply. In the event that the deducted deposits and amounts are not sufficient for the repayment of the claims from the beneficiary, CCCG Group shall remit the corresponding amounts to its account opened with CCCC Finance within three business days from the date of receipt of the notice of repayment from CCCC Finance.
- (ii) If CCCG Group does not make the repayment within the repayment period, CCCC Finance is entitled to require CCCG Group to make such repayment within a certain period of time, and charge a penalty interest on the overdue amounts in accordance with the individual contract, generally at 50% of the benchmarking rate for the same period of borrowings.
- (iii) CCCG provides unconditional and irrevocable guarantee to the Group during the term of the Financial Services – Guarantee Letter Services Framework Agreement, pursuant to which CCCG will guarantee the full performance of obligations by CCCG Group and will indemnify the Group for all the losses caused by the failure of CCCG Group to perform its obligations and liabilities.

LETTER FROM THE BOARD

(4) *Financial Services – Other Credit Services Framework Agreement*

The principal terms of the Financial Services – Other Credit Services Framework Agreement are set out as follows:

Date

15 October 2021

Parties

(1) CCCC Finance; and

(2) CCCG

Term

Three years from 1 January 2022 to 31 December 2024

Principal Services

(a) Bills Issuance Services

Pursuant to the Financial Services – Other Credit Services Framework Agreement, subject to the applicable laws and regulations, CCCC Finance agreed to provide bills issuance services to CCCG Group according to the actual operation and development needs of CCCG Group. The fees charged by CCCC Finance for the provision of bills issuance services shall not be lower than that charged by major domestic commercial banks for financial services of the same type or that charged from the Group.

(b) Bonds Subscription

Pursuant to the Financial Services – Other Credit Services Framework Agreement, subject to the applicable laws and regulations, CCCC Finance agreed to subscribe for the bonds issued by CCCG Group, which shall be conducted in strict compliance with the requirements of the National Association of Financial Market Institutional Investors, the relevant stock exchanges and other issuance and trading platforms. The pricing for the bonds shall be determined with reference to the interest rate in the market and shall meet the market-oriented requirements.

LETTER FROM THE BOARD

(c) Other Financial Services

Pursuant to the Financial Services – Other Credit Services Framework Agreement, CCCC Finance will provide CCCG Group with other financial services within the business scope of CCCC Finance, including but not limited to providing financial and financing consulting services, credit authentication and other related consulting and agent services; assisting in receiving and paying trading payments; dealing with entrusted loans; accepting and discounting bills; conducting internal settlements and designing corresponding plans for such settlements and clearing, etc.

The Company expects that the highest applicable percentage ratio of the total service fees receivable by CCCC Finance from CCCG Group for the provision of other financial services will fall within the de minimis threshold as stipulated under Chapter 14A of the Hong Kong Listing Rules.

Risk Management

- (i) When providing the services under the Financial Services – Other Credit Services Framework Agreement, relevant protection terms for CCCC Finance shall be specified in the individual contract. If CCCG Group fails to repay the amounts advanced by the Group for CCCG Group in relation to the bill issuance and acceptance business or has bond default, CCCC Finance is entitled to directly deduct the corresponding amounts from the account opened by CCCG Group with CCCC Finance regardless of the maturity date, and any loss arising from such deduction shall be borne by CCCG Group. If the currency of the deducted amounts is different from the currency of the repayable principal and interest, the exchange rate published by the competent authority at the date of such deduction shall apply.
- (ii) CCCG provides unconditional and irrevocable guarantee to the Group during the term of the Financial Services – Other Credit Services Framework Agreement, pursuant to which CCCG will guarantee the full performance of obligations by CCCG Group and will indemnify the Group for all the losses caused by the failure of CCCG Group to perform its obligations and liabilities.

LETTER FROM THE BOARD

(5) *Historical Amounts*

Set out below are the maximum daily balance (including the interests accrued thereon) of credit services provided by CCCC Finance to CCCG Group for the two financial years ended 31 December 2020 and the six months ended 30 June 2021:

<i>RMB' million</i>			
	Actual amount for the year ended 31 December 2019	Actual Amount for the year ended 31 December 2020	Actual Amount for the six months ended 30 June 2021
Description			
Maximum daily balance (including the interests accrued thereon) of credit services provided by CCCC Finance to CCCG Group ^{Note}	1,101	2,027	3,495

Note: The credit services provided by CCCC Finance to CCCG Group for each of the year ended 31 December 2019 and 2020 and the six months ended 30 June 2021 only include loan services.

LETTER FROM THE BOARD

(6) *Proposed Annual Caps and Basis for Determination*

The proposed annual caps for the maximum daily balance (including the interests and handling charges accrued thereon) of credit services to be provided by CCCC Finance to CCCG Group, including (i) the loan services under the Financial Services – Deposit Services and Loan Services Framework Agreement, (ii) the guarantee letter services under the Financial Services – Guarantee Letter Services Framework Agreement, and (iii) Bills issuance services and bonds subscription under the Financial Services – Other Credit Services Framework Agreement, for the three financial years ending 31 December 2024 are as follows:

		<i>RMB' million</i>		
		Annual cap for the year ending 31 December 2022	Annual cap for the year ending 31 December 2023	Annual cap for the year ending 31 December 2024
Description				
Maximum daily balance (including the interests and handling charges accrued thereon) of credit services to be provided by CCCC Finance to CCCG Group	Loan services under the Financial Services – Deposit Services and Loan Services Framework Agreement	14,539	29,078	43,617
	Guarantee letter services under the Financial Services – Guarantee Letter Services Framework Agreement	3,006	5,010	7,014
	Bills issuance services and bonds subscription under the Financial Services – Other Credit Services Framework Agreement	810	1,372	1,946

In estimating the maximum daily balance (including the interests accrued thereon) of loan services to be provided by CCCC Finance to CCCG Group under the Financial Services – Deposit Services and Loan Services Framework Agreement, the Company has principally considered the following factors: (i) the development plan of CCCG Group and its estimated financial needs for loan services; (ii) the estimated average daily balance of deposits of CCCG Group with CCCC Finance; (iii) the relevant guidelines and regulations of the PBOC, which requires that the daily balance of loans provided by CCCC Finance to CCCG Group (including the interests accrued thereon) shall not exceed 75% of the average daily balance of deposits of CCCG Group with CCCC Finance; and (iv) the credit scale of CCCC Finance.

LETTER FROM THE BOARD

In estimating the maximum daily balance (including the handling charges accrued thereon) of guarantee letter services under the Financial Services – Guarantee Letter Services Framework Agreement, the Company has principally considered the following factors: (i) the development plan of CCCG Group and its estimated financial needs for guarantee letter services; (ii) the relevant guidelines and regulations of the PBOC; and (iii) the credit scale of CCCC Finance.

In estimating the maximum daily balance (including the handling charges accrued thereon) of bills issuance services and bonds subscription under the Financial Services – Other Credit Services Framework Agreement, the Company has principally considered the following factors: (i) the development plan of CCCG Group and its estimated financial needs for bills issuance services with reference to the outstanding bills payable of CCCG Group as at 30 June 2021; and (ii) the bonds issued by CCCG Group and the proposed subscription by the Group.

(7) Reasons for and Benefits of the Transactions

CCCC Finance is a non-banking financial institution, offering comprehensive financial services to qualified enterprises subject to the same capital requirements and are also monitored by the China Banking and Insurance Regulatory Commission. The Company expects to benefit from the gains generated by the financial services provided by CCCC Finance. Furthermore, the financial services provided by CCCC Finance to CCCG Group can help the Group to improve its capital utilization efficiency and enhance the capability of CCCC Finance in providing professional and comprehensive financial services whilst managing risk appropriately, which is in line with the Group's business development needs.

Ordinary resolutions will be proposed at the EGM to approve the loan services under the Financial Services – Deposit Services and Loan Services Framework Agreement, the guarantee letter services under the Financial Services – Guarantee Letter Services Framework Agreement, and the bills issuance services and bonds subscription under the Financial Services – Other Credit Services Framework Agreement, and the respective proposed annual caps thereof.

(III) Internal Control and Corporate Governance Measures

To safeguard the rights and interests of the Shareholders from a risk mitigation perspective, the Company has adopted the following internal control procedures and corporate governance measures in relation to the continuing connected transactions and the proposed annual caps thereunder:

- (i) The Company has carefully formulated a set of certain robust internal rules and policies in relation to the management and control of connected transactions, such as the Management Measures of Connected Transactions for the Company;

LETTER FROM THE BOARD

- (ii) The Company will collect and refer to the quotations from independent third parties for similar services regularly, so as to assess and review whether the services quotations are fair and reasonable. Specifically, for the mutual project contracting framework agreement, the Company will collect the quotations from independent third parties at least on a semi-annual basis and will increase the frequency based on the significance of specific projects; for the finance lease and commercial factoring agreement, CCCC Leasing will collect the quotations from independent third parties at least on a quarterly basis; and for the financial services agreement, CCCC Finance will collect the quotations from independent third parties at least on a monthly basis;
- (iii) The Company has established a systematic corporate governance structure to ensure effective internal control, including establishment of its institutional structure based on the decision-making, execution and monitoring systems, and formulation of different work procedures and risk control systems based on different job duties;
- (iv) The Company has established a management system for all connected transactions, and will prudently review the reports submitted by its subsidiaries on the actual transaction situations on a monthly basis at a minimum;
- (v) The audit and internal control committee of the Company will conduct internal assessments on the internal control measures of the Company on an annual basis to ensure that the internal control measures in respect of continuing connected transactions remain complete and effective, and review the annual report and financial report which consist of the implementation of and opinions on the continuing connected transactions during the relevant period in respect of the fairness of the continuing connected transactions and whether the actual transaction amount incurred are within the annual caps; and
- (vi) The independent non-executive Directors and auditors of the Company will also conduct annual reviews of the continuing connected transactions and recommend subsequent steps, if any, for the Board's consideration in an effort to maximise protections offered to minority Shareholders particularly concerning financial services arrangements with CCCG.

In addition, the Company has effective and sufficient control mechanism in place to control the annual caps of continuing connected transactions and ensure such caps will not be exceeded. The control measures adopted by the Company are as follows:

- (i) Leveraging historical experience and operation plans, the Company enters into continuing connected transaction framework agreements for a term of three years and set annual caps on the basis of the assessment on necessity and fairness of potential connected transactions. These agreements and proposed annual caps are subject to necessary decision-making and approval procedures, including but not limited to review and consideration by independent directors, the audit and internal control committee under the Board, the Board, the supervisory committee and the Shareholders' general meeting of the Company pursuant to their respective authorisation. Implementation will be organized upon approval after review and consideration;

LETTER FROM THE BOARD

- (ii) The Company carries out daily supervision on the overall implementation and actual transaction amounts of continuing connected transactions. For financial services agreement and finance lease and commercial factoring agreement, CCCC Finance and CCCC Leasing (subsidiaries of the Company), as non-bank financial institutions, report actual maximum daily balance of credit services and actual amount of finance lease services and commercial factoring services provided on a monthly basis, and predict the transaction amount of the outstanding period of the relevant year on a quarterly basis. For other continuing connected transaction agreements, the subsidiaries of the Company report actual transaction amount (including the actual transaction amount of the relevant quarter and accumulated actual transaction amount) and predict the transaction amount of the outstanding period of the relevant year on a quarterly basis. Meanwhile, the Company will allocate the caps of continuing connected transactions for the next year to the implementers of relevant transactions at the end of every year;
- (iii) The implementers shall bring forward the need for increasing the caps of continuing connected transactions in time when it occurs during implementation based on changes in business development. The Company will start decision-making procedures for revising caps in due course after assessing necessity and fairness of the continuing connected transactions;
- (iv) Whenever the actual transaction amount of relevant continuing connected transaction reaches 80% of the existing annual caps, the transaction implementers shall make a new prediction on whether the transaction amount of the outstanding period of the relevant year will satisfy operation needs and shall provide the Company with relevant transaction information so that the Company can realize better supervision and start decision-making procedures for revising caps in time after assessing necessity and fairness; and
- (v) By the end of every year, the Company will make a new prediction about the proposed caps of continuing connected transaction for the next year based on the latest actual situation of the relevant transaction of the current year, and re-assess the plan for the continuing connected transaction for next year after evaluating the necessity and fairness. If the reassessment is consistent with the existing annual caps, the transactions shall be implemented following above procedures, and if it is expected to exceed the caps, the decision-making procedure for revising caps shall be started.

The Board believes that the internal control procedures and corporate governance measures above are appropriate and can give the Shareholders an adequate assurance that the continuing connected transactions will be under the proper supervision of the Company.

LETTER FROM THE BOARD

(IV) Implications under the Hong Kong Listing Rules

As at the Latest Practicable Date, CCCG is the controlling Shareholder of the Company holding approximately 58.07% interests in the issued ordinary shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under (i) the Supplemental Agreement to the Existing Mutual Project Contracting Framework Agreement, (ii) the Mutual Project Contracting Framework Agreement, (iii) the Finance Lease and Commercial Factoring Agreement, and (iv) the Financial Services Agreement (including the Financial Services – Deposit Services and Loan Services Framework Agreement, the Financial Services – Guarantee Letter Services Framework Agreement, and the Financial Services – Other Credit Services Framework Agreement) constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

CCCC Leasing is a subsidiary of the Company. As at the Latest Practicable Date, ZPMC, a connected person of the Company, by virtue of being a subsidiary of CCCG (the controlling shareholder of the Company), holds 30% interests in CCCC Leasing. Therefore, CCCC Leasing is a connected subsidiary of the Company pursuant to Rule 14A.16 of the Hong Kong Listing Rules. As such, the Finance Lease and Commercial Factoring Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

1. Supplemental Agreement to the Existing Mutual Project Contracting Framework Agreement

As the highest applicable percentage ratio of the revised annual cap for labour and subcontracting services under the Supplemental Agreement to the Existing Mutual Project Contracting Framework Agreement exceeds 5%, the Supplemental Agreement to the Existing Mutual Project Contracting Framework Agreement and the revised annual cap for labour and subcontracting services received thereunder are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

2. Mutual Project Contracting Framework Agreement

As the highest applicable percentage ratio of the proposed annual caps for the project contracting services and the labour and subcontracting services contemplated under the Mutual Project Contracting Framework Agreement exceeds 5%, the project contracting services and the labour and subcontracting services and the annual caps thereunder are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

3. *Finance Lease and Commercial Factoring Agreement*

As the highest applicable percentage ratio of the proposed annual caps for the finance lease services and the commercial factoring services contemplated under the Finance Lease and Commercial Factoring Agreement exceeds 5%, the finance lease services and the commercial factoring services and the annual caps thereof are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for the finance lease services and the commercial factoring services contemplated under the Finance Lease and Commercial Factoring Agreement exceeds 5% but is less than 25%, such transactions contemplated thereunder constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

4. *Finance Lease and Commercial Factoring Framework Agreement*

As the highest applicable percentage ratio of the proposed annual caps for the consultation services contemplated under the Finance Lease and Commercial Factoring Framework Agreement exceeds 0.1% but is lower than 5%, the consultation services and the annual caps thereof are subject to the reporting, announcement and annual review requirements, but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for the finance lease services and the commercial factoring services contemplated under the Finance Lease and Commercial Factoring Framework Agreement exceeds 5%, the finance lease services and the commercial factoring services and the annual caps thereof are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for the finance lease services and the commercial factoring services contemplated under the Finance Lease and Commercial Factoring Framework Agreement exceeds 5% but is less than 25%, such transactions contemplated thereunder constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

5. *Financial Services Agreement*

The provision of deposit services by CCCC Finance to CCCG Group is to be made on normal commercial terms or more favourable terms which are in the Group's interests, and no assets of the Group are to be pledged as security for such deposit services in favour of CCCG Group. Therefore, pursuant to Rule 14A.90 of the Hong Kong Listing Rules, the provision of deposit services by CCCC Finance to CCCG Group is exempt from the announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

The Company expects that the highest applicable percentage ratio of the total service fees receivable by CCCC Finance from CCCG Group for the provision of other financial services will fall within the de minimis threshold as stipulated under Chapter 14A of the Hong Kong Listing Rules. Therefore, the provision of other financial services is fully exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for the credit services under the Financial Services Agreement (namely, the loan services under the Financial Services – Deposit Services and Loan Services Framework Agreement, the guarantee letter services under the Financial Services – Guarantee Letter Services Framework Agreement, and the bills issuance services and bonds subscription under the Financial Services – Other Credit Services Framework Agreement, on an aggregate basis) exceeds 5%, the credit services and the annual caps thereof are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for the above-mentioned credit services under the Financial Services Agreement exceeds 25%, such transactions contemplated thereunder constitute major transactions of the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(V) General Information

The Company is a leading transportation infrastructure enterprise in the PRC focusing on “big transportation” and “big city”, and its core businesses are infrastructure construction, infrastructure design and dredging. Its scope of business mainly consists of the investment, design, construction, operation and management of port, waterway, land reclamation, river basin, road and bridge, railway, urban rail transit, municipal infrastructure, construction and environmental protection at home and abroad. The Company is 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 decades.

CCCC Finance is a subsidiary of the Company incorporated in the PRC and a non-banking financial institution. It is primarily engaged in offering comprehensive financial services to enterprises.

CCCC Leasing is a subsidiary of the Company incorporated in the PRC and is primarily engaged in provision of finance lease services in relation to infrastructure, engineering equipment, ships and other assets and relevant consulting services, guarantee and factoring business.

LETTER FROM THE BOARD

CCCG is a state-owned enterprise established under the laws of the PRC and the controlling Shareholder of the Company holding approximately 58.07% interests 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, technical consultation services for ships and corollary equipment of harbours, import and export business, investment in and management of transportation industry and other businesses.

III. RENEWAL OF ORDINARY RELATED PARTY TRANSACTIONS UNDER THE EXISTING AGREEMENTS

1. Renewal of the Ordinary Related Party Transactions under Leasing Framework Agreement

(1) Background

As the Existing Leasing Framework Agreement will expire on 31 December 2021, the Company entered into the Leasing Framework Agreement with CCCG to regulate the existing continuing connected transactions between the Group and CCCG for the three financial years ending 31 December 2024 and set the annual caps thereof.

(2) The Leasing Framework Agreement

The principal terms of the Leasing Framework Agreement are set out below:

Date

9 September 2021

Parties

(1) the Company; and

(2) CCCG

Term

Three years from 1 January 2022 to 31 December 2024

Description of the transaction

CCCG Group agreed to lease the Leased Assets to the Group for its production and operation use. The Leased Assets mainly include certain buildings, plants and auxiliary equipment and facilities for production and operation owned by CCCG.

LETTER FROM THE BOARD

Price determination

The fees receivable by CCCG Group for leasing the Leased Assets to the Group shall be determined at arm's length negotiation between the parties after considering the factors set out below:

- (i) with reference to the prevailing market prices;
- (ii) price quotations for assets similar to the Leased Assets offered by CCCG Group to independent third parties;
- (iii) after taking comprehensive consideration of the relevant aspects of the properties, such as gross floor area, decoration facilities, geographical location, etc.; and
- (iv) the Group will seek quotations for assets similar to the Leased Assets from independent third parties on an annual basis in the market or conduct market research on the rental prices of nearby properties (for buildings and plants) in order to assess and review the fairness and reasonableness of the quotations proposed by CCCG Group with reference to items (i), (ii) and (iii) above.

Further, fees payable for the above leasing and regular reports will be submitted to the independent non-executive Directors of the Company for their annual review on the pricing, so as to ensure their fairness and reasonableness. The Directors of the Company consider that such methods and procedures can ensure that the transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company or its Shareholders.

Separate contracts

In respect of each lease, the Group and the relevant members of CCCG Group will enter into separate contract(s). The terms of each contract will be in line with the terms of the Leasing Framework Agreement and shall be enforceable if and only if the Leasing Framework Agreement continues to be effective.

LETTER FROM THE BOARD

(3) *Historical Amounts*

Set out below are the rents received by CCCG Group for leasing of the Leased Assets to the Group for the two financial years ended 31 December 2020 and the six months ended 30 June 2021:

	<i>RMB' million</i>		
	Actual amount for the year ended 31 December 2019	Actual amount for the year ended 31 December 2020	Actual amount for the six months ended 30 June 2021
Transaction			
Leasing of the Leased Assets by CCCG Group to the Group	171	244	135

(4) *Proposed Annual Caps*

As all the leases to be entered into under the Leasing Framework Agreement are short-term leases, the rents receivable by CCCG Group for leasing of the Leased Assets to the Group pursuant to the Leasing Framework Agreement will be recognized as expenses in the consolidated statement of profit or loss of the Group. The proposed annual caps for the rents to be received by CCCG Group for leasing of the Leased Assets to the Group pursuant to the Leasing Framework Agreement for the three financial years ending 31 December 2024 are as follows:

	<i>RMB' million</i>		
	Annual cap for the year ending 31 December 2022	Annual cap for the year ending 31 December 2023	Annual cap for the year ending 31 December 2024
Transaction			
Leasing of the Leased Assets by CCCG Group to the Group	847	795	459

As disclosed in the announcement of the Company dated 9 September 2021, although the Leasing Framework Agreement and the transaction contemplated thereunder are exempt from the Independent Shareholders' approval requirement under the Hong Kong Listing Rules, such transactions are subject to the approval by the Independent Shareholders at the general meeting of the Company pursuant to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange. Therefore, an ordinary resolution will be proposed at the EGM to approve the leasing of the Leased Assets under the Leasing Framework Agreement.

LETTER FROM THE BOARD

2. Renewal of the Ordinary Related Party Transactions under Mutual Product Sales and Purchase Agreement

(1) Background

As the Existing Mutual Product Sales and Purchase Agreement will expire on 31 December 2021, the Company entered into the Mutual Product Sales and Purchase Agreement with CCCG to regulate the existing continuing connected transactions between the Company and CCCG for the three financial years ending 31 December 2024 and set the respective annual caps thereof.

(2) Mutual Product Sales and Purchase Agreement

The principal terms of the Mutual Product Sales and Purchase Agreement are set out as follows:

Date

9 September 2021

Parties

- (1) the Company; and
- (2) CCCG

Term

Three years from 1 January 2022 to 31 December 2024

Description of the transactions

The Group agreed to sell and CCCG Group agreed to purchase material products, including material and equipment, components, etc.

CCCG Group agreed to sell and the Group agreed to purchase engineering products, including engineering ships (e.g. leveling ship, crane ship, etc.), engineering machines (e.g. shield machines), steel structure products, etc.

LETTER FROM THE BOARD

Price determination

The fees receivable by the Group for sales of material products to CCCG Group and the fees payable by the Group for purchase of engineering products from CCCG Group shall be agreed at arm's length negotiation between the parties in the following order:

- (i) If such products are subject to government-prescribed price, their prices are determined by the parties according to government-prescribed price, which represents the price determined in accordance with the laws, regulations, decisions, orders or pricing policies of the relevant government authorities; or
- (ii) If such products are not subject to government-prescribed price, their prices are determined by the parties with reference to the market price, which represents (i) the price for sales of or purchase of the same or similar products by the independent third parties located in the same region or adjacent areas on normal commercial terms in the ordinary course of business; or (ii) the price for sales of or purchase of the same or similar products by the independent third parties in the PRC on normal commercial terms in the ordinary course of business; or
- (iii) If such products are not subject to government-prescribed price and market price, their prices are determined by the parties with reference to the cost price, which represents (i) the fees incurred for sales of or purchase of products by the parties; and (ii) the fees incurred for sales of or purchase of products by one party to or from the third parties and additional fees incurred for transfer of such products to the other party.

The above-mentioned fees receivable from the sales of material products and payable for the purchase of engineering products, and relevant periodic reports will be submitted to the independent non-executive Directors for their annual review on the pricing so as to ensure its fairness and reasonableness. The Directors consider such methods and procedures can ensure the transactions will be conducted on normal commercial terms and will not prejudice the interests of the Company and its Shareholders.

Payment

The specific payment terms (including time and method of payment) of the fees receivable by the Group for sales of material products to CCCG Group and the fees payable by the Group for purchase of engineering products from CCCG Group shall be agreed in the specific agreements to be entered into by the parties by reference to the payment terms of similar transactions in the market and the payment terms offered by independent third parties.

LETTER FROM THE BOARD

(3) *Historical Amounts*

Set out below are the fees receivable by the Group for sales of material products to CCCG Group and the fees payable by the Group for purchase of engineering products from CCCG Group for the two financial years ended 31 December 2020 and the six months ended 30 June 2021:

	<i>RMB' million</i>		
Transaction	Actual amount for the year ended 31 December 2019	Actual amount for the year ended 31 December 2020	Actual amount for the six months ended 30 June 2021
Sales of material products to CCCG Group by the Group	297	1,058	415
Purchase of engineering products from CCCG Group by the Group	481	1,733	608

(4) *Proposed Annual Caps*

The proposed annual caps for the fees to be received by the Group for sales of material products to CCCG Group and the fees to be paid by the Group for purchase of engineering products from CCCG Group for the three financial years ending 31 December 2024 are as follows:

	<i>RMB' million</i>		
Transaction	Annual cap for the year ending 31 December 2022	Annual cap for the year ending 31 December 2023	Annual cap for the year ending 31 December 2024
Sales of material products to CCCG Group by the Group	3,188	3,877	5,115
Purchase of engineering products from CCCG Group by the Group	4,615	4,532	4,829

LETTER FROM THE BOARD

As disclosed in the announcement of the Company dated 9 September 2021, although the Mutual Product Sales and Purchase Agreement and the transactions contemplated thereunder are exempt from the Independent Shareholders' approval requirement under the Hong Kong Listing Rules, such transactions are subject to the approval by the Independent Shareholders at the general meeting of the Company pursuant to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange. Therefore, ordinary resolutions will be proposed at the EGM to approve the sales of material products and the purchase of engineering products under the Mutual Product Sales and Purchase Agreement.

IV. THE PROPOSED AMENDMENTS TO THE MANAGEMENT MEASURES FOR CONNECTED TRANSACTIONS

In accordance with the amended PRC Securities Law and the latest regulatory requirements, in order to further implement the development concept of the Company, the Board proposed to make amendments to the relevant articles of the Management Measures for Connected Transactions after taking into account the actual situations of the Company based on the principles of prudence, appropriateness and necessity. For details of the proposed amendments to the Management Measures for Connected Transactions, please refer to Appendix I of this circular.

An ordinary resolution will be proposed at the EGM to approve the proposed amendments to the management Measures for Connected Transactions.

V. RECOMMENDATION

The Board has passed the relevant resolutions to be submitted to the Shareholders for consideration and approval. At such board meeting, Mr. Wang Tongzhou, Mr. Wang Haihuai, Mr. Liu Xiang and Mr. Liu Maoxun, the Directors of the Company, are also directors of CCCG, and therefore are deemed to have a material interest in the above-mentioned transactions and have abstained from voting on the relevant Board resolutions. Save for the said Directors, none of the other Directors has or is deemed to have a material interest in the above-mentioned transactions.

The Directors, including the independent non-executive Directors, having made all reasonable and due inquiries, consider that the above-mentioned transactions are entered into on normal commercial terms in the ordinary and usual course of business of the Company, are fair and reasonable and 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 EGM.

VI. THE EGM

A notice convening the EGM 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 Thursday, 18 November 2021 is set out on pages 115 to 117 of this circular.

LETTER FROM THE BOARD

CCCG, which holds approximately 58.07% interests in the issued ordinary shares of the Company as at the Latest Practicable Date, is required to abstain from voting at the EGM on the resolutions approving the above-mentioned agreements and the proposed annual caps thereunder at the EGM. 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 transactions under the above-mentioned agreements and therefore will be required to abstain from voting on the relevant resolutions at the EGM.

Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof (i.e. before 2:00 p.m. on Wednesday, 17 November 2021). Completion and return of the form of proxy will not preclude you as a Shareholder from attending and voting in person at the EGM or at any adjourned meeting should you so wish.

Any vote of the Shareholders at the EGM shall be taken by poll unless otherwise required by the Hong Kong Listing Rules. For purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 15 November 2021 to Thursday, 18 November 2021 (both days inclusive), during which time no share transfers will be registered. In order to be valid, instrument of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Friday, 12 November 2021. Shareholders of the Company whose names appear on the register of members of the Company at the opening of business on Thursday, 18 November 2021 are entitled to attend and vote at the EGM.

VII. ADDITIONAL INFORMATION

The Independent Board Committee comprising all independent non-executive Directors has been established by the Company to advise the Independent Shareholders on (i) the revision of annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement, and (ii) the Renewal of Certain Continuing Connected Transactions under the existing agreements. 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 (i) the revision of annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement, and (ii) the Renewal of Certain Continuing Connected Transactions under the existing agreements. Your attention is also drawn to the letter from the Independent Board Committee set out on pages 49 to 50, the letter from Somerley set out on pages 51 to 94 of this circular, and other information set out in the appendices to this 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)

25 October 2021

To the Independent Shareholders

Dear Sir or Madam,

**REVISION OF ANNUAL CAP FOR THE LABOUR AND
SUBCONTRACTING SERVICES UNDER THE EXISTING MUTUAL
PROJECT CONTRACTING FRAMEWORK AGREEMENT; AND
RENEWAL OF CERTAIN CONTINUING CONNECTED TRANSACTIONS
UNDER THE EXISTING AGREEMENTS**

Reference is made to the circular of the Company dated 25 October 2021 (the “**Circular**”). Unless the content otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the 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 (i) the revision of annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement, and (ii) the Renewal of Certain Continuing Connected Transactions under the existing agreements 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 51 to 94 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Your attention is also drawn to the letter from the Board set out on pages 6 to 48 of the 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 (i) the revision of annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement, and (ii) the Renewal of Certain Continuing Connected Transactions under the existing agreements in the Circular are conducted in the ordinary and usual course of business of the Group on normal commercial terms, and that (i) the revised annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement, and (ii) the proposed annual caps for the renewed continuing connected transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders to vote in favor of the resolutions in relation to (i) the revision of annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement, and (ii) the Renewal of Certain Continuing Connected Transactions under the existing agreements at the EGM.

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 (i) the revision of annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement, and (ii) the Renewal of Certain Continuing Connected Transactions under the existing agreements, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

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

25 October 2021

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

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS,
DISCLOSEABLE TRANSACTIONS AND MAJOR TRANSACTIONS:**

**REVISION OF ANNUAL CAP FOR
THE LABOUR AND SUBCONTRACTING SERVICES UNDER THE EXISTING
MUTUAL PROJECT CONTRACTING FRAMEWORK AGREEMENT;
AND
RENEWAL OF CERTAIN CONTINUING CONNECTED TRANSACTIONS
UNDER THE EXISTING AGREEMENTS**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the revision of annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement; and (ii) the Renewal of Certain Continuing Connected Transactions under the existing agreements, details of which are set out in the circular issued by the Company to the Shareholders dated 25 October 2021 (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 29 August 2018, the Company and CCCG entered into the Existing Mutual Project Contracting Framework Agreement, pursuant to which, among other things, CCCG Group agreed to provide labour and subcontracting services to the Group for its construction projects for the three years from 1 January 2019 to 31 December 2021. On 30 August 2021, the Company and CCCG entered into the Supplemental Agreement to the Existing Mutual Project Contracting Framework Agreement to further revise the existing annual cap of fees for the labour and subcontracting services provided by CCCG Group to the Group for the year ending 31 December 2021 from RMB4,500 million to RMB6,500 million (the “Revised Annual Cap”).

LETTER FROM SOMERLEY

As stated in the letter from the Board contained in the Circular, (i) the Existing Mutual Project Contracting Framework Agreement (as amended by the relevant supplemental agreements); (ii) the Existing Finance Lease and Commercial Factoring Agreement; (iii) the Existing Finance Lease and Commercial Factoring Framework Agreement; and (iv) the Existing Financial Services Agreement (as amended by the relevant supplemental agreements) (together, the “**Existing CCT Agreements**”) will expire on 31 December 2021. Accordingly, on 15 October 2021, (i) the Company and CCCG entered into the Mutual Project Contracting Framework Agreement, pursuant to which the Group agreed to provide project construction and management services to CCCG Group and CCCG Group agreed to provide labour and subcontracting services to the Group for a term of three years from 1 January 2022 to 31 December 2024; (ii) CCCG Leasing and CCCG entered into the Finance Lease and Commercial Factoring Agreement, pursuant to which CCCG Leasing shall provide finance lease services to CCCG Group in respect of the leased assets through direct leasing or sale and leaseback arrangements for a term of three years from 1 January 2022 to 31 December 2024; (iii) the Company and CCCG Leasing entered into the Finance Lease and Commercial Factoring Framework Agreement, pursuant to which CCCG Leasing shall provide finance lease services to the Group in respect of the leased assets through direct leasing or sale and leaseback arrangements for a term of three years from 1 January 2022 to 31 December 2024; and (iv) CCCG Finance and CCCG entered into the Financial Services Agreement, pursuant to which CCCG Finance shall provide deposit services and loan services, guarantee letter services and other credit services to CCCG Group for a term of three years from 1 January 2022 to 31 December 2024.

CCCG is the controlling shareholder of the Company holding approximately 58.07% of the Shares as at the Latest Practicable Date. It is therefore a connected person of the Company under the Hong Kong Listing Rules. As at the Latest Practicable Date, Shanghai Zhenhua Heavy Industries Co. Ltd. (“**ZPMC**”), a connected person of the Company, by virtue of being a subsidiary of CCCG (the controlling shareholder of the Company), holds 30% interest in CCCG Leasing, a subsidiary of the Company. Therefore, CCCG Leasing is a connected subsidiary of the Company under the Hong Kong Listing Rules. Accordingly, the CCT Renewal Agreements (as defined below) and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Since the highest applicable percentage ratio of the revised or proposed annual caps of (i) the Supplemental Agreement to the Existing Mutual Project Contracting Framework Agreement; (ii) the Mutual Project Contracting Framework Agreement; (iii) the Finance Lease and Commercial Factoring Agreement; (iv) the Finance Lease and Commercial Factoring Framework Agreement (except for proposed annual caps for the consultation services contemplated under the Finance Lease and Commercial Factoring Framework Agreement exceed 0.1% but are lower than 5%); and (v) the Financial Services Agreement (together, the “**CCT Renewal Agreements**”) exceed 5%, the relevant services contemplated under the CCT Renewal Agreements and the respective revised or proposed annual caps thereof are subject to the reporting, announcement and independent Shareholders’ approval requirements under Chapter 14A of 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 (i) the revision of annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement; and (ii) the Renewal of Certain Continuing Connected Transactions under the existing agreements (including the respective annual caps thereof) and to make recommendations 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 two occasions acted as an independent financial adviser to the Company in relation to (i) the revision of the annual cap for the project contracting services under the mutual project contracting framework agreement (as disclosed in the Company's circular dated 18 May 2021); and (ii) the possible subscription of A share convertible bonds by CCCG and project contracting services under the mutual project contracting framework agreement (as disclosed in the Company's circular dated 20 May 2020). The past engagements were limited to providing independent advisory services to the Company pursuant to the Hong Kong Listing Rules, for which we received normal professional fees relevant to these types of engagements. 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, CCCC Leasing, CCCC Finance or their respective core connected persons, close associates or associates (all defined under the Hong Kong Listing Rules) and accordingly are considered eligible to give independent advice on the above matter. 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, CCCC Leasing, CCCC Finance or their respective core connected persons, close associates or associates.

In formulating our opinion, we have reviewed, among other things, the Existing Mutual Project Contracting Framework Agreement, the CCT Renewal Agreements, the interim report of the Company for the six months ended 30 June 2021, the annual reports of the Company for the years ended 31 December 2020 (the **"2020 Annual Report"**) and 31 December 2019, and the information as set out in the Circular. We have also discussed with the management of the Group (the **"Management"**) regarding the business of the Group and the prospect of conducting the transactions contemplated under the CCT Renewal Agreements.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and the Management 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

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

The Group's principal business includes primarily infrastructure construction, infrastructure design and dredging. The infrastructure construction business is the major contributor to the Group's revenue and profits, accounting for over 85% of the total revenue for the year ended 31 December 2020. The infrastructure construction operation includes, among others, infrastructure construction of ports, roads, bridges and railways in the PRC and overseas. The infrastructure design represents, among others, consulting and planning service, feasibility study, survey and design. The dredging operation includes infrastructure dredging, maintenance dredging, environmental dredging, reclamation and supporting projects related to dredging and land reclamation. For the year ended 31 December 2020, the Group generated revenue and profit attributable to the owners of the Company of approximately RMB624.5 billion and RMB16.5 billion, respectively. The net asset value attributable to the owners of the Company amounted to approximately RMB245.1 billion as at 31 December 2020.

(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 58.07% equity 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, technical consultation services for ships and corollary equipment of harbours, import and export business, investment in and management of transportation industry and other businesses.

(3) Internal control and corporate governance measures

As disclosed in the letter from the Board contained in the Circular, the Company has adopted the following internal control and corporate governance measures (the “**Internal Control Policy**”) in relation to the continuing connected transactions under the CCT Renewal Agreements and the annual caps thereof to safeguard the rights and interests of the Shareholders from a risk mitigation perspective:

- (i) the Company has carefully formulated a set of certain internal robust rules and policies in relation to the management and control of connected transactions;

LETTER FROM SOMERLEY

- (ii) the Company will collect and refer to the quotations from independent third parties for similar services regularly, so as to assess and review whether the services quotations are fair and reasonable. Specifically, for the mutual project contracting framework agreement, the Company will collect the quotations from independent third parties at least on a semi-annual basis and will increase the frequency based on the significance of specific projects; for the finance lease and commercial factoring agreement, CCCC Leasing will collect the quotations from independent third parties at least on a quarterly basis; and for the financial services agreement, CCCC Finance will collect the quotations from independent third parties at least on a monthly basis;
- (iii) the Company has established a systematic corporate governance structure to ensure effective internal control;
- (iv) the Company has established a management system for all connected transactions, and will prudently review the reports submitted by its subsidiaries on the actual transaction situations on a monthly basis at a minimum;
- (v) the audit and internal control committee of the Company will conduct internal assessments on the internal control measures of the Company on an annual basis to ensure that the internal control measures in respect of continuing connected transactions remain complete and effective, and review the annual report and financial report which consist of the implementation of and opinions on the continuing connected transactions during the relevant period in respect of the fairness of the continuing connected transactions and whether the actual transaction amounts incurred are within the annual caps; and
- (vi) the independent non-executive Directors and auditors of the Company will also conduct annual reviews of the continuing connected transactions and recommend subsequent steps, if any, for the Board's consideration in an effort to maximise protection offered to minority Shareholders particularly concerning financial services arrangements with CCGG.

In addition to the above, the Company has implemented a number of control mechanisms to ensure the annual caps will not be exceeded. Further details of the Company's internal control and corporate governance measures, including the aforesaid control mechanisms on the annual caps, can be referred to the section headed "(III) Internal control and corporate governance measures" in the letter from the Board contained in the Circular.

LETTER FROM SOMERLEY

We have obtained and reviewed the internal control procedural manual of the Company in relation to connected transactions and continuing connected transactions. We have reviewed the aforesaid internal control and corporate governance measures and consider them effective and adequate to monitor the transactions under the CCT Renewal Agreements on the basis that (i) making reference to service quotations provided to or by independent third parties when providing service quotations to or by connected persons of the Group shall ensure the fairness and reasonableness of the terms of the relevant transactions; (ii) frequent reporting on at least a monthly basis will allow the Company to monitor the utilisation of the relevant annual caps on a regular interval, which is considered appropriate and the Company shall be prompted timely in case of any unexpected issues relating to the utilisation of the relevant annual caps; (iii) the establishment of a systematic corporate governance structure enables the Company to self-regulate by assigning monitoring responsibilities to different departments; and (iv) regular reviews by the audit and internal control committee of the Company, independent non-executive Directors and auditors of the Company shall further enhance the internal control measures of the Company. Overall, we consider the Internal Control Policy sufficient and effective to safeguard the interests of the Shareholders.

(4) Revision of annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement

(a) Background and principal terms of the Supplemental Agreement to the Existing Mutual Project Contracting Framework Agreement

The Existing Mutual Project Contracting Framework Agreement was entered into between the Company and CCCG on 29 August 2018 for a term of three years from 1 January 2019 to 31 December 2021. Pursuant to the Existing Mutual Project Contracting Framework Agreement, among other things, CCCG Group agreed to provide labour and subcontracting services to the Group for its construction projects. According to the Supplemental Agreement to the Existing Mutual Project Contracting Framework Agreement, the Company and CCCG Group agreed to revise the existing annual cap for labour and subcontracting services provided by CCCG Group to the Group for the year ending 31 December 2021 from RMB4,500 million to RMB6,500 million.

Save for the proposed revision of the existing annual cap disclosed above, all other principal terms of the Existing Mutual Project Contracting Framework Agreement remain unchanged.

(b) Reasons for and the benefits of the entering into the Supplemental Agreement to the Existing Mutual Project Contracting Framework Agreement

As stated in the letter from the Board contained in the Circular, the Company is mainly engaged in the transportation infrastructure industry, it may require labour and subcontracting services from time to time in the course of its ordinary business. By selecting CCCG Group as a provider of such services, the Directors are of the view that the Company can benefit from its relatively low quotations, its understanding of the Company's business and its extensive experience and expertise in providing such services, and accordingly receive professional and high-quality services at a reasonable cost, which will be conducive to the Company's business operation.

LETTER FROM SOMERLEY

Having considered the above and the fairness and reasonableness of the fees to be charged by CCCG Group will be safeguarded by the Group's internal control policy by comparing against market quotations (details of which can be referred to the section headed "(3) Internal control and corporate governance measures" in this letter), we concur with the Directors that the entering into the Supplemental Agreement to the Existing Mutual Project Contracting Framework Agreement is in the interests of the Company and the Shareholders as a whole.

(5) Renewal of continuing connected transactions under the Mutual Project Contracting Framework Agreement

(a) Principal terms of the Mutual Project Contracting Framework Agreement

Set out below are the principal terms of the Mutual Project Contracting Framework Agreement:

Date

15 October 2021

Parties

- (i) the Company; and
- (ii) CCCG

Term

Three years from 1 January 2022 to 31 December 2024

Subject matters

Considering that the Group is a leading transportation infrastructure enterprise focusing on infrastructure construction, infrastructure design and dredging, the Group agreed to provide, within the business scope and specialised field of the Group, project construction and management services to CCCG Group, which may include (i) provision of construction, design, consultation and management services for real property projects, wastewater treatment projects and other construction projects that may be undertaken by CCCG Group; and (ii) design, construction, operation, management and dismantlement of temporary supporting facilities.

Considering that CCCG Group is primarily engaged in real estate development, wastewater treatment, airport construction, etc., CCCG Group agreed to provide, within the business scope and specialised field of CCCG Group, the labour and subcontracting services to the Group, which may include (i) provision of professional services for construction projects that may be undertaken by the Group; (ii) design, construction, operation, management and dismantlement of temporary supporting facilities; and (iii) provision of consultation, management and technical services.

LETTER FROM SOMERLEY

Price determination

The fees payable by CCCG Group for the project contracting services provided by the Group shall be arrived at arm's length negotiation between the parties with reference to and taking into account the factors set out below:

- (i) with reference to the prevailing market prices;
- (ii) after taking into consideration the various aspects of the projects, such as project scale, construction period, technical difficulties and risk factors; and
- (iii) the Group will refer to its quotations for similar services to independent third parties, so as to assess and review whether the services quotations provided by the Group to CCCG Group in accordance with items (i) and (ii) above are fair and reasonable.

The fees received by CCCG Group for the labour and subcontracting services provided to the Group shall be agreed upon by arm's length negotiation between the parties and specified in the agreement entered into for each transaction in accordance with the following market-oriented pricing principles:

- (i) the fees proposed by CCCG Group for each future transaction shall be made with reference to its expected costs to be incurred, such as labour costs and management costs. CCCG Group is entitled to charge the service fees with a price at the costs plus gross profit of comparable transactions in the market after taking into account the actual circumstances for each future transaction; and
- (ii) the Group will seek fee quotes for similar services from three independent third parties on a quarterly basis in the market in order to assess and review the fairness and reasonableness of the quotes for the services proposed by CCCG Group in accordance with item (i) above.

The above-mentioned project contracting service fees and the labour and subcontracting service fees and relevant periodic reports will be submitted to the independent non-executive Directors for their annual review on the pricing so as to ensure fairness and reasonableness of the service fees. We consider the aforesaid methods and procedures reasonable and they are in line with the requirements under the Internal Control Policy and it shall safeguard the interests of the Independent Shareholders.

Payment

The specific payment terms (including time and method of payment) for the project contracting services provided by the Group to CCCG Group and the labour and subcontracting services provided by CCCG Group to the Group will be agreed by the parties in the individual contract to be entered into by them, with reference to the payment terms of similar services in the market and the payment terms offered by independent third parties.

For further details of the principal terms of the Mutual Project Contracting Framework Agreement, please refer to the letter from the Board contained in the Circular.

LETTER FROM SOMERLEY

(b) *Reasons for and the benefits of entering into the Mutual Project Contracting Framework Agreement*

As stated in the letter from the Board contained in the Circular, the Group provides the project contracting services for real property projects, wastewater treatment projects and other construction projects that may be undertaken by CCCG Group. CCCG has made certain progress in exploring each of the aforesaid areas, which therefore boosts the demands for project contracting services. The Directors believe that the provision of project contracting services to CCCG Group will help the Company to accumulate more experience in relevant sectors, improve the business performance and expand the business scale, which will further strengthen the market competitiveness and facilitate the Group's business development.

Having considered the above and the potential increase in the revenue of the Group due to additional business to be introduced by CCCG Group, we concur with the Directors that entering into the Mutual Project Contracting Framework Agreement is in the interests of the Company and the Shareholders as a whole.

Furthermore, as the Company is mainly engaged in the transportation infrastructure industry, it may require labour and subcontracting services from time to time in the course of its ordinary business. By selecting CCCG Group as a provider of such services, the Directors are of the view that the Company can benefit from its relatively low quotations, its understanding of the Company's business and its extensive experience and expertise in providing such services, and accordingly receive professional and high-quality services at a reasonable cost, which will be conducive to the Company's business operation.

Having considered the above and the fairness and reasonableness of the fees to be charged by CCCG Group will be safeguarded by the Group's internal control policy by way of comparing against market quotations (details of which can be referred to the section headed "(3) Internal control and corporate governance measures" in this letter), we concur with the Directors that entering into the Mutual Project Contracting Framework Agreement is in the interests of the Company and the Shareholders as a whole.

(6) *Renewal of continuing connected transactions under the Finance Lease and Commercial Factoring Agreement*

(a) *Principal terms of the Finance Lease and Commercial Factoring Agreement*

Set out below are the principal terms of the Finance Lease and Commercial Factoring Agreement:

Date

15 October 2021

LETTER FROM SOMERLEY

Parties

(1) CCCC Leasing; and

(2) CCCG

Term

Three years from 1 January 2022 to 31 December 2024

Subject matters

CCCC Leasing shall provide finance lease services to CCCG Group in respect of the leased assets through direct leasing or sale and leaseback arrangements. The leased assets primarily include engineering equipment and fixtures, hotel equipment and furniture, and equipment for commercial centers, etc.

CCCC Leasing will provide commercial factoring services to CCCG Group in respect of receivables through factoring or reverse factoring arrangement.

In respect of each finance lease or commercial factoring, CCCC Leasing and the relevant member of CCCG Group will enter into individual contract(s). The terms of the individual contract will be in line with the terms of the Finance Lease and Commercial Factoring Agreement. Each individual contract shall be subject to and conditional upon the Finance Lease and Commercial Factoring Agreement continuing to be in force.

Price determination

The rental fees, finance interest and other miscellaneous fees payable by CCCG Group to CCCC Leasing with respect to the finance lease services and commercial factoring services shall be determined following arm's length negotiation between the parties with reference to the prevailing market prices for comparable finance lease services and commercial factoring services, after taking into account various factors, such as finance costs, value of the leased assets, and lease period for finance lease services; and benchmark lending rate for loans of relevant grade announced and implemented by the PBOC, finance costs, factoring period, and the ownership of the right of recourse for commercial factoring services.

CCCC Leasing will refer to its quotations for similar services offered to at least three independent third parties, so as to ensure that such fees payable by CCCG Group shall not be lower than the fees for similar finance lease services and commercial factoring services provided by CCCC Leasing to other companies or the fees for comparable finance lease services and commercial factoring services available from other financial leasing companies and commercial factoring companies in the PRC respectively.

We consider the aforesaid methods and procedures reasonable and they are in line with the requirements under the Internal Control Policy and it shall safeguard the interests of the Independent Shareholders.

LETTER FROM SOMERLEY

For further details of the principal terms of the Finance Lease and Commercial Factoring Agreement, please refer to the letter from the Board contained in the Circular.

(b) *Reasons for and benefits of entering into the Finance Lease and Commercial Factoring Agreement*

As stated in the letter from the Board contained in this Circular, CCCC Leasing is a non-banking financial institution offering comprehensive finance lease and commercial factoring services to enterprises. CCCC Leasing provides finance lease and commercial factoring services to CCCG Group in its ordinary and usual course of business. CCCC Leasing will generate revenue from the provision of finance lease and commercial factoring services to CCCG Group under the Finance Lease and Commercial Factoring Agreement whereas the risks are controllable. We note that CCCC Leasing has been providing finance lease services and commercial factoring services to CCCG Group since 2017 and 2018 respectively. The entering into the Finance Lease and Commercial Factoring Agreement represents a continuation of the provision of the finance lease and commercial factoring services to CCCG Group and, in other words, a source of revenue for CCCC Leasing.

(7) *Renewal of continuing connected transactions under the Finance Lease and Commercial Factoring Framework Agreement*

(a) *Principal terms of the Finance Lease and Commercial Factoring Framework Agreement*

Set out below are the principal terms of the Finance Lease and Commercial Factoring Framework Agreement:

Date

15 October 2021

Parties

(i) the Company; and

(ii) CCCC Leasing

Term

Three years from 1 January 2022 to 31 December 2024

LETTER FROM SOMERLEY

Subject matters

CCCC Leasing shall provide finance lease services to the Group in respect of the leased assets through direct leasing or sale and leaseback arrangements. The leased assets are for the business operations of the Company, including but not limited to infrastructure, engineering equipment and ships, etc.

CCCC Leasing will provide commercial factoring services to the Group in respect of receivables through factoring or reverse factoring arrangement.

In respect of each finance lease or commercial factoring, CCCC Leasing and the relevant member of the Group will enter into individual contract(s). The terms of the individual contract will be in line with the terms of the Finance Lease and Commercial Factoring Framework Agreement. Each individual contract shall be subject to and conditional upon the Finance Lease and Commercial Factoring Framework Agreement continuing to be in force.

Price determination

The rental fees, the finance interest and other miscellaneous fees payable by the Group to CCCC Leasing with respect to the finance lease services and commercial factoring services shall be determined following arm's length negotiation between the parties with reference to the prevailing market prices for comparable finance lease services and commercial factoring services, after taking into account various factors, such as finance costs, value of the leased assets, and lease period for finance lease services; and the benchmark lending rate for loans of relevant grade announced and implemented by the PBOC, finance costs, factoring period, and the ownership of the right of recourse for commercial factoring services.

The Group will refer to the quotations for similar services offered by at least three independent third parties, so as to ensure that the fees payable by the Group shall not be higher than the fees for comparable finance lease services and commercial factoring services available from other financial leasing companies and commercial factoring companies in the PRC respectively.

We consider the aforesaid methods and procedures reasonable and they are in line with the requirements under the Internal Control Policy and it shall safeguard the interests of the Independent Shareholders.

For further details of the principal terms of the Finance Lease and Commercial Factoring Framework Agreement, please refer to the letter from the Board contained in the Circular.

LETTER FROM SOMERLEY

(b) *Reasons for and the benefits of entering into the Finance Lease and Commercial Factoring Framework Agreement*

As stated in the letter from the Board contained in the Circular, CCCC Leasing was established in 2014 to provide finance lease services and commercial factoring services to the Group. CCCC Leasing is owned as to 70% by the Group and 30% by ZPMC. CCCC Leasing is a non-banking financial institution and primarily engaged in the finance lease services in relation to infrastructure, engineering equipment, ships and other assets and relevant consulting services, guarantee and factoring business. It has been providing finance lease services and commercial factoring services to the Group since its establishment, which provides strong financial support in the business development of the Group.

In particular, these services are of great importance and benefits for the subsidiaries of the Company as they not only enable the subsidiaries to reduce their leverage and broaden their financing channels for upgrading credit rating level, raising low-cost funds, but also provide them with more flexible and convenient financing tools to enhance their fund management level and thus promote their business development and smooth operation, which further benefit the Company in its improvement of revenue and business operation and are therefore conducive to the interests of the Company and the Shareholders as a whole.

Having considered the principal businesses and operations of the Group and CCCC Leasing and the reasons for and benefits of entering into the Finance Lease and Commercial Factoring Framework Agreement above, we concur with the Directors' view that the entering into the Finance Lease and Commercial Factoring Framework Agreement is in the ordinary and usual course of the business of the Group.

(8) *Renewal of continuing connected transactions under the Financial Services Agreement*

As the Existing Financial Services Agreement will expire on 31 December 2021, the Board proposed to enter into (i) the Financial Services – Deposit Services and Loan Services Framework Agreement, (ii) the Financial Services – Guarantee Letter Services Framework Agreement, and (iii) the Financial Services – Other Credit Services Framework Agreement, respectively, to regulate the financial services under the Existing Financial Services Agreement between CCCC Finance and CCCG for the three financial years ending 31 December 2024 and set the annual caps thereof.

(a) *Principal terms of the Financial Services Agreement*

(i) *Financial Services – Deposit Services and Loan Services Framework Agreement*

The principal terms of the Financial Services – Deposit Services and Loan Services Framework Agreement are set out as follow:

Date	15 October 2021
Parties	(1) CCCC Finance; and (2) CCCG

LETTER FROM SOMERLEY

Term	Three years from 1 January 2022 to 31 December 2024
Principal services	<p>(1) Deposit services</p> <p>CCCC Finance will provide deposit services to CCCG Group. The deposit interest rates shall be determined through negotiation on an arm's length basis between the parties in accordance with market principles for their own interests and in compliance with interest rate requirements of the PBOC on such type of deposits. The cap and floor deposit rates shall be in accordance with requirements of the PBOC on deposits of the same term and same category and shall not be higher than the interest rates applicable to deposit services of the same term and same category provided by major domestic commercial banks.</p> <p>(2) Loan services</p> <p>CCCC Finance will provide loans to CCCG Group. The lending interest rates shall be determined through negotiation on an arm's length basis between the parties in accordance with market principles for their own interests and the lending rates shall not be lower than the interest rates applicable to loan services of the same term and same category provided by major domestic commercial banks, and the reference basis of the lending interest rates is changed from the benchmark interest rate prescribed by the PBOC for such type of loans to the rate quoted in the market.</p>
Risk management	<p>(1) As a banking financial institution, CCCC Finance will manage its accounts in strict compliance with the Measures for Payment and Settlement and Measures for the Administration of RMB Bank Settlement Accounts issued by the PBOC, and ensure the safety of the funds of the account holders in accordance with the laws. The accounts opened by CCCG Group with CCCC Finance are independent of those opened by the Group, and there is no interchange of funds in the accounts.</p> <p>(2) The daily balance of loans provided by CCCC Finance to CCCG Group (including the interests accrued thereon) shall not exceed 75% of the average daily balance of deposits of CCCG Group with CCCC Finance in any case.</p>

LETTER FROM SOMERLEY

- (3) CCCC Finance will conduct credit review before conducting business, perform credit rating and credit asset rating based on internal rating standards, and regularly arrange post-loan inspections (every six months). During the course of business, CCCC Finance will also assign dedicated personnel to follow up the utilisation of loan by CCCG Group. If the use of loan is changed, CCCC Finance will recover the entire principal and interest, and impose an additional penalty of 100% interest.
- (4) If CCCG Group does not repay the principal and interest within the repayment period as stipulated in the individual contract, CCCC Finance is entitled to require CCCG Group to repay the principal and interest within a certain period of time, and charge a penalty interest on the overdue borrowings in accordance with the individual contract, generally at 50% of the benchmarking rate for the same period of borrowings. In addition, CCCC Finance is entitled to directly deduct the corresponding amounts from the account opened by CCCG Group with CCCC Finance regardless of the maturity date, and any loss arising from such deduction shall be borne by CCCG Group. If the currency of the deducted amounts is different from the currency of the repayable principal and interest, the exchange rate published by the competent authority at the date of such deduction shall apply.
- (5) CCCG provides unconditional and irrevocable guarantee to the Group during the term of the Financial Services – Deposit Services and Loan Services Framework Agreement, pursuant to which CCCG will guarantee the full performance of obligations by CCCG Group and will indemnify the Group for all the losses caused by the failure of CCCG Group to perform its obligations and liabilities.

LETTER FROM SOMERLEY

(ii) *Financial Services – Guarantee Letter Services Framework Agreement*

The principal terms of the Financial Services – Guarantee Letter Services Framework Agreement are set out as follow:

Date	15 October 2021
Parties	(1) CCCC Finance; and (2) CCCG
Term	Three years from 1 January 2022 to 31 December 2024
Principal services	CCCC Finance agreed to provide guarantee letter services to CCCG Group according to the actual operation and development needs of CCCG Group. The fees charged by CCCC Finance for the provision of guarantee letter services shall not be lower than that charged by major domestic commercial banks for financial services of the same type or that charged from the Group.
Risk management	(1) When a guarantee letter is issued to CCCG Group, relevant protection terms for CCCC Finance shall be specified in the individual contract. If CCCC Finance receives an eligible claim statement from the beneficiary, CCCC Finance is entitled to directly deduct the deposits agreed in the individual contract and all the amounts in the account opened by CCCG Group with CCCC Finance regardless of the maturity date for the repayment of the claim from the beneficiary, and any loss arising from such deduction shall be borne by CCCG Group. If the currency of the deducted deposits and amounts is different from the currency of the claims to be repaid, the exchange rate published by the competent authority at the date of such deduction shall apply. In the event that the deducted deposits and amounts are not sufficient for the repayment of the claims from the beneficiary, CCCG Group shall remit the corresponding amounts to its account opened with CCCC Finance within three banking business days from the date of receipt of the notice of repayment from CCCC Finance.

LETTER FROM SOMERLEY

- (2) If CCCG Group does not make the repayment within the repayment period, CCCC Finance is entitled to require CCCG Group to make such repayment within a certain period of time, and charge a penalty interest on the overdue amounts in accordance with the individual contract, generally at 50% of the benchmarking rate for the same period of borrowings.
- (3) CCCG provides unconditional and irrevocable guarantee to the Group during the term of the Financial Services – Guarantee Letter Services Framework Agreement, pursuant to which CCCG will guarantee the full performance of obligations by CCCG Group and will indemnify the Group for all the losses caused by the failure of CCCG Group to perform its obligations and liabilities.

(iii) Financial Services – Other Credit Services Framework Agreement

The principal terms of the Financial Services – Other Credit Services Framework Agreement are set out as follow:

Date	15 October 2021
Parties	(1) CCCC Finance; and (2) CCCG
Term	Three years from 1 January 2022 to 31 December 2024
Principal services	(1) Bills issuance services

CCCC Finance agreed to provide bills issuance services to CCCG Group according to the actual operation and development needs of CCCG Group. The fees charged by CCCC Finance for the provision of bills issuance services shall not be lower than that charged by major domestic commercial banks for financial services of the same type or that charged from the Group.

LETTER FROM SOMERLEY

(2) Bonds subscription

CCCC Finance agreed to subscribe for the bonds issued by CCCG Group, which shall be conducted in strict compliance with the requirements of the National Association of Financial Market Institutional Investors, the relevant stock exchanges and other issuance and trading platforms. The pricing for the bonds shall be determined with reference to the interest rate in the market and shall meet the market-oriented requirements.

(3) Other financial services

CCCC Finance will provide CCCG Group with other financial services within the business scope of CCCC Finance, including but not limited to providing financial and financing consulting services, credit authentication and other related consulting and agent services; assisting in receiving and paying trading payments; dealing with entrusted loans; accepting and discounting bills; conducting internal settlements and designing corresponding plans for such settlements and clearing, etc.

Risk management

- (1) When providing the services under the Financial Services – Other Credit Services Framework Agreement, relevant protection terms for CCCC Finance shall be specified in the individual contract. If CCCG Group fails to repay the amounts advanced by the Group for CCCG Group in relation to the bill issuance and acceptance business or has bond default, CCCC Finance is entitled to directly deduct the corresponding amounts from the account opened by CCCG Group with CCCC Finance regardless of the maturity date, and any loss arising from such deduction shall be borne by CCCG Group. If the currency of the deducted amounts is different from the currency of the repayable principal and interest, the exchange rate published by the competent authority at the date of such deduction shall apply.

LETTER FROM SOMERLEY

- (2) CCCG provides unconditional and irrevocable guarantee to the Group during the term of the Financial Services – Other Credit Services Framework Agreement, pursuant to which CCCG will guarantee the full performance of obligations by CCCG Group and will indemnify the Group for all the losses caused by the failure of CCCG Group to perform its obligations and liabilities.

(iv) Our comments

As stated in the 2020 Annual Report, CCCC Finance provides various professional financial services such as fund settlement, deposits, credit, entrusted loans, financial leasing, financial and financing consultants. The deposit and loan transactions between CCCC Finance and its connected persons are one of the main businesses of CCCC Finance. The entering into the Financial Services – Deposit Services and Loan Services Framework Agreement represents a continuation of the existing financial services providing to CCCG Group, and the entering into the Financial Services – Guarantee Letter Services Framework Agreement and the Financial Services – Other Credit Services Framework Agreement provides additional sources of income to the Group.

We note that the lending rate of the loan services under the Financial Services – Deposit Services and Loan Services Framework Agreement shall not be lower than the interest rates applicable to loan services of the same term and same category provided by major domestic commercial banks, and the reference basis of the lending interest rates is changed from the benchmark interest rate prescribed by the PBOC for such type of loans to the rate quoted in the market. We also note that the fees charged by CCCC Finance under (i) the Financial Services – Guarantee Letter Services Framework Agreement; and (ii) the bills issuance services under the Financial Services – Other Credit Services Framework Agreement shall not be lower than the fees charged by major domestic commercial banks for financial services of the same type or that charged from the Group. In other words, the interest rates and fees charged for the credit services provided by CCCC Finance to CCCG Group will be on terms no less favourable to the Group than those available from independent commercial banks in the PRC, which we consider to be fair and reasonable.

LETTER FROM SOMERLEY

The Group has included certain protection clauses in the Financial Services Agreement, such as the limit of 75% of deposits on the loans and right of set-off. Further, CCCG has undertaken to procure the performance of obligations and to settle liabilities of the members of CCCG Group under the Financial Services Agreement. According to the CCCG's semi-annual report on corporate bonds for the six months ended 30 June 2021, CCCG had consolidated net assets attributable to owners of the parent of approximately RMB148,621.4 million and a consolidated cash balance of approximately RMB229,057.5 million as at 30 June 2021. These suggest that CCCG has sufficient resources to cover a default by any member of CCCG Group in respect of the credit services provided by CCCC Finance. According to the credit rating report issued by China Chengxin International Credit Rating Co., Ltd ("CCXI") dated 25 June 2021, the credit rating of CCCG was AAA, the highest rating under CCXI's credit rating scale. According to the website of CCXI, it is a qualified rating agency accepted by PBOC, the China Banking and Insurance Regulatory Commission and National Development and Reform Commission. According to the credit rating report, an AAA rating implies strong debt repayment capacity, remote default risk and an ability to withstand certain negative economic environment scenarios, which in turn indicate the strong debt repayment capacity of CCCG. As confirmed by the Management, CCCG Group has not defaulted on any of its credit obligations during the past three years. Based on the above and assuming no material adverse change to CCCG's financial position, we consider that CCCG has strong financial capabilities to fulfill its undertaking under the Financial Services Agreement.

A number of internal control procedures adopted by the Group would continue, including conducting credit review before conducting business, performing credit rating and credit asset rating based on internal rating standards, and regularly arranging post-loan inspections on a semi-annual basis. We consider that the abovementioned risk management policies and internal control procedures form a mechanism to limit the exposure of the Group in the event of a default by any member of CCCG Group in respect of the credit services provided by CCCC Finance. The Group will be entitled to offset such credit balances against the deposits from CCCG Group and reduce the Group's maximum risk exposure arising from the credit services provided by CCCC Finance under the Financial Services Agreements.

(b) Reasons for and benefits of entering into the Financial Services Agreement

As stated in the letter from the Board contained in this Circular, the Company expects to benefit from the gains generated by the financial services provided by CCCC Finance. Furthermore, the financial services provided by CCCC Finance to CCCG Group can help the Group to improve its capital utilisation efficiency and enhance the capability of CCCC Finance in providing professional and comprehensive financial services, which are in line with the Group's business development needs.

LETTER FROM SOMERLEY

(9) The annual caps for the CCT Renewal Agreements

(a) *The Revised Annual Cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement*

As stated in the letter from the Board contained in the Circular, on 30 August 2021, the Company and CCCG entered into the Supplemental Agreement to the Existing Mutual Project Contracting Framework Agreement to further revise the existing annual cap of fees for the labour and subcontracting services provided by CCCG Group to the Group thereunder for the year ending 31 December 2021 from RMB4,500 million to RMB6,500 million.

The Revised Annual Cap was determined with reference to the following factors: (i) the increasing demands of the Group for labour and subcontracting services from CCCG Group, which was determined based on the value of new contracts entered into (approximately RMB828 million in aggregate) and potential new contracts that might enter into (approximately RMB1,123 million in aggregate) between the Group and CCCG Group to be recognised for the year ending 31 December 2021; (ii) the current capacity of CCCG Group; and (iii) the prevailing market price for comparable types of services in the same industry.

Based on our discussion with the Management, we note that the Revised Annual Cap represents an increase of RMB2,000 million (the “**Increased Amount**”) from the existing annual cap, which was determined by, among others, (i) new project contracts entered into between the Group and CCCG Group; and (ii) new project contracts obtained by the Group with the assumption that CCCG Group will be awarded for up to 10% of the aggregate value of the aforesaid contracts, for providing labour and subcontracting services to the Group. Accordingly, we have obtained the list of the aforesaid new projects for the year ending 31 December 2021 (the “**Project List**”). Based on the Project List, we have obtained and reviewed, on a random sampling basis, a number of contracts of the projects in the Project List and we note the existence of the projects and the details of reviewed project contracts are the same as those in the Project List.

LETTER FROM SOMERLEY

Set out in the table below is the summary of the projects in the Project List for the year ending 31 December 2021.

**For the year ending
31 December 2021**
(RMB million)
(Approximately)

New project contracts in relation to labour and subcontracting services entered into between the Group and CCCG Group

(i)	Infrastructure construction projects	480
(ii)	Informationisation service projects	250
(iii)	Others – wastewater treatment projects	51
(iv)	Others – consultation and design projects	47

New project contracts in relation to labour and subcontracting services that may be entered into between the Group and CCCG Group

(v)	Wastewater treatment projects	555
(vi)	Wind energy projects	439
(vii)	Others – water resources related projects	106
(viii)	Others – environment protection projects	23

**The additional project contract amount
for the year ending 31 December 2021**

1,951

LETTER FROM SOMERLEY

To ascertain the fairness and reasonableness of the Revised Annual Cap, we have further discussed with the Management and reviewed the breakdown of the Project List as follows:

(i) *Infrastructure construction projects*

The total sum of labour and subcontracting services in relation to new infrastructure construction projects for the year ending 31 December 2021 amounts to approximately RMB480 million (accounting for approximately 24.0% of the Increased Amount). We note from the Project List that the projects mainly comprise (i) airport development; (ii) infrastructure developments such as construction of railway and highway; and (iii) public-private partnership investment projects. According to the Project List, the Group has 10 additional ongoing projects in this category and the average contract value amounts to approximately RMB48 million.

(ii) *Informationisation service projects*

The total sum of labour and subcontracting services in relation to new informationisation service projects for the year ending 31 December 2021 amounts to approximately RMB250 million (accounting for approximately 12.5% of the Increased Amount). We note from the Management that such projects mainly relate to the use and implementation of communication technologies on various infrastructure construction including, among others, software development, provision of maintenance service and software applications. According to the Project List, the Group has 4 additional ongoing projects in this category and the average contract value amounts to approximately RMB62.5 million.

(iii) *Wastewater treatment projects*

The scope of services under the Existing Mutual Project Contracting Framework Agreement was expanded in 2020 and in September 2020, Beijing OriginWater Technology Co., Ltd., which is principally engaged in environmental protection and water treatment business and a PRC listed company, became a subsidiary of China Urban and Rural Holding Group Co., Ltd. (“**China Urban and Rural**”), a wholly-owned subsidiary of CCCG. According to the Project List, the Group has 7 additional wastewater treatment projects. The estimated project contracting service fees to be recognised from the aforementioned projects for the year ending 31 December 2021 amount to approximately RMB555 million, which accounts for approximately 27.8% of the Increased Amount.

(iv) *Wind energy projects*

The total sum of labour and subcontracting services in relation to new wind energy projects for the year ending 31 December 2021 amounts to approximately RMB439 million (accounting for approximately 22.0% of the Increased Amount). We note from the Management that the projects mainly involve construction and provision of equipment for wind farms constructions. According to the Project List, the Group has 6 additional ongoing projects in this category and the average contract value amounts to approximately RMB73.2 million.

LETTER FROM SOMERLEY

As advised by the Management, the expected length of the aforesaid contracts usually ranges from one to three years and some of these contracts are in progress but have not yet been completed. The contract sums mentioned above refer to the expenses expected to be recognised by the Group for the year ending 31 December 2021. The portion of the expenses anticipated to be recognised by the Group in the future years has been excluded in the estimation of the Revised Annual Cap for the year ending 31 December 2021.

Overall, according to our review above, we understand that the Revised Annual Cap was determined based on the expenses of new project contracts entered into and potential new project contracts that may be entered into between the Group and CCCG Group expected to be recognised by the Group for the year ending 31 December 2021 and we are of the view that the Revised Annual Cap for the year ending 31 December 2021 is reasonable.

(b) The proposed annual caps for the project contracting service fees and the labour and subcontracting service fees under the Mutual Project Contracting Framework Agreement

Set out in the table below are the project contracting service fees and the labour and subcontracting service fees for the transactions under the Existing Mutual Project Contracting Framework Agreement for the two years ended 31 December 2020 and the six months ended 30 June 2021.

	Actual amount for		Actual amount
	the year ended 31 December		for the six
	2019	2020	months ended
	(RMB million)	(RMB million)	30 June
			2021
			(RMB million)
Project contracting services provided by the Group to CCCG Group	4,552	12,431	4,992
Labour and subcontracting services provided by CCCG Group to the Group	2,936	3,500	1,342

LETTER FROM SOMERLEY

Set out in the table below are the proposed annual caps for the transactions contemplated under the Mutual Project Contracting Framework Agreement for the three years ending 31 December 2024.

	Annual cap for the year ending 31 December		
	2022	2023	2024
	(RMB million)	(RMB million)	(RMB million)
Project contracting services to be provided by the Group to CCCG Group (the “ Project Contracting Caps ”)	33,155	34,554	34,656
Labour and subcontracting services to be provided by CCCG Group to the Group (the “ Labour and Subcontracting Caps ”)	8,628	8,232	6,210

(I) The Project Contracting Caps

As stated in the letter from the Board contained in the Circular, the Project Contracting Caps were determined by reference to the following factors: (i) CCCG Group’s development plan in real property projects, wastewater treatment projects and other construction projects and its need for project contracting services; (ii) the estimated project contracting service fees to be recognised from the existing projects and currently foreseeable potential projects, i.e. approximately RMB29,818 million, RMB30,358 million and RMB31,053 million for the year ending 31 December 2022, 2023 and 2024, respectively; (iii) the prevailing market price of service fees charged for project contracting services; (iv) the current construction capacity of the Group; and (v) a buffer of approximately 10% – 15% for unexpected increase of projects by CCCG Group in the future that requires the project contracting services from the Group.

Based on our discussion with the Management, we note that the Project Contracting Caps were also determined by, among others, new project contracts entered into and potentially to be entered into between the Group and CCCG Group. Accordingly, we have obtained the list of the aforesaid projects for the three years ending 31 December 2024 (the “**2022-2024 Project List**”). Based on the 2022-2024 Project List, we have obtained and reviewed, on a random sampling basis, a number of contracts of the projects in the 2022-2024 Project List and we note the existence of the projects and the details of reviewed project contracts are the same as those in the 2022-2024 Project List.

LETTER FROM SOMERLEY

Set out in the table below is the summary of the projects in the 2022-2024 Project List for the three years ending 31 December 2024 in relation to the Project Contracting Caps.

	For the year ending 31 December		
	2022	2023	2024
	(RMB million)	(RMB million)	(RMB million)
Real property construction projects	21,193	23,426	24,223
Wastewater treatment projects	3,785	3,867	4,579
Project contracting services to be provided to ZPMC	2,355	1,728	1,365
State development construction projects	1,846	758	139
Others	639	579	747
Total	<u>29,818</u>	<u>30,358</u>	<u>31,053</u>

To ascertain the fairness and reasonableness of the Project Contracting Caps, we have further discussed with the Management and reviewed the breakdown of the 2022-2024 Project List as follows:

(i) Real property construction projects

We note that the Group has 92 real property construction projects on the 2022-2024 Project List and the average contract value amounts to approximately RMB491 million. These projects are related to CCCG Real Estate Group Co., Ltd (“**CCCG Real Estate Group**”), a wholly-owned subsidiary of CCCG, and Greentown China Holdings Limited (stock code: 3900 HK), which was owned as to approximately 25% by CCCG as at the Latest Practicable Date. The Group had entered into contracts for 54 out of the 92 real property construction projects mentioned above with the rest of the projects pending results of the relevant project tendering. In addition, the amounts for real property construction projects shown in the table above represent the revenue expected to be recognised for providing project contracting services to CCCG Group for the three years ending 31 December 2024.

LETTER FROM SOMERLEY

(ii) Wastewater treatment projects

We note that the Group has 26 wastewater treatment projects on the 2022-2024 Project List and the average contract value amounts to approximately RMB483 million. The Group had entered into contracts for 7 out of the 26 wastewater treatment projects mentioned above with China Urban and Rural with the rest of the projects pending results of the relevant project tendering. In addition, the amounts for wastewater treatment projects shown in the table above represent the revenue expected to be recognised for providing project contracting services to China Urban and Rural for the three years ending 31 December 2024.

(iii) Project contracting services to be provided to ZPMC

We note that the Group has 32 projects on the 2022-2024 Project List and the average contract value amounts to approximately RMB305 million for providing project contracting services to ZPMC, a heavy-duty equipment manufacturer and a subsidiary of CCCG. The Group had entered into contracts for 22 out of the 32 projects mentioned above with the rest of the projects pending results of the relevant project tendering. In addition, the amounts for projects with ZPMC shown in the table above represent the revenue expected to be recognised for providing project contracting services to ZPMC for the three years ending 31 December 2024.

(iv) State development construction projects

As advised by the Management, CCCG Group plays an important role in state development, comprising various development projects such as infrastructure and national facilities, assigned by the PRC central government. Based on the 2022-2024 Project List, the Group has been engaged by CCCG Group for six state development construction projects. The amounts for state development construction projects shown in the table above represent the revenue expected to be generated for providing project contracting services to CCCG Group for the three years ending 31 December 2024.

Overall, according to our review above, we understand that the Project Contracting Caps were determined based on expected revenue from both the existing contracts entered into and potential contracts to be entered into between the Group and CCCG Group to be recognised by the Group for the three years ending 31 December 2024 and we are of the view that the Project Contracting Caps for the three years ending 31 December 2024 are reasonable.

LETTER FROM SOMERLEY

(II) *The Labour and Subcontracting Caps*

As stated in the letter from the Board contained in the Circular, the Labour and Subcontracting Caps were determined by reference to the following factors: (i) the Group's construction plan and its need for labour and subcontracting services for the years of 2022, 2023 and 2024; (ii) the estimated labour and subcontracting service fees to be recognised from the existing projects and currently foreseeable potential projects, i.e. approximately RMB8,386 million, RMB7,974 million and RMB6,078 million for the year ending 31 December 2022, 2023 and 2024, respectively; (iii) the prevailing market price for comparable types of services in the industry; (iv) the current capacity of CCCG Group; and (v) a slight buffer for unexpected additional demands for the labour and subcontracting services by the Group from CCCG Group.

Based on our discussion with the Management, we note that the Labour and Subcontracting Caps were also determined by, among others, new project contracts entered into and potentially to be entered into between the Group and CCCG Group. Accordingly, we have obtained the 2022-2024 Project List. Based on the 2022-2024 Project List, we have obtained and reviewed, on a random sampling basis, a number of contracts of the projects in the 2022-2024 Project List and we note the existence of the projects and the details of reviewed project contracts are the same as those in the 2022-2024 Project List.

Set out in the table below is the summary of the projects in the 2022-2024 Project List for the three years ending 31 December 2024 in relation to the Labour and Subcontracting Caps.

	For the year ending 31 December		
	2022	2023	2024
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Labour and subcontracting services to be provided by ZPMC	3,137	4,221	2,434
Infrastructure construction projects	3,216	1,955	1,586
Real property construction projects	925	923	1,224
Wastewater treatment projects	521	508	593
Others	587	367	241
	<hr/>	<hr/>	<hr/>
Total	<u>8,386</u>	<u>7,974</u>	<u>6,078</u>

LETTER FROM SOMERLEY

To ascertain the fairness and reasonableness of the Labour and Subcontracting Caps, we have further discussed with the Management and reviewed the breakdown of the 2022-2024 Project List as follows:

(i) Labour and subcontracting services to be provided by ZPMC

We note that the Group has 29 projects on the 2022-2024 Project List and the average contract value amounts to approximately RMB659 million for providing labour and subcontracting services by ZPMC. The Group had entered into contracts for 10 out of the 29 projects mentioned above with the rest of the projects pending results of the relevant project tendering. In addition, the amounts shown in the table above represent the expenses to be incurred by the Group for receiving labour and subcontracting services from ZPMC based on the expected project progress and expected demand for such services for the three years ending 31 December 2024.

(ii) Infrastructure construction projects

We note that the Group has 25 projects on the 2022-2024 Project List and the average contract value amounts to approximately RMB409 million. The Group had entered into contracts for 21 out of the 25 infrastructure construction projects mentioned above with the rest of the projects pending results of the relevant project tendering. In addition, the amounts for infrastructure construction projects shown in the table above represent the expenses to be incurred by the Group for receiving labour and subcontracting services from CCCG Group based on the expected project progress and expected demand for such services for the three years ending 31 December 2024.

(iii) Real property construction projects

We note that the Group has 21 real property construction projects with CCCG Real Estate Group on the 2022-2024 Project List and the average contract value amounts to approximately RMB3 million. The Group had entered into contracts for 10 out of the 21 real property projects mentioned above with the rest of the projects pending results of the relevant project tendering. In addition, the amounts for real property construction projects shown in the table above represent the expenses to be incurred by the Group for receiving labour and subcontracting services from CCCG Group based on the expected project progress and expected demand for such services for the three years ending 31 December 2024.

LETTER FROM SOMERLEY

(iv) Wastewater treatment projects

As mentioned above, the scope of services for wastewater treatment projects under the Mutual Project Contracting Framework Agreement was expanded in 2020. We note that the Group has 38 wastewater treatment projects with China Urban and Rural on the 2022-2024 Project List and the average contract value amounts to approximately RMB42 million. The Group had entered into contracts for 12 out of the 38 wastewater treatment projects mentioned above with the rest of the projects pending results of the relevant project tendering. In addition, the amounts for wastewater treatment projects shown in the table above represent the expenses to be incurred by the Group for receiving labour and subcontracting services from CCCG Group based on expected project progress and expected demand for such services for the three years ending 31 December 2024.

Overall, according to our review above, we understand that the Labour and Subcontracting Caps were determined based on expected expenses to be incurred by the Group for both the existing contracts entered into and potential contracts to be entered into between the Group and CCCG Group for the three years ending 31 December 2024 and we are of the view that the Labour and Subcontracting Caps for the three years ending 31 December 2024 are reasonable.

(c) *The proposed annual caps for the finance lease services and the commercial factoring services under the Finance Lease and Commercial Factoring Agreement*

Set out below are the amounts of the finance lease services and commercial factoring services provided by CCCC Leasing to CCCG Group for the two years ended 31 December 2020 and the six months ended 30 June 2021.

	Actual amount for the year ended 31 December		Actual amount for the six months ended
	2019	2020	30 June
	(RMB million)	(RMB million)	2021 (RMB million)
Finance lease services provided by CCCC Leasing to CCCG Group (Note 1)	524	1,410	1,304
Commercial factoring services provided by CCCC Leasing to CCCG Group (Note 2)	83	2,869	2,601

LETTER FROM SOMERLEY

Notes:

1. The aggregate amount of the finance lease services provided by CCCC Leasing to CCCG Group for each of the years ended 31 December 2019 and 2020 and the six months ended 30 June 2021 is the sum of the rental fees and other miscellaneous fees payable by CCCG Group to CCCC Leasing. Wherein, the rental fees are equal to the sum of the principal and the interest.
2. The aggregate amount of the commercial factoring services provided by CCCC Leasing to CCCG Group for each of the years ended 31 December 2019 and 2020 and the six months ended 30 June 2021 is the sum of the principal, the finance interest and other miscellaneous fees payable by CCCG Group to CCCC Leasing.

Set out in the table below are the proposed annual caps for the finance lease services and the commercial factoring services under the Finance Lease and Commercial Factoring Agreement for the three years ending 31 December 2024:

	Annual cap for the year ending 31 December		
	2022	2023	2024
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Finance lease services to be provided by CCCC Leasing to CCCG Group (<i>Note 1</i>)	5,200	6,300	6,900
Commercial factoring services to be provided by CCCC Leasing to CCCG Group (<i>Note 2</i>)	7,000	7,500	7,900

Notes:

1. The aggregate amount of the finance lease services to be provided by CCCC Leasing to CCCG Group for each of the years ending 31 December 2022, 2023 and 2024 is the sum of the rental fees and other miscellaneous fees payable by CCCG Group to CCCC Leasing. Wherein, the rental fees are equal to the sum of the principal and the interest.
2. The aggregate amount of the commercial factoring services to be provided by CCCC Leasing to CCCG Group for each of the years ending 31 December 2022, 2023 and 2024 is the sum of the principal, the finance interest and other miscellaneous fees payable by CCCG Group to CCCC Leasing.

As stated in the letter from the Board contained in the Circular, in estimating the proposed annual caps for the finance lease services to be provided by CCCC Leasing under the Finance Lease and Commercial Factoring Agreement, the Company has principally considered the following factors: (i) the value, nature and expected life of the leased assets; (ii) the development plan of CCCG Group and its demand for the finance lease services provided by CCCC Leasing; (iii) the capability and flexibility of CCCC Leasing in providing finance lease services to CCCG Group; (iv) the historical amount for the six months ended 30 June 2021; and (v) the growth rate of historical amounts. The aggregate amount for finance lease services for the year ended 31 December 2020 increased by approximately 169.08% as compared to that for the year ended 31 December 2019.

LETTER FROM SOMERLEY

In estimating the proposed annual caps for the commercial factoring services to be provided by CCCC Leasing under the Finance Lease and Commercial Factoring Agreement, the Company has principally considered the following factors: (i) the development plan of CCCG Group and its demand for the commercial factoring services provided by CCCC Leasing; (ii) the capability and flexibility of CCCC Leasing in providing commercial factoring services to CCCG Group; (iii) the historical amount for the six months ended 30 June 2021; and (iv) the growth rate of historical amounts. The aggregate amount for commercial factoring services for the year ended 31 December 2020 increased by approximately 3,356.63% as compared to that for the year ended 31 December 2019.

We have discussed with the Management and understand that the proposed annual caps for the finance lease services and commercial factoring services were provided by CCCG Group, which took into account CCCG Group's expected demand for the finance lease services and commercial factoring services based on its development plan for the coming three years and the significant historical growth rates for both services in the last two years. Based on the historical amounts for finance lease services provided by CCCC Leasing to CCCG Group for the years ended 31 December 2019 and 2020 and annualised amount for the six months ended 30 June 2021, the growth rates for the finance lease services provided by CCCC Leasing are approximately 169.1% and 85.0%, respectively. The historical amounts for commercial factoring services provided by CCCC Leasing to CCCG Group also recorded a significant growth of over 33 times for the year ended 31 December 2020 as compared to that for the year ended 31 December 2019. Based on the annualised amount for the six months ended 30 June 2021, the growth rate for commercial factoring services is approximately 81.3% as compared to that for the year ended 31 December 2020. The Management has also considered the capability and flexibility of CCCC Leasing in providing finance lease services and commercial factoring services to CCCG Group. As mentioned in the paragraph headed "(iii) The capability and flexibility of CCCC Leasing in providing finance lease services to the Group" in the sub-section headed "(d) The proposed annual caps for the finance lease services and commercial factoring services under the Finance Lease and Commercial Factoring Framework Agreement" below in this letter, we note that the total assets of CCCC Leasing as at 30 June 2021 was approximately RMB57,746.8 million and the unutilised facilities of CCCC Leasing as at 30 June 2021 were approximately RMB46,178.4 million. In this respect, CCCC Leasing is considered capable of providing finance lease services and commercial factoring services to CCCG Group on a scale of not less than the annual cap amounts.

LETTER FROM SOMERLEY

(d) The proposed annual caps for the finance lease services and commercial factoring services under the Finance Lease and Commercial Factoring Framework Agreement

Set out below are the amounts of the finance lease services and commercial factoring services provided by CCCC Leasing to the Group for the two years ended 31 December 2020 and the six months ended 30 June 2021.

	Actual amount for the year ended 31 December		Actual amount for the six months ended 30 June
	2019	2020	2021
	(RMB million)	(RMB million)	(RMB million)
Finance lease services provided by CCCC Leasing to the Group (Note 1)	6,188	3,072	2,741
Commercial factoring services provided by CCCC Leasing to the Group (Note 2)	13,369	8,464	3,080

Notes:

1. The aggregate amount of the finance lease services provided by CCCC Leasing to the Group for each of the years ended 31 December 2019 and 2020 and the six months ended 30 June 2021 is the sum of the rental fees and other miscellaneous fees payable by the Group to CCCC Leasing. Wherein, the rental fees are equal to the sum of the principal and the interest.
2. The aggregate amount of the commercial factoring services provided by CCCC Leasing to the Group for each of the years ended 31 December 2019 and 2020 and the six months ended 30 June 2021 is the sum of the principal, the finance interest and other miscellaneous fees payable by the Group to CCCC Leasing.

LETTER FROM SOMERLEY

Set out in the table below is the breakdown of the proposed annual caps for the finance lease services and the commercial factoring services under the Finance Lease and Commercial Factoring Framework Agreement for the three years ending 31 December 2024.

		Annual cap for the year ending 31 December		
		2022	2023	2024
		(RMB million)	(RMB million)	(RMB million)
Finance lease services to be provided by CCCC Leasing to the Group (“ Finance Lease Caps ”)	Direct leasing: right-of-use assets (for those leases of which the lease term exceeds one year) (<i>Note 1</i>)	2,500	2,800	3,200
	Direct leasing: other payments (including rent for those leases of which the lease term is no more than one year) (<i>Note 1</i>)	100	100	100
	Sale and leaseback (<i>Note 2</i>)	8,000	8,600	10,400
Commercial factoring services to be provided by CCCC Leasing to the Group (“ Commercial Factoring Caps ”) (<i>Note 3</i>)		7,400	8,800	10,600

Notes:

- As International Financial Reporting Standard 16 “Leases” has become effective on 1 January 2019, the Group as the lessee shall recognise leases for a term of more than one year as right-of-use assets and lease liabilities. The right-of-use assets represent its rights to use the underlying leased asset over the lease term and the lease liabilities represent its obligations to make lease payments (i.e. the rental payment). In accordance with the Hong Kong Listing Rules, in respect of the direct leasing under the Finance Lease and Commercial Factoring Framework Agreement, the Company is required to set annual caps on the total value of right-of-use assets relating to the leases for a term of more than one year, and other amounts payable by the Group as lessee (including rent for those leases for a term of no more than one year) will be recorded as expenses by the Company and separate annual caps are set in accordance with the Hong Kong Listing Rules.
- For the purpose of the Hong Kong Listing Rules, the sale and leaseback constitute “disposal” and therefore separate annual caps are set. The aggregate amount for the sale and leaseback is calculated based on the proposed contract value for the sale and leaseback, which is usually 70% to 100% of the value of the leased assets.
- The aggregate amount of the commercial factoring services to be provided by CCCC Leasing to the Group for each of the years ending 31 December 2022, 2023 and 2024 is the sum of the principal, the finance interest and other miscellaneous fees payable by the Group to CCCC Leasing.

LETTER FROM SOMERLEY

(I) *The Finance Lease Caps*

As stated in the letter from the Board contained in the Circular, the Finance Lease Caps were determined by reference to the following factors: (i) the value, nature and expected life of the leased assets; (ii) the development plan of the Group and its demand for the finance lease services provided by CCCC Leasing; (iii) the capability and flexibility of CCCC Leasing in providing finance lease services to the Group; (iv) the historical amounts for the year ended 31 December 2019 and the six months ended 30 June 2021. The transaction amounts for the year ended 31 December 2020 is noticeably lower than that in 2019, which was mainly caused by the change in the regulatory environment as the China Banking and Insurance Regulatory Commission (the “CBIRC”) issued the Notice of Measures for the Supervision and Administration of Financial Leasing Companies* (《融資租賃公司監督管理暫行辦法》(銀保監發[2020]22號)) (the “Notice”) in May 2020 which set requirements on customers concentration of the financial leasing companies and business proportion involving connected persons as a percentage of the net asset value of financial leasing companies. However, such requirements have been loosened since July 2021, and therefore the transaction amount in respect of the finance lease is expected to rebound to a higher level in the future.

Against the above background, we have reviewed the Finance Lease Caps by way of the followings to assess the fairness and reasonableness of the Finance Lease Caps:

- (i) Historical aggregate amount of finance lease services provided by CCCC Leasing to the Group

The amounts of finance lease services provided by CCCC Leasing to the Group for the year ended 31 December 2019 and 2020 and for the six months ended 30 June 2021 were approximately RMB6,188 million, RMB3,072 million and RMB2,741 million, respectively. The decreases in historical usage of finance lease services, particularly for the year ended 31 December 2020, were mainly due to the change in the regulatory environment as the CBIRC issued the Notice in May 2020, which set out the requirement on customers concentration of financial leasing companies and business proportion involving connected persons as a percentage of the net asset value of financial leasing companies. Therefore, usage of finance lease services was noticeably dropped from approximately RMB6,188 million for the year ended 31 December 2019 to approximately RMB3,072 million for the year ended 31 December 2020. Nevertheless, the Shanghai Financial Regulatory Commission* (上海市地方金融監督管理局) published the Notice of Temporary Measures for the Supervision and Administration of Shanghai Financial Leasing Companies* (《上海市融資租賃公司監督管理暫行辦法》(滬金規[2021]3號)) in July 2021, which loosened the requirement under the Notice on financial leasing companies operating in, among other sectors, the infrastructure sector. Accordingly, despite the lowered historical usage, the Management expected the amount of finance lease services to be provided by CCCC Leasing to the Group would increase due to the relaxed regulatory environment.

LETTER FROM SOMERLEY

- (ii) The development plan of the Group and its demand for the finance lease services to be provided by CCCC Leasing

On 29 July 2021, the Company announced the key operational data in the second quarter of 2021, which stated that the Group's value of new contracts for the first half of 2021 increased by 28.52% year-on-year, representing the achievement of 58% of the Group's annual goal (the estimate assumes 10% of growth on the basis of the value of new contracts in 2020 amounting to RMB1,066,799 million). Furthermore, the Management advised that there were many other infrastructure projects in the pipeline and these projects might also require finance lease services.

- (iii) The capability and flexibility of CCCC Leasing in providing finance lease services to the Group

According to the financial statements of CCCC Leasing, the total assets of CCCC Leasing as at 30 June 2021 were approximately RMB57,746.8 million, which mainly comprised receivables of approximately RMB55,327.4 million and cash and cash equivalents of approximately RMB1,799.5 million. Furthermore, as advised by the Management, CCCC Leasing had unutilised facilities as at 30 June 2021 of approximately RMB46,178.4 million. In this respect, CCCC Leasing is considered capable of providing finance lease services to the Group on a scale of not less than the annual cap amounts.

- (iv) The growth of new contracts and backlog of the Group

The future transaction amount of the finance lease services will be correlated to, among other things, the new contract value and the backlog of contract value of the Group, which indicate the potential demand for CCCC Leasing's services in the future. As shown in the 2020 Annual Report, the value of new contracts obtained by the Group for the year ended 31 December 2020 reached RMB1,066,800 million, representing a compound annual growth rate ("CAGR") of approximately 9.9% as compared with that for the year ended 31 December 2016 of approximately RMB730,802 million. The backlog of contract value as at 31 December 2020 was approximately RMB2,910,322 million, representing a CAGR of approximately 27.5% as compared with that as at 31 December 2016 of approximately RMB1,099,752 million.

Meanwhile, the total assets of CCCC Leasing as at 30 June 2021 were approximately RMB57,746.8 million, representing a CAGR of approximately 22.5% as compared with that of approximately RMB23,147.8 million as at 31 December 2016. The substantial increase in the total assets held by CCCC Leasing indicates the continuing development in finance lease and commercial factoring businesses of the Group.

LETTER FROM SOMERLEY

While the CAGR of the aggregate amount of the Finance Lease Caps for the period from 2022 to 2024 of approximately 13.7% is higher than the CAGR of value of new contracts of approximately 9.9%, it is lower than the CAGR of the backlog of contract value of the Group of approximately 27.5%. Also, the Finance Lease Caps include buffers for the unanticipated growth of contract value.

In view of the growths in value of new contracts and backlog of contract value of the Group in the past few years and the development plan of the Group as mentioned above, it is expected the demand for finance lease services by the Group may increase and hence the growths of the Finance Lease Caps during the three years ending 31 December 2024 are considered acceptable.

(II) The Commercial Factoring Caps

As stated in the letter from the Board contained in the Circular, the Commercial Factoring Caps were determined by reference to the following factors: (i) the development plan of the Group and its demand for the commercial factoring services provided by CCCC Leasing; (ii) the capability and flexibility of CCCC Leasing in providing commercial factoring services to the Group; and (iii) the historical amounts for the two financial years ended 31 December 2020 and the six months ended 30 June 2021.

Against the above background, we have reviewed the Commercial Factoring Caps by way of the followings to assess the fairness and reasonableness of the Commercial Factoring Caps:

- (i) Historical amounts of commercial factoring services provided by CCCC Leasing to the Group

The amounts of commercial factoring services provided by CCCC Leasing to the Group for the year ended 31 December 2019 and 2020 and for the six months ended 30 June 2021 were approximately RMB13,369 million, RMB8,464 million and RMB3,080 million, respectively. These amounts merely represented approximately 2.4%, 1.4% and 0.9% of the total revenue (being a close proxy of total trade and other receivables for the corresponding year or period) and approximately 2.8%, 1.6% and 1.0% of the total cost of sales (being a close proxy of total trade and other payables for the corresponding year or period) of the Group for the corresponding year or period. Accordingly, there were relatively low percentages of the amounts of trade and other receivables and trade and other payables “factored” and “reverse factored” to CCCC Leasing respectively during the aforesaid years or period.

LETTER FROM SOMERLEY

Based on our discussions with the Management, we understand that the Group will take into account several factors when deciding whether to factor its receivables and payables, which include, among others, the aging and the amounts of receivables/payables, the financing need of the subsidiary of the Group and the background of the debtors/creditors.

While the Commercial Factoring Caps were determined with reference to the historical usage, given the relatively low percentages of the amounts of trade and other receivables and trade and other payables “factored” and “reverse factored” to CCCC Leasing in the past, it is the intention of the Management to increase the proportion of trade and other receivables and trade and other payables to be “factored” or “reverse factored” to CCCC Leasing. Consequently, the amounts of “factoring” and “reverse factoring” are anticipated to increase for the three years ending 31 December 2024.

- (ii) The historical growths in revenue, cost of sales, revenue goal and backlog of the Group

Based on the 2020 Annual Report, the CAGRs of revenue and cost of sales of the Group for the past five financial years were approximately 11.3% and 11.5% respectively. As mentioned above, the Group’s goal of value of new contracts is 10% growth for the year ending 31 December 2021 and the Management expected the Group would be able to continue this growing trend. Moreover, as mentioned above, the value of contracts in backlog of the Group had also been growing in the last few financial years.

Given the growing trends of revenue and cost of sales in the past few years, the revenue goal for this year as well as the increasing backlog in the recent years of the Group, it is anticipated that there will be increases in the amounts of trade and other receivables and trade and other payables of the Group and hence the demand for the commercial factoring services.

- (iii) The capability and flexibility of CCCC Leasing in providing commercial factoring services to the Group

According to the financial statements of CCCC Leasing, the total assets of CCCC Leasing as at 30 June 2021 was approximately RMB57,746.8 million, which mainly comprised receivables of approximately RMB55,327.4 million and cash and cash equivalents of approximately RMB1,799.5 million. Furthermore, as advised by the Management, CCCC Leasing had unutilised facilities as at 30 June 2021 of approximately RMB46,178.4 million. In this respect, CCCC Leasing is considered capable of providing commercial factoring services to the Group on a scale of not less than the annual cap amounts.

LETTER FROM SOMERLEY

(iv) The growth of new contracts and backlog of the Group

Same as our discussions in the paragraph headed “(iv) The growth of new contracts and backlog of the Group” in the sub-section headed “(d) The proposed annual caps for the finance lease services and commercial factoring services under the Finance Lease and Commercial Factoring Framework Agreement” in this section, the value of new contracts obtained by the Group for the year ended 31 December 2020 reached RMB1,066,800 million, representing a CAGR of approximately 9.9% as compared with that for the year ended 31 December 2016 of approximately RMB730,802 million. The backlog of contract value as at 31 December 2020 was approximately RMB2,910,322 million, representing a CAGR of approximately 27.5% as compared with that as at 31 December 2016 of approximately RMB1,099,752 million. The future transaction amount of the commercial factoring services will be correlated to, among other things, the revenue and the receivables and the cost of sales and the payables of the Group, which are expected to be driven by, among other things, the new contract value and the backlog of contract value of the Group.

Meanwhile, the total assets of CCCC Leasing as at 30 June 2021 was approximately RMB57,746.8 million, representing a CAGR of approximately 22.5% as compared with that of approximately RMB23,147.8 million as at 31 December 2016. The substantial increase in the total assets held by CCCC Leasing indicates the continuing development in finance lease and commercial factoring businesses of the Group.

While the CAGR of the Commercial Factoring Caps for the period from 2022 to 2024 of approximately 19.7% is higher than the CAGR of value of new contracts of approximately 9.9%, it is lower than the CAGR of the backlog of contract value of the Group of approximately 27.5%. Also, the Commercial Factoring Caps include buffers for the unanticipated growth of contract value.

In view of the growths in value of new contracts and backlog of contract value of the Group in the past few years and the development plan of the Group as mentioned above, it is expected the demand for commercial factoring services by the Group may increase and hence the growths of the Commercial Factoring Caps during the three years ending 31 December 2024 are considered acceptable.

LETTER FROM SOMERLEY

- (e) *The proposed annual caps for the maximum daily balance (including the interests and handling charges accrued thereon) of credit services to be provided by CCCC Finance to CCCG Group under the Financial Services Agreement*

Set out below are the maximum daily balance (including the interests accrued thereon) of credit services provided by CCCC Finance to CCCG Group for the two years ended 31 December 2020 and the six months ended 30 June 2021:

	Actual amount for the year ended 31 December		Actual amount for the six months ended 30 June
	2019	2020	2021
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Maximum daily balance (including the interests accrued thereon) of credit services provided by CCCC Finance to CCCG Group (Note)	1,101	2,027	3,495

Note: The credit services provided by CCCC Finance to CCCG Group for each of the years ended 31 December 2019 and 2020 and the six months ended 30 June 2021 only include loan services.

LETTER FROM SOMERLEY

The proposed annual caps for the maximum daily balance (including the interests and handling charges accrued thereon) of credit services to be provided by CCCC Finance to CCCG Group, including (i) the loan services under the Financial Services – Deposit Services and Loan Services Framework Agreement; (ii) the guarantee letter services under the Financial Services – Guarantee Letter Services Framework Agreement; and (iii) bills issuance services and bonds subscription under the Financial Services – Other Credit Services Framework Agreement, for the three years ending 31 December 2024 are as follows:

		Annual cap for the year ending 31 December		
		2022	2023	2024
		(RMB million)	(RMB million)	(RMB million)
Maximum daily balance (including the interests and handling charges accrued thereon) of credit services to be provided by CCCC Finance to CCCG Group	Loan services under the Financial Services – Deposit Services and Loan Services Framework Agreement	14,539	29,078	43,617
	Guarantee letter services under the Financial Services – Guarantee Letter Services Framework Agreement	3,006	5,010	7,014
	Bills issuance services and bonds subscription under the Financial Services – Other Credit Services Framework Agreement	810	1,372	1,946

(i) *Loan services under the Financial Services – Deposit Services and Loan Services Framework Agreement*

As stated in the letter from the Board contained in this Circular, in estimating the maximum daily balance (including the interests accrued thereon) of loan services to be provided by CCCC Finance to CCCG Group under the Financial Services – Deposit Services and Loan Services Framework Agreement, the Company has principally considered the following factors: (i) the development plan of CCCG Group and its estimated financial needs for loan services; (ii) the estimated average daily balance of deposits of CCCG Group with CCCC Finance; (iii) the relevant guidelines and regulations of the PBOC, which requires that the daily balance of loans provided by CCCC Finance to CCCG Group (including the interests accrued thereon) shall not exceed 75% of the average daily balance of deposits of CCCG Group with CCCC Finance; and (iv) the credit scale of CCCC Finance.

LETTER FROM SOMERLEY

We have discussed with the Management and understand that the proposed annual caps for the maximum daily balance of the loan services were provided by CCCG, which took into account CCCG Group's expected demand for the loan services based on its development plan for the coming three years. As advised by the Management, the aggregate outstanding loan balance of CCCG Group (excluding the Group) from third parties was approximately RMB202,991.5 million as at 30 June 2021. We note that the proposed annual caps for the maximum daily balance of loan services for the years ending 31 December 2022, 2023 and 2024 are approximately 7.2%, 14.3% and 21.5% of CCCG Group's outstanding loan balance (excluding the Group) as at 30 June 2021 respectively.

(ii) *Guarantee letter services under the Financial Services – Guarantee Letter Services Framework Agreement*

As stated in the letter from the Board contained in the Circular, in estimating the maximum daily balance (including the handling charges accrued thereon) of guarantee letter services under the Financial Services – Guarantee Letter Services Framework Agreement, the Company has principally considered the following factors: (i) the development plan of CCCG Group and its estimated financial needs for guarantee letter services; (ii) the relevant guidelines and regulations of the PBOC; and (iii) the credit scale of CCCC Finance.

As advised by the Management, guarantee letter service is provided when a member of CCCG Group submits a tender or enters into an agreement for a construction project, which in general requires to pay a deposit or to provide a guarantee letter in the amount of not more than 10% of the construction project sum. We have discussed with the Management and understand that the proposed annual caps for the maximum daily balance of the guarantee letter services were provided by CCCG, which took into account CCCG Group's expected demand for the guarantee letter services based on its development plan for the coming three years. In determining the maximum daily balance of guarantee letter services, the Group also made reference to the historical new contract sum of CCCG Group (excluding the Group) for the year ended 31 December 2020 and six months ended 30 June 2021 of approximately RMB554,001 million and RMB390,569 million, respectively. The proposed annual caps for the maximum daily balance of guarantee letter services for the years ending 31 December 2022, 2023 and 2024 of RMB3,006.0 million, RMB5,010.0 million and RMB7,014.0 million, respectively, represent approximately 5.4% to 12.7% of the 10% of the abovementioned CCCG Group's new contract sum for the year ended 31 December 2020 and approximately 7.7% to 18.0% of the 10% of the abovementioned CCCG Group's new contract sum for the six months ended 30 June 2021.

LETTER FROM SOMERLEY

(iii) Bills issuance services and bonds subscription under the Financial Services – Other Credit Services Framework Agreement

In estimating the maximum daily balance (including the handling charges accrued thereon) of bills issuance services and bonds subscription under the Financial Services – Other Credit Services Framework Agreement, the Company has principally considered the following factors: (i) the development plan of CCCG Group and its estimated financial needs for bills issuance services with reference to the outstanding bills payable of CCCG Group as at 30 June 2021; and (ii) the bonds issued by CCCG Group and the proposed subscription by the Group.

Set out below is the breakdown of the proposed annual caps of the maximum daily balance of bills issuance services and bonds subscription for the three years ending 31 December 2024:

		Annual cap for the year ending 31 December		
		2022	2023	2024
		(RMB million)	(RMB million)	(RMB million)
Maximum daily balance (including handling charges accrued thereon) of credit services to be provided by CCCC Finance to CCCG Group	Bills issuance services	500	1,001	1,501
	Bonds subscription	310	371	445
Total		810	1,372	1,946

As advised by the Management, the proposed annual caps for the maximum daily balances of the bills issuance services and bonds subscription were provided by CCCG, which took into account CCCG Group's expected demand for such services based on its development plan for the coming three years. We have discussed with the Management in relation to the basis of determining the proposed annual caps of the maximum daily balance of bills issuance services and understand that the Group also made reference to the outstanding bills payable of CCCG Group (excluding the Group) as at 30 June 2021, which amounted to approximately RMB6,037.5 million. We note that the maximum daily balance of bills issuance services for the years ending 31 December 2022, 2023 and 2024 are approximately 8.3%, 16.6% and 24.9% of CCCG Group's outstanding bills payable (excluding the Group) as at 30 June 2021, respectively. The proposed annual caps are considered reasonable after taking into account the historical amount of the outstanding bills payable by CCCG Group.

LETTER FROM SOMERLEY

In assessing the proposed annual caps of the maximum daily balance of bonds subscription, we note from the Management that CCCG Group had issued 20 bonds and term notes in the total amount of approximately RMB20,284.5 million during the year ended 31 December 2020. The maximum daily balance of bonds subscription for the years ending 31 December 2022, 2023 and 2024 are approximately 1.5%, 1.8% and 2.2% of the aggregate amount of CCCG Group's bonds and term notes issued during the year ended 31 December 2020, respectively. The proposed annual caps are considered reasonable after taking into account the historical amount of bonds and term notes issued by CCCG Group.

OPINION AND RECOMMENDATION

Having considered the above principal factors and reasons, we consider that (i) the entering into the CCT Renewal Agreements are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the CCT Renewal Agreements (including the respective annual caps thereof) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions in relation to (i) the revision of annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement; and (ii) the Renewal of Certain Continuing Connected Transactions under the existing agreements at the EGM.

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

Mr. Danny Cheng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, who is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 15 years of experience in the corporate finance industry.

APPENDIX I PROPOSED AMENDMENTS TO THE CONNECTED TRANSACTIONS MANAGEMENT MEASURES

The details of the proposed amendments to the Connected Transactions Management Measures are as follows:

No.	Original Articles	Amended Articles
1.	Article 1 In order to regulate the connected transactions of China Communications Construction Company Limited (hereinafter referred to as the “Company”), protect the legitimate interests of the Company, Shareholders (especially minority Shareholders) and creditors, and ensure the fairness of the decision making of the Company relating to connected transactions, these Measures are formulated in accordance with laws, regulations and regulatory documents including the <u>Company Law of the People’s Republic of China</u> , the Securities Law of the People’s Republic of China, the Rules Governing the Listing of Securities on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Listing Rules of the Two Stock Exchanges”), and the relevant provisions of the Articles of Association of China Communications Construction Company Limited (hereinafter referred to as the “Articles of Association”).	Article 1 In order to regulate the connected transactions of China Communications Construction Company Limited (hereinafter referred to as the “Company”), protect the legitimate interests of the Company, Shareholders (especially minority Shareholders) and creditors, and ensure the fairness of the decision making of the Company relating to connected transactions, these Measures are formulated in accordance with laws, regulations and regulatory documents including the Securities Law of the People’s Republic of China, the Rules Governing the Listing of Securities on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Listing Rules of the Two Stock Exchanges”), and the relevant provisions of the Articles of Association of China Communications Construction Company Limited (hereinafter referred to as the “Articles of Association”).
2.	–	Article 3 These Measures apply to the management of connected transactions between the Company and its subsidiaries and their connected persons.
3.	Article 10 The pricing of connected transactions shall not deviate significantly from the fair standards of independent third parties in the market. For connected transactions where it is difficult to compare market prices or where pricing is limited, <u>standards for costs and profits shall be defined through contracts or agreements.</u>	Article 11 The pricing of connected transactions shall not deviate significantly from the fair standards of independent third parties in the market. For connected transactions where it is difficult to compare market prices or where pricing is limited, <u>pricing should be based on a reasonable component price, which should be a reasonable cost plus a reasonable profit, and the criteria for such cost and profit should be specified in a written agreement.</u>

APPENDIX I PROPOSED AMENDMENTS TO THE CONNECTED TRANSACTIONS MANAGEMENT MEASURES

No.	Original Articles	Amended Articles
4.	Article 12 Connected transactions <u>shall not be signed or implemented prior to relevant consideration and approval.</u>	Article 13 Connected transactions <u>should be entered into by signing a written agreement and implemented after relevant consideration and approval.</u>
5.	Article 15 One-off connected transactions mainly refer to connected transactions other than routine connected transactions, including but not limited to the transactions of purchasing or selling assets, creditor's rights or liabilities restructuring, joint investment with connected persons.	Article 16 One-off connected transactions mainly refer to connected transactions other than routine connected transactions, including but not limited to the transactions of purchasing or selling assets, <u>equity transfer</u> , creditor's rights or liabilities restructuring, joint investment with connected persons.
6.	<p>Article 16 According to the standard for calculating the cap of connected transaction amount based on the Listing Rules of the Two Stock Exchanges (see appendices for details), connected transactions are divided into general connected transactions and major connected transactions.</p> <p>General connected transactions shall be subject to review and approval by the Board of Directors and Board of Supervisors of the Company before implementation.</p> <p>Major connected transactions shall be submitted to the shareholders' general meeting for consideration and approval after the review of the Board of Directors and Board of Supervisors of the Company before implementation.</p>	<p>Article 17 According to the standard for calculating the cap of connected transaction amount based on the Listing Rules of the Two Stock Exchanges (see appendix 1 for details), connected transactions are divided into general connected transactions and major connected transactions.</p> <p>For general connected transactions, after consideration and approval by the Board of Directors and Board of Supervisors of the Company, <u>a written agreement shall be signed and the information disclosure procedures shall be complied with before implementation.</u></p> <p>For major connected transactions, after consideration and approval by the Board of Directors and Board of Supervisors of the Company, <u>a written agreement shall be signed and information disclosure procedures shall be complied with, and the transaction shall be submitted to the shareholders' general meeting for consideration and approval before implementation.</u></p>

APPENDIX I PROPOSED AMENDMENTS TO THE CONNECTED TRANSACTIONS MANAGEMENT MEASURES

No.	Original Articles	Amended Articles
7.	–	<p>Article 25 When calculating the cap of connected transaction amount based on the Listing Rules of the Two Stock Exchanges, the information disclosure procedures may be waived when the following conditions are all met. Such transactions shall be submitted to the president office meeting of the Company for review. After the approval, each responsible entity shall commence the connected transaction in strict accordance with the content of the approval and the resolution, and shall make timely reporting in the connected transaction management system in accordance with the requirements. In the event of non-compliance, the corresponding review procedures shall be carried out in accordance with Articles 17 to 24.</p> <p>(I) the amount of transactions between the Company and the connected legal person is less than RMB3 million or less than 0.5% of the absolute value of the Company's latest audited net assets;</p> <p>(II) any one of the four indicators does not reach 0.1% as measured by the percentage rate applicable to the nature of the connected transactions at the same time (please refer to appendix 1 for details);</p> <p>(III) for one-off connected transactions of the same category or entered into with the same connected person within twelve months, the total amount is calculated to fall short of the disclosure standard.</p>

APPENDIX I PROPOSED AMENDMENTS TO THE CONNECTED TRANSACTIONS MANAGEMENT MEASURES

No.	Original Articles	Amended Articles
8.	<p>Article 25 The Office of the Board of Directors of the Company shall be responsible for centralized management of connected transactions, and <u>the Office of the Board of Supervisors, the Finance and Treasury Department, the Strategic Development Department, the Legal Department, etc.</u> shall be responsible for associate management according to their responsibilities. The division of responsibilities of each department is as follows:</p> <p>(I) The Office of the Board of Directors shall be responsible for submitting connected transactions to the Board of Directors, organization and planning of the approval procedures for the Shareholders' general meeting and the disclosure of relevant information, mainly including:</p> <ol style="list-style-type: none"> 1. Keep contact with and communicate with securities regulators and stock exchanges, submit various notices on related connected transactions to the regulators, and arrange information disclosure of the connected transactions that are required to be disclosed, disclosure of exemption applications, etc; 2. According to the actual operation, make arrangement to compile and revise the routine connected transaction plan, and to conclude the routine connected transaction framework agreement after the review and approval of the Board of Directors or the Shareholders' general meeting of the Company; 	<p>Article 27 The Office of the Board of Directors (<u>Strategic Development Department</u>) of the Company shall be responsible for centralized management of connected transactions, and the Finance and Treasury Department, <u>the Legal and Risk Control Department, etc.</u> shall be responsible for associate management according to their responsibilities. The division of specific responsibilities is as follows:</p> <p>(I) The Office of the Board of Directors (<u>Strategic Development Department</u>) shall be responsible for <u>maintenance of the List of Connected Legal Persons</u>, organization and planning of the approval procedures for submitting connected transactions to the Board of Directors, <u>the Board of Supervisors</u> and the Shareholders' general meeting, and the disclosure of relevant information, mainly including:</p> <ol style="list-style-type: none"> 1. <u>organize the formulation of the Company's management system of connected transactions and the management shall be conducted at different levels according to the enterprise level;</u> 2. <u>identify, compile and issue the List of Major Connected Legal Persons on a regular basis for the purpose of the identification and confirmation of the transaction counterparties by the Company and its subsidiaries;</u>

APPENDIX I PROPOSED AMENDMENTS TO THE CONNECTED TRANSACTIONS MANAGEMENT MEASURES

No.	Original Articles	Amended Articles
	<p>3. <u>Identify and confirm one-off connected transactions before review</u> according to the actual operation;</p> <p>4. When the disclosed connected transactions have major changes, start the connected transaction progress announcement procedure according to the specific requirements of the Listing Rules of the Two Stock Exchanges;</p> <p>5. Organize training and propaganda on relevant laws and regulations of connected transactions;</p> <p>6. <u>Assist the Finance and Treasury Department in establishing the quarterly reporting system of connected transactions, monitor the existing connected transactions, and report to the Board of Directors and the Audit and Internal Control Committee in a timely manner as required;</u></p> <p>7. <u>Lead the responsible departments to formulate the reporting and management system of connected transactions of the Company, which shall be managed at different levels according to the enterprise level.</u></p> <p>(II) <u>The Office of the Board of Supervisors shall organize the Board of Supervisors to review matters related to connected transactions.</u></p>	<p>3. <u>organize the Board of Directors (including the Audit and Internal Control Committee), the Board of Supervisors and the Shareholders' general meeting to consider the connected transaction;</u></p> <p>4. <u>organize the independent directors and the Board of Supervisors to express their independent views on connected transactions in the annual report;</u></p> <p>5. Keep contact with and communicate with securities regulators and stock exchanges, submit various notices on related connected transactions to the regulators, and arrange information disclosure of the connected transactions that are required to be disclosed, disclosure of exemption applications, etc;</p> <p>6. According to the actual operation, make arrangement to compile and revise the routine connected transaction plan, and to conclude the routine connected transaction framework agreement after the review and approval of the Board of Directors or the Shareholders' general meeting of the Company;</p> <p>7. Conduct <u>pre-decision review</u> of one-off connected transactions according to the actual operation;</p>

APPENDIX I PROPOSED AMENDMENTS TO THE CONNECTED TRANSACTIONS MANAGEMENT MEASURES

No.	Original Articles	Amended Articles
	<p>(III) The Finance and Treasury Department of the Company shall be responsible for the accounting record, accounting, reporting and <u>statistic analysis</u> in relation to connected transactions and enhancing interim and ex post monitoring, mainly including: <u>designing specific forms, and to incorporate connected transactions in the quarterly financial reporting system of the Company. The Finance and Treasury Department shall compile statistics on the connected transactions on a quarterly basis.</u></p> <p>The Finance and Treasury Department shall assist and cooperate with the Office of the Board of Directors in establishing and formulating the reporting system of connected transactions of the Company. The Finance and Treasury Department shall provide the information required for the connected transaction report of the Company according to the relevant requirements of the connected transaction report connection system and the accounting records.</p> <p>(IV) The Strategic Development Department shall be responsible for <u>identifying, compiling and issuing the List of Major Connected Legal Persons on a regular basis to facilitate the identification and confirmation of the transaction counterparties by the Company and its subsidiaries.</u></p> <p>(V) The Legal Department shall be responsible for the identification of connected transactions for all types of contracts concluded in the name of the Company. When a transaction is considered as a potential connected transaction, legal opinions shall be put forward and feedback shall be made.</p>	<p>8. When the disclosed connected transactions have major changes, start the connected transaction progress announcement procedure according to the specific requirements of the Listing Rules of the Two Stock Exchanges;</p> <p>9. Organize training and propaganda on relevant laws and regulations of connected transactions;</p> <p>10. <u>organize the construction, training and reporting of the connected transaction management system, and rely on the system for online monitoring, analysis and early warning of connected transaction management information, and take timely countermeasures;</u></p> <p>11. <u>organize research, inspection and follow-up on the management of connected transactions.</u></p> <p>(II) The Finance and Treasury Department of the Company shall be responsible for the accounting record, accounting and reporting in relation to connected transactions and enhancing interim and ex-post monitoring, mainly including:</p> <p>1. <u>Direct the reporting standards for accounting information in the connected transaction system;</u></p> <p>2. <u>Assist the Office of the Board of Directors (Strategic Development Department) in the annual and semi-annual verification of the financial information;</u></p>

APPENDIX I PROPOSED AMENDMENTS TO THE CONNECTED TRANSACTIONS MANAGEMENT MEASURES

No.	Original Articles	Amended Articles
		<p>3. <u>Provide monthly information on the Company's headquarters in accordance with the template of the Office of the Board of Directors (Strategic Development Department).</u></p> <p>(III) The Legal and <u>Risk Control Department</u> shall be responsible for the identification of connected transactions for all types of contracts concluded in the name of the Company. When a transaction is considered as a potential connected transaction, legal opinions shall be put forward and feedback shall be made.</p> <p>(IV) <u>Each department and business unit of the Company shall, within the scope of their duties, organize the preparation of information, submission for decision and approval, execution and monitoring, regular self-examination and timely rectification of connected transactions, etc.</u></p>
8.	Article 26 <u>Each department concerned shall, according to the division of responsibilities, specify the routine management posts and personnel of connected transactions, and establish a smooth communication and cooperation mechanism among departments.</u>	Article 28 <u>Each department and business unit shall, according to the division of responsibilities, clearly identify their respective leaders and part-time connected transaction supervisors and report to the Office of the Board of Directors (Strategic Development Department) for record, and establish a smooth communication and cooperation mechanism among departments.</u>
9.	–	Article 29 <u>Each subsidiary of the Company shall organize the construction of a system for connected transactions within the scope of its responsibilities, and conduct works including identification, preparation for decision making and approval, execution and monitoring, regular self-examination and timely rectification in respect of connected transactions.,</u>

APPENDIX I PROPOSED AMENDMENTS TO THE CONNECTED TRANSACTIONS MANAGEMENT MEASURES

No.	Original Articles	Amended Articles
10.	Article 27 Each subsidiary shall specify that the responsible management department of connected transactions is the Office of the Board of Directors and other management posts, which shall be equipped with management personnel with strong sense of responsibility and coordination ability, high professional level and familiarity with the business operation of the Company, and report to the Office of the Board of Directors of the Company for filing.	Article 30 Each subsidiary of the Company shall identify the person in charge, the department in charge and the staff for connected transactions, and report to the Office of the Board of Directors (Strategic Development Department) of the Company for filing.
11.	Article 28 Each subsidiary shall report and perform the approval procedures in a timely manner before carrying out the contemplated connected transactions. The contents of the report shall include but not be limited to the subject, time, content, pricing, and decision-making review procedures of the transaction.	The article is deleted.
12.	Article 29 After the relevant approval procedures in respect of a connected transaction have been fulfilled, the Company and its subsidiaries shall enter into a written agreement (or contract) in respect of the connected transaction with the connected persons, in which the rights, obligations and legal responsibilities of all parties shall be explicitly set out. The contents of the agreement shall reflect the normal commercial terms and conditions and list the basis for calculating the payment amount.	Article 31 After the relevant approval procedures in respect of a connected transaction have been fulfilled, the Company and its subsidiaries shall enter into a written agreement (or contract) in respect of the connected transaction with the connected persons, in which the rights, obligations and legal responsibilities of all parties shall be explicitly set out. The contents of the agreement shall reflect the normal commercial terms and conditions and list the basis for calculating the payment amount. <u>The connected transaction will not be implemented until a written agreement has been signed.</u>

APPENDIX I PROPOSED AMENDMENTS TO THE CONNECTED TRANSACTIONS MANAGEMENT MEASURES

No.	Original Articles	Amended Articles
13.	<p>Article 30 <u>The routine connected transaction plan shall be compiled reasonably. When the business changes and the routine connected plan needs to be revised, it shall be reported timely to perform the review and approval procedures and can be implemented only after the review and approval.</u></p> <p>Article 31 <u>Once the conditions of connected transactions, especially conditions on prices and terms of payment and receipt, are finalized, the relevant parties of the transaction shall execute transactions in strict compliance with the approved conditions of the transactions. The management of the Company is not permitted to modify the conditions of such transactions on their own when executing the transactions. In the event that an agreement or a contract in respect of such connected transactions is required to be terminated or revised due to changes in production or operating conditions, parties to the agreement or contract shall enter into a supplemental agreement (or contract) to terminate or revise the original contract.</u></p>	<p>Article 32 <u>In the course of execution of the connected transaction, the connected transaction shall be carried out in strict accordance with the contents considered and the resolutions of the Board of Directors and the Shareholders' general meeting. If the subsequent arrangement is inconsistent with the contents considered and the resolutions, or if a new connected transaction arises or the terms of the transaction need to be changed as a result of a change in business, the decision making process shall be re-executed and a written agreement shall be signed and information disclosure shall be made before implementation.</u></p>
14.	<p>Article 32 <u>The Company and its subsidiaries shall fill in the quarterly financial report system of the Company in a timely and careful manner, and properly monitor and manage the connected transactions.</u></p>	<p>Article 33 <u>Each department, business unit and subsidiary of the Company shall fill in the connected transaction management system of the Company in a timely and careful manner, and properly monitor and manage the connected transactions.</u></p>
15.	–	<p>Article 37 <u>If any department, business unit or subsidiary violates the laws and regulations and the provisions of these Measures, or even causes losses to the Company or damages the Company's image and brand influence in the capital market, the Company will, depending on the severity of the act, impose sanctions such as interview, criticism, warning or notification, and reserves the right to pursue legal responsibility.</u></p>

APPENDIX I PROPOSED AMENDMENTS TO THE CONNECTED TRANSACTIONS MANAGEMENT MEASURES

No.	Original Articles	Amended Articles
16.	–	Article 40 <u>Unless otherwise stated, terms used in these Measures shall have the same meanings as in the Articles of Association of the Company.</u>
17.	Article 38 <u>Matters not covered in these Measures or contrary to relevant national laws and regulations shall be implemented in accordance with relevant national laws and regulations.</u>	Article 41 <u>Matters not covered in these Measures shall be carried out in accordance with the relevant provisions of national laws and regulations, the rules governing securities in the place of listing and the Articles of Association and other regulatory documents.</u>
18.	Article 39 <u>These Measures shall come into force after review and approval at the general meeting of the shareholders, and shall be interpreted and amended by the Board of Directors. The original Management Measures for A-share Connected Transactions (March 25, 2011) shall be abolished.</u>	<p>Article 42 <u>These Measures shall be interpreted by the Board of Directors.</u></p> <p>Article 43 <u>These Measures shall come into force after review and approval at the general meeting of the shareholders, and the Management Measures for Connected Transactions of China Communications Construction Company Limited (2018) shall be abolished.</u></p>

* *The Connected Transactions Management Measures and its proposed amendments are written in Chinese and do not have an official English version. Accordingly, any English translation is for reference only. In the event of any inconsistency, the Chinese version shall prevail.*

1. FINANCIAL INFORMATION OF THE GROUP

The unaudited consolidated financial statements of the Company for the six months ended 30 June 2021 and the audited consolidated financial statements of the Company for the three years ended 31 December 2020 together with the relevant notes to the financial statements of the Company can be found on pages 48 to 114 of the interim report of the Company for the six months ended 30 June 2020, pages 106 to 236 of the annual report of the Company for the year ended 31 December 2020, pages 121 to 247 of the annual report of the Company for the year ended 31 December 2019 and pages 101 to 228 of the annual report of the Company for the year ended 31 December 2018.

Please also see below the hyperlinks to the interim report for the six months ended 30 June 2021 and the annual reports for the three years ended 31 December 2020, respectively.

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0929/2021092901184.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0430/2021043001758.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042402160.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0430/ltn201904301249.pdf>

2. INDEBTEDNESS

The following table sets out the carrying amount of the Group's interest-bearing bank and other borrowings as at 31 August 2021, being the latest practicable date for the purpose of this indebtedness statement:

Interest-bearing bank and other borrowings

31 August 2021
RMB million

Non-current

Long-term bank borrowings

– secured	267,596
– guaranteed	19,809
– unsecured or unguaranteed	53,121

340,526

Long-term other borrowings

– secured	4,974
– guaranteed	1,417
– unsecured or unguaranteed	929

7,320

31 August 2021

RMB million

Corporate bonds – unsecured or unguaranteed (<i>note a</i>)	22,330
Non-public debt instruments – unsecured or unguaranteed (<i>note b</i>)	8,995
Lease liabilities – unsecured or unguaranteed	2,236

Total non-current borrowings	381,407
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Current

Current portion of long-term bank borrowings	
– secured	11,867
– guaranteed	3,335
– unsecured or unguaranteed	8,128
	23,330

Short-term bank borrowings	
– secured	8,760
– guaranteed	5,103
– unsecured or unguaranteed	59,380
	73,243

Current portion of long-term other borrowings	
– secured	382
– guaranteed	140
– unsecured or unguaranteed	11
	533

Short-term other borrowings	
– secured	605
– unsecured or unguaranteed	1
	606

Corporate bonds – unsecured or unguaranteed (<i>note a</i>)	1,044
Debentures – unsecured or unguaranteed (<i>note b</i>)	22,537
Non-public debt instruments – unsecured or unguaranteed (<i>note c</i>)	5,716
Lease liabilities – unsecured or unguaranteed	756

Total current borrowings	127,765
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Total borrowings	509,172
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- (a) As at 31 August 2021, the Group had authorised or otherwise created but unissued corporate bonds with an amount of RMB20,500 million, which were unsecured or unguaranteed.
- (b) As at 31 August 2021, the Group had authorised or otherwise created but unissued debentures with an amount of RMB16,500 million, which were unsecured or unguaranteed.
- (c) As at 31 August 2021, the Group had authorised or otherwise created but unissued non-public debt instruments with an amount of RMB9,000 million, which were unsecured or unguaranteed.

Contingent liabilities or guarantees

As at 31 August 2021, being the latest practicable date for the purpose of this indebtedness statement, the Group had contingent liabilities or guarantees in the ordinary course of business to the extent as follows:

	31 August 2021 <i>RMB million</i>
Pending lawsuits (<i>note a</i>)	2,461
Outstanding loan guarantees (<i>note b</i>)	3,179
	<hr/>
	5,640
	<hr/> <hr/>

- (a) The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. The Group had made provisions of RMB42 million for the probable losses on those claims when management can reasonably estimate the outcome of the lawsuits taking into account the legal advice. No provision has been made for the above pending lawsuits of RMB2,461 million, mainly related to disputes with customers and subcontractors, when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. The Group does not include any pending lawsuits in the above contingent liabilities disclosure if the claim amount is insignificant to the Group.
- (b) The Group has acted as the guarantor for several external borrowings made by certain joint ventures and associates of the Group. The above amount represents the maximum exposure to default risk under the financial guarantee.
- (c) Beijing North Huade Neoplan Bus., Ltd., a subsidiary of the Company, provides liquidity support to Changchun Public Transportation (Group) Co., Ltd. for sale-leaseback rent payable to Huaxia Financial Leasing Co., Ltd. As at 31 August 2021, the outstanding balance of rent payable by Changchun Public Transportation (Group) Co., Ltd. to Huaxia Financial Leasing Co., Ltd. was RMB150 million.
- (d) The companies in the Group which are engaged in the real estate business provide guarantees to banks for the mortgage loans of the property buyers. As at 31 August 2021, the outstanding balance of guarantees provided by the Group was approximately RMB4,077 million.
- (e) The Group has entered into certain agreements with certain financial institutions to set up asset-backed securities (ABS) and asset-backed notes (ABN) arrangements. As at 31 August 2021, certain of the ABS and ABN in issue with an aggregate amount of RMB17,397 million included the ABS and ABN of an aggregate amount of RMB16,355 million issued to preferential investors. Under the clauses of the agreements, the Group is subject to the obligations of liquidity supplementary payments to preferential investors when the cash available for distribution of the principal and return to preferential investors at the due date is not sufficient.

For the purpose of this indebtedness statement, foreign currency amounts have been translated to RMB at the approximate rates of exchange prevailing as of 31 August 2021.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities and guarantees outstanding at the close of business on 31 August 2021.

The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 31 August 2021 and up to the Latest Practicable Date.

3. WORKING CAPITAL

After taking into account the Group's internal resources and the available banking facilities, the Directors are of the opinion that the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances. The Company has obtained the relevant confirmation from its auditors as required under Rule 14.66(12) of the Hong Kong Listing Rules.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The value of new contracts of the Group reached RMB685,131 million in the first half of 2021, indicating 58% of the annual target has been realized and meeting expectations. The revenue amounted to RMB339,218 million, indicating 49% of annual target has been realized and meeting expectations.

In the second half of 2021, internally, the Company will actively promote national strategies including building a country with strong transportation network, building a strong maritime country and Beautiful China, strictly adhere to the goal of building new development landscape, further participate in the planning and construction of integrated modern transport system, the digitalisation of traditional transportation infrastructure, the construction of smart roads, modern maintenance, smart terminals and digital channels, the creation of integrated modern transport system that is leaded by intelligence, offers low carbon unblocked travelling, connects the land and the island, integrates maritime, land and air transport and can reach every corner of the world, help transportation to become a solid support to the coordinated development of China's modern industrial systems, an important bond to domestic and international economic cycles to boost each other and a cornerstone to the safety and stability of industrial chain and supply chain. Overseas, the Company will comprehensively upgrade the overseas development system, accelerate overseas reforms and adjustments, continue to promote the expansion of "Belt and Road" major infrastructures, take port construction and land reclamation as the breakthrough, focus on developing river basin and lake improvement, marine environment protection and water network; strengthen the development of urban businesses, focus on housing projects covered by Chinese government's foreign economic assistance; enhance the collaboration of domestic entities and overseas organisations, and conduct overseas investments in an orderly manner on the basis of scientific benefit assessment and prudent risk judgment.

5. FINANCIAL EFFECT OF THE MAJOR TRANSACTION ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

The major transaction, namely the credit services under the Financial Services Agreement, does not and the Group expects that it will not have any material impact on the earnings, net asset value and liabilities of the Group.

1. RESPONSIBILITY STATEMENT

This 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 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 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. Wang Tongzhou, the Director of the Company, concurrently acts as the chairman of the board of directors, the general manager and the secretary of the Party Committee of CCCG. Mr. Wang Haihuai, Mr. Liu Xiang and Mr. Liu Maoxun, the Directors of the Company, concurrently act as the directors 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 2020 (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 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 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 2020 (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 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 at the Latest Practicable Date, the Directors confirmed that there has been no material adverse change in the financial or trading position of the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, the Company is not engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance is pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The following contracts have been entered into by members of the Group (not being contract entered into in the ordinary course of business) within two years immediately preceding the date of this circular which are or may be material:

- (a) The capital increase agreement entered into among the Company, CCCC Tianjin Dredging Co., Ltd.* (中交天津航道局有限公司) (“**CCCC Tianjin Dredging**”), Chuwa Bussan Company Limited (中和物産株式會社) (“**Chuwa Bussan**”), Shanghai Zhenhua Heavy Industries Co., Ltd. (上海振華重工(集團)股份有限公司) (“**ZPMC**”) and CCCC Tianhe Machinery and Equipment Manufacturing Co., Ltd.* (中交天和機械設備製造有限公司) (“**CCCC Tianhe**”) on 4 June 2020, pursuant to which the Company agreed to make a capital increase of RMB1,000,000,000 in CCCC Tianhe in cash, of which RMB659,675,300 will be included in the registered capital and RMB340,324,700 will be included in the capital reserve.
- (b) The investment contract entered into between CFHCC City Investment Development (Tianjin) Co., Ltd.* (中交一航局城市投資發展(天津)有限公司) (“**CFHCC City Investment**”) and Tianjin CCCC Greentown Urban Construction and Development Company Limited* (天津中交綠城城市建設發展有限公司) (“**Tianjin CCCC Greentown**”) on 27 December 2019, pursuant to which Tianjin CCCC Greentown agreed to issue and CFHCC City Investment agreed to subscribe the perpetual capital securities in the principal amount of RMB670,486,362. All the perpetual capital securities were redeemed by Tianjin CCCC Greentown at the consideration of RMB670,486,362 on 2 July 2021 in accordance with the above-mentioned investment contract.

The investment contract entered into between CCCC Beijing-Tianjin-Hebei Investment and Development Co., Ltd.* (中交京津冀投資發展有限公司) (“**CCCC Beijing-Tianjin-Hebei Investment**”) and Tianjin CCCC Greentown, pursuant to which Tianjin CCCC Greentown agreed to issue and CCCC Beijing-Tianjin-Hebei Investment agreed to subscribe the perpetual capital securities in the principal amount of RMB343,839,160. All the perpetual capital securities were redeemed by Tianjin CCCC Greentown at the consideration of RMB343,839,160 on 2 July 2021 in accordance with the above-mentioned investment contract.

- (c) The agreement on investment and the agreement on capital contribution to CCCC First Highway Engineering Group Co., Ltd.* (中交一公局集團有限公司) (“**CFHEC**”) entered into among the Company, CCB Financial Asset Investment Company Limited (“**CCB Investment**”), BoCom Financial Asset Investment Co., Ltd. (“**BoCom Investment**”) and CFHEC on 31 October 2019, pursuant to which CCB Investment and BoCom Investment agreed to make capital contribution of RMB1.5 billion and RMB1.0 billion to CFHEC, respectively.

The agreement on investment and the agreement on capital contribution to CCCC Second Highway Engineering Co., Ltd.* (中交第二公路工程局有限公司) (“**CCCC Second Highway**”) entered into among the Company, ICBC Financial Asset Investment Co., Ltd. (“**ICBC Investment**”), BOC Financial Asset Investment Co., Ltd. (“**BOC Investment**”) and CCCC Second Highway on 31 October 2019, pursuant to which ICBC Investment and BOC Investment agreed to make capital contribution of RMB1.0 billion and RMB1.0 billion to CCCC Second Highway, respectively.

The agreement on investment and the agreement on capital contribution to CCCC Fourth Harbour Engineering Co., Ltd.* (中交第四航務工程局有限公司) (“**CCCC Fourth Harbour**”) entered into among the Company, ABC Financial Asset Investment Co., Ltd. (“**ABC Investment**”), BoCom Investment, ICBC Investment, CCB Investment and CCCC Fourth Harbour on 31 October 2019, pursuant to which ABC Investment, BoCom Investment, ICBC Investment and CCB Investment agreed to make capital contribution of RMB1.0 billion, RMB1.0 billion, RMB0.5 billion and RMB0.5 billion to CCCC Fourth Harbour, respectively.

10. MISCELLANEOUS

- (a) The English language text of this circular shall prevail over the Chinese language text in case of any inconsistency.
- (b) The company secretary of the Company is Mr. Zhou Changjian. Mr. Zhou joined the Company in 2000, and he is familiar with enterprise management, corporate governance, capital operation, information disclosure and investor relations management and has extensive operational and management experience and profound professional knowledge. He served as the officer of the former State Administration for Commodity Price and the State Planning Commission, the deputy director of the general office of China National Machine Tool Corporation, the deputy general manager of the enterprise planning department of China Harbour Engineering Company (Group) and the deputy general manager of the enterprise development department of CCCG. Mr. Zhou graduated from Renmin University of China with a bachelor’s degree in economics. He is a professorate senior economist. Mr. Zhou has been serving as the Board secretary of the Company since November 2017 and the company secretary of the Company since December 2017.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.ccccltd.cn>) up to and including the date which is 14 days from the date of this circular:

- (a) the Existing Mutual Project Contracting Framework Agreement and the Supplemental Agreement to the Existing Mutual Project Contracting Framework Agreement;
- (b) the Mutual Project Contracting Framework Agreement, the Finance Lease and Commercial Factoring Agreement, the Finance Lease and Commercial Factoring Framework Agreement, the Financial Services – Deposit Services and Loan Services Framework Agreement, the Financial Services – Guarantee Letter Services Framework Agreement, the Financial Services – Other Credit Services Framework Agreement, the Leasing Framework Agreement, and the Mutual Product Sales and Purchase Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (d) the letter from Somerley, the text of which is set out in this circular;
- (e) the material contracts as referred to in the paragraph headed “9. Material Contracts” in this appendix; and
- (f) the written consent as referred to in the paragraph headed “5. Consent and Qualification of Expert” in this appendix.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of China Communications Construction Company Limited (the “Company”) will be held at CCCC Building, 85 De Sheng Men Wai Street, Xicheng District, Beijing, the PRC at 2:00 p.m. on Thursday, 18 November 2021 to consider and, if thought fit, to pass the following resolutions (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 25 October 2021):

As Ordinary Resolutions

1. To consider and approve the resolution in relation to the revision of annual cap for the labour and subcontracting services under the Existing Mutual Project Contracting Framework Agreement;
2. To consider and approve the resolution in relation to the leasing of Leased Assets under the Leasing Framework Agreement and the proposed annual caps thereunder;
3. To consider and approve the resolution in relation to the provision of project contracting services by the Group to CCCG Group under the Mutual Project Contracting Framework Agreement and the proposed annual caps thereunder;
4. To consider and approve the resolution in relation to the provision of labour and subcontracting services by CCCG Group to the Group under the Mutual Project Contracting Framework Agreement and the proposed annual caps thereunder;
5. To consider and approve the resolution in relation to the sales of material products by the Group to CCCG Group under the Mutual Product Sales and Purchase Agreement and the proposed annual caps thereunder;
6. To consider and approve the resolution in relation to the purchase of engineering products by the Group to CCCG Group under the Mutual Product Sales and Purchase Agreement and the proposed annual caps thereunder;
7. To consider and approve the resolution in relation to the provision of loan services by CCCC Finance to CCCG Group under the Financial Services – Deposit Services and Loan Services Framework Agreement and the proposed annual caps thereunder;

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

8. To consider and approve the resolution in relation to the provision of guarantee letter services by CCCC Finance to CCCG Group under the Financial Services – Guarantee Letter Services Framework Agreement and the proposed annual caps thereunder;
9. To consider and approve the resolution in relation to the provision of bills issuance services by CCCC Finance to CCCG Group and the bond subscription by CCCC Finance from CCCG Group under the Financial Services – Guarantee Letter Services Framework Agreement and the proposed annual caps thereunder;
10. To consider and approve the resolution in relation to the provision of finance lease services by CCCC Leasing to CCCG Group under the Finance Lease and Commercial Factoring Agreement and the proposed annual caps thereunder;
11. To consider and approve the resolution in relation to the provision of commercial factoring services by CCCC Leasing to CCCG Group under the Finance Lease and Commercial Factoring Agreement and the proposed annual caps thereunder;
12. To consider and approve the resolution in relation to the provision of finance lease services by CCCC Leasing to the Group under the Finance Lease and Commercial Factoring Framework Agreement and the proposed annual caps thereunder;
13. To consider and approve the resolution in relation to the provision of commercial factoring services by CCCC Leasing to the Group under the Finance Lease and Commercial Factoring Framework Agreement and the proposed annual caps thereunder;
14. To consider and approve the resolution in relation to the proposed amendments to the Management Measures For Connected Transactions.

By order of the Board
China Communications Construction Company Limited
Zhou Changjiang
Company Secretary

Beijing, the PRC
25 October 2021

As at the date of this notice, the Directors are WANG Tongzhou, WANG Haihuai, LIU Xiang, LIU Maoxun, HUANG Long[#], ZHENG Changhong[#] and NGAI Wai Fung[#].

[#] *Independent non-executive Director*

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

1. CLOSURE OF REGISTER OF MEMBERS AND ELIGIBILITY FOR ATTENDING THE EGM

For purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 15 November 2021 to Thursday, 18 November 2021 (both days inclusive), during which time no share transfers will be registered. Instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Friday, 12 November 2021. Shareholders of the Company whose names appear on the register of members of the Company at the opening of business on Thursday, 18 November 2021 are entitled to attend the EGM.

2. PROXY

Every Shareholder who has the right to attend and vote at the EGM is entitled to appoint one or more proxies, whether or not they are members of the Company, to attend and vote on his behalf at the EGM.

A proxy shall be appointed by an instrument in writing. Such instrument shall be signed by the appointer or his attorney duly authorised in writing. If the appointer is a legal person, then the instrument shall be signed under a legal person's seal or signed by its director or an attorney duly authorised in writing. The instrument appointing the proxy shall be deposited at the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 24 hours before the time appointed for the holding of the EGM (i.e. before 2:00 p.m. on Wednesday, 17 November 2021). If the instrument appointing the proxy is signed by a person authorised by the appointer, the power of attorney or other document of authority under which the instrument is signed shall be notarised. The notarised power of attorney or other document of authority shall be deposited together and at the same time with the instrument appointing the proxy at the Company's H Share registrar. Return of a form of proxy will not preclude a Shareholder of the Company from attending in person and voting at the EGM if he so wishes.

If more than one proxy is appointed, such proxies shall only be entitled to vote by poll.

Shareholders or their proxies are required to produce their identification documents when attending the EGM.

3. OTHERS

The EGM is expected to last for around one hour. Shareholders and their proxies attending the meeting shall be responsible for their own travelling and accommodation expenses.

To safeguard the health and safety of Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

- (1) Compulsory temperature screening/checks
- (2) Checks on travel history and quarantine restrictions of attendees
- (3) Wearing of surgical face mask
- (4) No provision of refreshments or drinks

Attendees who do not comply with the precautionary measures above may be denied entry to the EGM venue, at the absolute discretion of the Company as permitted by law. Attendees must pay attention in advance and abide by the regulations and requirements of Beijing on health status declaration, quarantine and observation during the epidemic containment period. For the health, safety and convenience of the Shareholders, the Company would like to encourage the Shareholders to consider exercising their voting right at the EGM by appointing the chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.