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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)

**ANNOUNCEMENT
CONNECTED TRANSACTION
COMPLETION OF THE DISPOSAL OF EQUITY INTEREST IN CHINA
COMMUNICATIONS PROPERTY SERVICE**

Reference is made to the announcement of China Communications Construction Company Limited (the “**Company**”) dated 1 November 2024 (the “**Announcement**”) in relation to the disposal of equity interest in China Communications Property Service. Unless the context otherwise requires, the terms used herein shall have the same meanings as those defined in the Announcement.

As of the date of this announcement, CCCG Real Estate has paid the considerations of RMB167,987,616 and RMB104,992,260 to CFHEC and CCCC Investment pursuant to the Equity Transfer Agreement, and China Communications Property Service has completed the registration procedures for changes related to the equity transfer.

As disclosed in the Announcement, the considerations under the Equity Transfer Agreement were determined after arm’s length negotiations between the parties with reference to the appraised value of all shareholders’ equity of China Communications Property Service (i.e., RMB699.9484 million) as of 30 June 2024 (the “**Valuation Benchmark Date**”) as set out in the asset valuation report prepared by the Valuer, using the income approach. The Company would like to provide further information to Shareholders and potential investors in respect of the valuation.

Calculation formula under the income approach

Value of all shareholders' equity = Overall value of the enterprise – Value of interest-bearing debts

As at the Valuation Benchmark Date, China Communications Property Service has no interest-bearing debts.

Overall value of the enterprise = Value of operating assets + Value of non-operating assets – Value of non-operating liabilities + Value of surplus assets + Value of long-term equity

Where, the value of operating assets is determined based on the following formula:

$$P = \sum_{i=1}^n \frac{F_i}{(1+r)^i} + \frac{F_n \times (1+g)}{(r-g) \times (1+r)^n}$$

P: the value of operating assets of the enterprise as at the Valuation Benchmark Date; F_i : the expected free cash flow in year i ; F_n : the expected free cash flow at the end of the forecast period; r : the discount rate; n : forecast period; i : year i of the forecast period; g : terminal growth rate.

Non-operating assets and non-operating liabilities refer to assets and liabilities that are unrelated to the production and operation of China Communications Property Service, and are not involved in the free cash flows forecast of the enterprise after the Valuation Benchmark Date. As at the Valuation Benchmark Date, the value of non-operating assets of China Communications Property Service was the carrying amount of other receivables, other current assets and deferred income tax assets; the value of non-operating liabilities was the carrying amount of other payables, other current liabilities and long-term payables.

Surplus assets refer to assets that are surplus to the needs of the enterprise's production and operation as at the Valuation Benchmark Date, and are not involved in the free cash flows forecast of the enterprise after the Valuation Benchmark Date. As at the Valuation Benchmark Date, the value of surplus assets of China Communications Property Service was the carrying amount of cash and bank balances held by it.

Value of long-term equity is the appraised value corresponding to the shares of investee units acquired by China Communications Property Service through investment. As at the Valuation Benchmark Date, the long-term equity investments of China Communications Property Service included CCCC Real Estate Beijing Properties Co., Ltd.* (中交地產北京物業有限公司), CCCC City Operation Management Co., Ltd.* (中交城市運營管理有限公司), Chongqing CCCC Property Management Co., Ltd.* (重慶中交物業管理有限公司), China Communications Property Guangzhou Co., Ltd.* (中交物業廣州有限公司), CCCC Properties (Hainan) Co., Ltd.* (中交物業(海南)有限公司) and Chongqing Jinsong Property Services Co., Ltd.* (重慶錦頌物業服務有限公司). The appraised value of the long-term equity has increased as compared to its carrying amount, which is primarily due to that the carrying amount is measured at costs only. As of the Valuation Benchmark Date, the business operations of such subsidiaries were in good condition. Therefore, the appraised value also takes into account the historical profit levels and the expected future earnings of the aforementioned subsidiaries.

Forecast period

After a comprehensive analysis, the Valuer forecasts that China Communications Property Service will reach a steady state of operation in 2029, and therefore the forecast period ends at the end of 2029.

Earnings forecast for the forecast period

Operating revenue: The main revenue of China Communications Property Service is property service fee income. In view of the stable operation of the property management business, the Valuer predicts that the compound growth rates of the operating revenue of China Communications Property Service and its subsidiaries are between 2.63% and 4.73% on a reasonable and prudent basis, which is made reference to the information on the operation, contract amount, contract period, areas under management, type and collection rate of previous years for future revenue forecasts.

Operating costs: The operating costs of China Communications Property Service mainly include labour costs, travel and transportation costs, insurance costs and other costs. The Valuer predicts that the compound growth rates of the operating costs of China Communications Property Service and its subsidiaries are between 2.00% and 2.90% on a reasonable and prudent basis, after taking into account factors such as the planned number of employees, local wage growth levels, and the proportion of relevant costs to revenue in historical years.

Taxes and surcharges: The value-added tax (VAT) rates used by China Communications Property Service and branches include 9% and 6%, etc. The urban construction and maintenance tax, surtax on education fees, and surtax on local education fees are payable at the rate of 7%, 3%, and 2% of the VAT, respectively.

Other expenses: Other expenses include selling expenses, administrative expenses and research and development expenses, of which the major portion is employee compensation. The Valuer makes reference to factors such as the planned number of employees, local wage growth levels, and the proportion of relevant costs to revenue in historical years for the forecast of other expenses.

Income tax: The forecast is based on a corporate income tax of 25%.

Depreciation and amortization: Forecasts are made using the average life method with the current depreciation or amortization life and residual value rate of the enterprise.

Capital expenditures: Capital expenditures are measured in accordance with the enterprise's investment plan and the useful life and depreciation and amortization life of the assets.

Increase in working capital: Increase in working capital = working capital required in the current period – working capital required in the previous period.

Determination of discount rate

The weighted average cost of capital (WACC) shall be selected as the discount rate. The formula is as follows, and the discount rate under the valuation is forecasted at 11.32%.

$$WACC = K_e \times \frac{E}{D + E} + K_d \times (1-t) \times \frac{D}{D + E}$$

Where, K_e : the cost of equity capital, being 11.32%; K_d : the cost of interest-bearing debts capital, being 3.45%; $\frac{E}{D + E}$: the equity ratio, being 100%; $\frac{D}{D + E}$: the debts ratio, being 0; t: income tax rate, being 25%.

Where, the cost of equity capital (K_e) is calculated using the capital assets pricing model (CAPM) with the formula as follows:

$$K_e = r_f + \text{MRP} \times \beta_L + r_c$$

r_f : the risk-free rate of return, being 2.21%, which is determined by the yield to maturity of government bonds within 10 years from the Valuation Benchmark Date; MRP: the market risk premium, being 7.16%, which is the difference between the market rate of return on investment, being 9.37%, and the risk-free rate of return, being 2.21%; β_L is determined on the basis of the adjusted β_U value of comparable A-share listed companies with weighted financial leverage (which is 1.0630); r_c : the enterprise-specific risk adjustment factor, being 1.50%, which is determined after taking into account the scale of the business of China Communications Property Service, its historical operating performance, position in the industry, operating ability, competitiveness and internal control, etc.

By Order of the Board
China Communications Construction Company Limited
LIU Zhengchang **YU Jingjing**
Board Secretary *Company Secretary*

Beijing, the PRC
27 December 2024

As at the date of this announcement, the Directors of the Company are WANG Tongzhou, WANG Haihuai, LIU Xiang, LIU Hui[#], CHAN Wing Tak Kevin[#], WU Guangqi[#] and ZHOU Xiaowen[#].

[#] *Independent non-executive directors*

^{*} *For identification purpose only*