# 2024 Interim Results Presentation of China Communications Construction (601800.SH, 1800.HK)

Time: 3 September 2024 10: 00-11: 30

Location: Second Floor, China Communications Building

Attendees of the Company:

Executive Director, President: WANG Haihuai

Independent Non-Executive Director: LIU Hui

Deputy Chief Accountant: PENG Luqiang

Director of Overseas Business: TANG Qiaoliang

Executive Director and Chairman of CCCC Design: CUI Yuping

Company Secretary(Moderator): YU Jingjing

On-site Participating Organisations: more than 50 organisations including HSBC International, CICC, CITIC Securities and Huatai Securities.

## Part 1: 2024 Interim Results Report

### I. Results Highlights

In the first half of the year, the Company maintained a stable and improving operating performance in accordance with the overall work arrangements and deployments for the year of high-quality development. In the first half of the year, the revenue of the Company amounted to RMB356 billion, representing a slight year-on-year decrease of 2.6%. Gross profit amounted to RMB41.596 billion, representing a year-on-year increase of 4.2%. Operating profit amounted to

RMB20.527 billion, representing a year-on-year increase of 4.0%. According to Chinese Accounting Standards, the net profit amounted to RMB14.5 billion, basically the same as the previous year. According to the annual unlocking target of share incentive schemes, 48% of the target was completed. The net profit attributable to owners of the parent amounted to RMB12.022 billion, representing a slight year-on-year decrease of 3.1%. Earnings per share was RMB0.70.

In order to improve the predictability of dividends, the Company has formulated an interim dividend policy under the guideline of the “Nine New Guidelines” and in combination with the opinions of shareholders. In the process of formulation, we referred to the actual situation of the industry and the Company’s operations, as well as the specific performance of operating cash flow in the first half of the year, and planned to distribute 20% of the distributable profits as cash dividends, which will be implemented after being submitted to the general meeting for decision.

**II. Market Situation**

In the first half of the year, the Company continued to focus on its main responsibilities and businesses, fully promoted the Company’s internationalization and accelerated the development of new quality productive forces. In the first half of the year, the value of new contracts amounted to RMB960,867 million, representing a year-on-year increase of 8.4%. By business region, the value of new contracts in overseas regions amounted to RMB196,065 million, representing a year-on-year increase of 39%, and contributing 20% to the Company. By the business type, the value of contracts in investment business amounted to RMB60,820 million, representing a decrease of RMB46,800 million from the previous year. In accordance with the overall requirements for the development of new quality productive forces, the value of new contracts in emerging businesses amounted to RMB259,200 million, representing a year-on-year increase of 51% and mainly focusing on the development of energy conservation and environmental protection, new energy and new materials. In the first half of the year, the backlog amounted to RMB3,536,243 million, demonstrating ample order reserves.

**III. New Infrastructure Construction Contracts**

The value of new contracts in port construction amounted to RMB45,895 million, representing a year-on-year increase of 4.6%. Road and bridge construction was affected by the industry, with the value of new contracts amounting to RMB140,914 million, representing a year-on-year decrease of 31.6%. The value of new contracts in railway construction amounted to RMB12,749 million, representing a year-on-year decrease of 32.9%. The year-on-year decrease in the value of new contracts in road, bridge and railway projects was mainly due to the impact of changes in the domestic market. In the process of construction and development of large cities, the Company carried out market development in various fields such as municipal administration and housing construction, with the value of new contracts amounting to RMB472,429 million, representing a significant year-on-year increase of 21.8%.

**IV. New Contracts for Overseas Infrastructure Construction**

In the first half of the year, new overseas contracts increased by 39% year on year, and the business scale maintained the absolute advantage overseas among central enterprises. For new overseas contracts in infrastructure construction business, from the perspective of region: Africa contributed 31%, Asia excluding Hong Kong, Macao and Taiwan contributed 30%, Oceania contributed 20%, Europe, Latin America and Hong Kong, Macao and Taiwan contributed the rest. From the perspective of project type: highway and bridge construction contributed 25%, urban construction contributed 20%, port construction contributed 17%, urban rail transit and railway construction contributed 26%, and others contributed 12%.

**V. Revenue by Business Segment**

In the first half of the year, despite industry payment challenges, business operations remained generally stable. The infrastructure construction business contributed 85%, with revenue reaching RMB318,681 million, roughly in line with the same period last year. By geographical region, overseas business revenue contributed RMB69,459 million, which represented a year-on-year increase of 23.5% and contributed 20% to the Company, marking a significant improvement.

**VI. Performance by Business Segment**

In terms of operating performance by business segment, the infrastructure construction business remains the largest contributor. Although the scale of the infrastructure design business has decreased, its gross profit margin has significantly improved. However, due to factors such as management expenses and impairment provisions, the performance of the design business segment has declined by 21.8% year on year.

**VII. Operation Cost Structure**

Through an analysis of the cost structure, raw materials and consumables accounted for 26.6%, representing a year-on-year decrease of 0.9 percentage points. Subcontracting costs accounted for 49%, compared to 48.6% in the same period last year. As shown in the bar chart for cost-to-revenue ratios, the impact of raw materials accounted for 25.0%, and subcontracting costs accounted for 46.1%. Overall, in the first half of the year, the fluctuations in raw material prices had a positive effect on the

Company's profitability. At the same time, the Company strengthened the integration management of the procurement chain, subcontracting chain, and other chains. Additionally, the refinement of project management contributed to an improvement in profitability.

**VIII. Infrastructure Construction Business**

The value of new infrastructure construction contracts amounted to RMB863,378 million, representing a year-on-year increase of 9.4%. The backlog amounted to RMB3,013,780 million. Sales revenue amounted to RMB318,681 million, representing a slight year-on-year decrease of 2.8%. In the first half of the year, revenue growth in overseas regions was significant, while the decline in business segment revenue was mainly due to the impact of the domestic market. Gross profit amounted to RMB34,118 million, representing a year-on-year increase of 2.2%. The gross profit margin improved from 10.2% last year to 10.7%, mainly due to the refined project management resulting from the integration of three chains. Operating profit amounted to RMB17,138 million, with the operating profit margin rising from 5.0% in the same period last year to 5.4%, primarily benefiting from the improvement in gross profit margin and our control of expense ratios, especially the control in management expense ratio.

**IX. Infrastructure Design Business**

The value of new infrastructure design contracts amounted to RMB36,256 million, representing a year-on-year increase of 21.9%. Business growth was primarily driven by the increase in EPC project orders for ports, terminals, and inland waterways. The backlog amounted to RMB185,017 million. Revenue amounted to RMB17,342 million, representing a year-on-year decrease of 10.4%. Gross profit amounted to RMB3,230 million, with the gross profit margin increasing from 17.1% last year to 18.6%. The decline in revenue and the improvement in gross profit margin were mainly due to the impact of no longer engaging in EPC projects for highways and bridges. Since the gross profit margin of EPC projects is slightly lower than that of design projects, the exit from EPC projects led to a significant improvement in gross profit margin. Operating profit amounted to RMB1,300 million, with the operating profit margin slightly decreasing from 8.6% in the same period last year to 7.5%. While the improvement in gross profit margin had a positive impact, management expenses, financial contract losses, and other income imposed a negative impact year on year.

**X. Dredging**

The value of new dredging contracts amounted to RMB59,683 million, representing a year-on-year decrease of 4.1%. The backlog amounted to RMB306,302 million. Revenue reached RMB26,894 million, representing a slight year-on-year increase of 3.2%. Gross profit reached RMB3,177 million, with the gross profit margin rising from 10.2% in the same period last year to 11.8%. The slight increase in revenue, along with growth and improvement in gross profit and gross profit margin, was mainly due to more focus on core business development and the reduction of trade-related projects, which helped boost the gross profit margin. In terms of segment business, operating profit reached RMB1,773 million, with the operating profit margin increasing from 4.7% in the same period last year to 6.6%, primarily due to improvements in gross profit margin and tighter control over expense ratios, in particular, the control on management expenses, which amounted to RMB1,325 million, representing a year-on-year decrease of 11.7%.

**XI. Capital Expenditure**

In the first half of the year, capital expenditure amounted to RMB13,942 million, compared to RMB20,405 million in the same period last year. The decrease in capital expenditure was primarily due to the reduced investment in concession projects in terms of new and existing contracts of investment on the basis of maintaining and upgrading regular equipment. Specifically, capital expenditure on investment projects decreased from RMB12,306 million last year to RMB5,772 million this year, which was mainly due to the changes in the domestic investment environment and the Company's strategy to strengthen its investments.

**XII. Statement of Profit or Loss**

In the first half of the year, under the influence of the domestic market environment, operating revenue reached RMB356,010 million, completing 44% of the annual plan. Gross profit amounted to RMB41,596 million, with the gross profit margin improving to 11.7%. Operating profit reached RMB20,527 million, with the operating profit margin rising to 5.8%. The net profit attributable to owners of the parent amounted to RMB12,222 million, with the net profit margin remaining largely unchanged from the same period last year. The net profit attributable to owners of the parent slightly decreased, however, gross profit and operating profit saw year-on-year growth, primarily due to the impact of income taxes, in particular, higher income tax rates on certain overseas projects that contributed significantly to profits.

**XIII. Balance Sheet**

In the first half of the year, due to the impact of the domestic market, business scale did not experience significant growth, but contract assets and accounts receivable increased significantly. Under current assets, contract assets and trade and other receivables grew by 19.8% year on year. Under non-current assets, contract assets and trade and other receivables grew by 16.7% year on year. The increase in the above-mentioned assets has placed pressure on the Company’s assets and liabilities, and imposed negative impact on cash flow improvements.

**XIV. Cash Flow**

In the first half of the year, net cash outflow from operating activities increased to RMB74,161 million from RMB49,582 million in the same period last year. The change in cash flow from operating activities was primarily due to the impact of domestic industry policies. On one hand, the payment from customers slowed down, while on the other hand, suppliers and subcontractors became more demanding for payment collection, leading to more cash outflows from operating activities. Net cash outflow from investment activities amounted to RMB15,608 million, a significant decrease compared to RMB32,899 million in the same period last year, aligning with the trend of reduced capital expenditure. Net cash flow from financing activities amounted to RMB99,205 million, primarily to meet the operational and production needs of the Company.