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 2: Q&A

I. Online Questions

1. First of all, congratulations to the Company for withstanding the pressure and presenting a satisfactory performance despite the challenging environment. However, compared to the Company's full-year targets of a contract growth rate of no less than 13.5% and a revenue growth rate of no less than 8.2%, there is still a gap. Does the Company have the confidence in achieving these targets? If so, what is the main

source of growth in the second half of the year?

In the first half of the year, amidst a macroeconomic situation characterized by a downturn in the real estate market, local government debt pressures, a slowdown in industry growth, and intensified market competition, the Company's development largely adhered to the scheduled progress. The value of new contracts increased by 8.4%, and the business structure was well-optimized. In particular, overseas business grew by 39%, accounting for 20% of the Company's new contracts, with relatively good results in the performance and cash flow of overseas business. Additionally, we made significant efforts to optimize business in major cities, with municipal engineering projects in particular growing by 53% and housing construction by 49%, both experiencing rapid growth. The Company also made new progress in developing new quality productive forces. In emerging business areas, the value of new contracts reached RMB295.2 billion, a year-on-year increase of 51%. Among them, energy conservation and environmental protection accounted for 45%, new energy for 19%, new materials for 8%, and others for 28%. Therefore, the 8.4% growth in the value of new contracts not only represents substantial growth but also indicates satisfactory optimization of the business structure, demonstrating the effectiveness of the Company's upgrade and transformation efforts. The strong development of new growth drivers is beneficial for the Company's high-quality and sustainable development.

Revenue reached 44% of the annual plan, which is also generally in line with the scheduled progress. The slight decline in revenue is primarily due to the Company's shift in business operation strategy, placing greater emphasis on balancing key indicators such as revenue, profit, and cash flow. We focused on projects that offer good and timely payments, and slowed down the progress of the projects with delayed or risky payments. Therefore, under the current business strategy, our progress is largely in line with expectations. We have to mention that the Company's performance base was relatively high at the end of last year, so achieving a relatively high growth rate in the first half of the year under current market conditions is indeed challenging. This growth was mainly driven by overseas business, whose revenue increased by 23% year on year and which contributed 20% to the Company from 15% before. The proportion of overseas business continued to expand.

According to Chinese Accounting Standards, given that net profit in the first half of the year reached 48% of the annual target, the scheduled progress is met.

In the second half of the year, the state ministries and committees will hold a series of meetings, including the sixth meeting of the Central Commission of Comprehensively Deepening Reform, to introduce a series of policy measures related to deepening fiscal and tax system reforms, stabilizing market expectations, and resolving local government debt, including the implementation of large-scale equipment renewal policies. We expect the scale of effective fixed asset investment to continue expanding in the second half of the year, and the economy is likely to shift towards faster growth, improved structure, and better quality and efficiency. Against this backdrop, the Company will leverage its advantages, and make every effort in its service capabilities in modern integrated transportation and the full industrial chain of urban development, as well as international and domestic dual cycle, including the building of a modern industrial system and new infrastructure. We are confident in striving to achieve the Company's full-year targets, with several key areas as followed.

1. Promoting High-Quality Marketing. High-quality orders ensure the Company's sustainable and high-quality development. We will continue to seek growth in urban infrastructure and achieve better growth in areas such as water conservancy and environmental protection. Additionally, we are fully committed to expanding the overseas market. The Forum on China-Africa Cooperation is currently being held, and today the Company has several foreign affairs activities. Africa is also a region where CCCC has seen significant growth in its overseas business. Moreover, this year the Company has initiated a series of major measures to deepen its reforms, turning itself into an international Company. These initiatives are being accelerated. Moving forward, we will strengthen our country-specific shared organizations to achieve high-quality development that is cost-effective, coordinated, and compliant.

2. Further Advancing High-Quality Investment. This year, we have further reduced the scale of investments, implemented total control and selected premium projects both domestically and internationally based our core business. As you can see, our capital expenditures for investment in the first half of the year significantly decreased, down 32% year on year, which will benefit the balance of the Company's cash flow. We have developed a series of measures for high-quality investments, such as the separation of investment assessment and review processes, the separation of engineering and investment, and the requirement of "investing smartly and disposing effectively", including asset securitization, equity transfers, and strategic exits. We are strictly advancing these measures in accordance with the comprehensive budget established at the beginning of the year, and in the second half of the year, we will continue to accelerate our efforts in this regard.

3. Consolidating Asset and Enhancing Asset Quality. We will further promote business deleveraging and speed up settlements and cash flow recovery, and manage receivables and payables together. In the first half of the year, cash outflow increased by RMB20 billion compared to the same period last year, primarily due to the Company's fulfilment of its corporate responsibilities. The construction industry generally faces pressure on receivables, but the Company had to make some compulsory payments. This is also a pressure faced by other companies in the industry. The Company will conduct comprehensive budget management in terms of managing business strategies, solidifying assets, managing receivables and payables together and reducing leverage to strengthen cash flow management, ensuring a balanced cash flow.

Overall, the management team is confident in making every effort to achieve this year's budget targets, and even aims for better results. Challenges and opportunities coexist, and we believe there will be more opportunities in the second half of the year.

II. Telephone and On-site Q&A Session

1. In which areas will the Company focus its efforts in the second half of the year to ensure the achievement of the 2024 revenue growth target?

WANG Haihuai: The backlog of the Company currently amounting to RMB3,536.2 billion. In terms of maintaining the fundamentals, the Company adheres to a business strategy of basically balancing revenue, profit, and cash flow. The key areas for revenue growth in the second half of the year include: **Firstly**, as overseas projects generally offer better cash flow payments and profit margins, the Company will increase the number of large new projects in overseas markets. **Secondly**, the Company will further tap into infrastructure market opportunities in traditional ports, roads and bridges within the "big transportation" sector. **Thirdly**, in the "big cities" business, the Company will strive to increase entry points while maintaining cash flow balance. Additionally, the debt resolution policies in 12 provinces and municipalities have had certain impacts on the Company's business, but with the clarity of the national bond issuance policy, the impact of debt resolution is expected to diminish in the second half of the year. We believe that the Company's revenue will improve in the second half of the year.

2. Is the Company confident that its cash flow will reach an ideal condition to support an increase in the dividend payout ratio when the pressure on local finances has not yet been alleviated?

PENG Luqiang: In terms of cash flow, the overall cash outflow in the first half of the year was indeed larger as compared to last year, with net cash outflow from operating activities increasing by approximately RMB25 billion as compared to the same period last year. However, this is indeed a situation prevailing in central construction enterprises. Since the beginning of this year, the Company has intensified its internal cash flow management, increased the rate of fund collection, and improved the efficiency of internal fund management and utilization through internal penetrating management, using treasury operations and six financial shared service centers. Additionally, we can see that the provision for impairment in the first half of the year decreased as compared to last year, which can be explained by the following: **Firstly**, by leveraging the opportunity of local government debt resolution, we have achieved very good results in the collection of some accounts receivable. **Secondly**, with the national issuance plan of trillion treasury bonds, as of now, the recovery of accounts receivable is expected to improve in the second half of the year as compared to the first half. Therefore, we are confident that cash flow will be gradually improved by the end of the year.

3. What is the main reason for the lower gross profit margin of the Company's overseas business as compared to domestic business? Can the gross profit margin of overseas operations be improved in the future?

TANG Qiaoliang: The gross profit margin of the Company's overseas projects varies by region. Generally, the gross profit margin of the Company's overseas projects in 2023 was approximately 11% in accordance with Chinese accounting standard, with Africa having the highest gross profit margin and accounting for approximately 31% of the Company's overseas revenue, followed by Latin America, South America, and Europe. Comparing overseas and domestic contracting projects, the overall gross profit margin of the Company's overseas business is slightly higher than that of domestic ones.

4. What is the Company's outlook on financial expenses for the full year?

PENG Luqiang: As things stand, financial expenses should be said to be gradually improving. Firstly, the Company's interest income in the first half of the year was lower than last year, primarily due to some overdue interest income recorded last year; secondly, since the beginning of the year, the Company has strengthened its fund management and control, and has fully mobilized both domestic and international funds through its treasury operations, thus improving the efficiency of fund utilization; thirdly, the Company implemented strict management and control policies for interest-bearing liabilities at the beginning of the year to strengthen its management. Therefore, from the current situation, the Company's financial expenses are generally under control, and we aim to keep them from exceeding the level of the same period last year.

5. The Company's concession investment projects have seen an increase in losses this year. What is the reason, and what are the future plans for managing such existing projects? When can they achieve breakeven?

WANG Haihuai: The concession projects primarily involve expressway operations. Currently, the operating loss of these projects has improved compared to the past two years. Traffic volumes and toll revenues have increased, mainly due to the end of the COVID-19 and the subsequent economic recovery. This recovery has led to a rebound in highway traffic flow, toll collections, and consumption in service areas. However, the national macro policy, the current implementation of transferring transport volume from the road to the railway and waterway to reduce logistics costs, and some toll-free policies for expressway, has had a certain impact on toll collections, which is reflected in the changes in traffic flow structure, that is, a decrease in the proportion of truck tolls in the toll structure. As for when to make profits, the timing is related to the degree of economic recovery. In the absence of major adjustments to national tolling policies, the profitability of expressways will continue to improve as the economy recovers.

YU Jingjing: Here to make a supplement. According to the interim report, losses on concession projects of the Company in the first half of the year were approximately RMB1 billion, representing a relative increase as compared to last year, mainly due to the impact of Phnom Penh-Sihanohkville Expressway in Cambodian. The project that was under construction last year has been put into operation in the first half of the year, with depreciation and amortization having a greater impact on the financial indicators. As we may have noticed, the operation of the project is going well when we did overseas reverse roadshow some time ago.

6. Last year, the Company's increase of shareholding in H shares was not as expected, what specific plans the Company has for increasing shareholding in H shares in the future?

PENG Luqiang: Since 2022, when the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) launched the special work to improve the quality of listed companies held by central enterprises, CCCC Group, the controlling parent company of CCCC, has coordinated all listed companies under its control to formulate specific work plans and accounts in the areas of specialised restructuring, capital operation, and equity incentives, etc. This year, CCCC also released the 2024 action plan of "Improving Quality, Increasing Efficiency and Enhancing Returns", which has made a directional plan on the formulation of dividend schemes, integration of design business, optimisation of assets, evaluation of information disclosure, etc., to guide the return of our value to a reasonable range, ultimately improving the quality of listed companies. As for the plan to increase shareholding in H shares, we will consider it at an opportune time according to the Company's market development and capital utilisation plan. Please keep an eye on our announcements for specific plan as and when it becomes available.

7. When will the Company's 2024 interim dividend ex-rights be paid?

YU Jingjing: The Company issued the announcement of 2024 interim dividend plan on August 30, which is the first time for the Company to carry out interim dividend since its listing, and it will be implemented in accordance with the decision-making procedure to be submitted to the extraordinary general meeting of shareholders (EGM) for consideration and approval, and the corresponding stock registration date and ex-rights date will be determined at that time. Currently, the specific date of the EGM and the ex-rights date can be concerned about our subsequent announcements.

8. Which regions and projects of the Company had relatively more pressure on repayment in the first half of the year?

PENG Luqiang: Since last year, the State has formulated some relevant policies in 12 key provinces and municipalities for debt resolution. Despite the issuance of trillion treasury bonds, at present, from the point of view of our actual work process, the 12 key provinces and municipalities for debt resolution are still under pressure to make repayments. Since the beginning of this year, we have started to adopt a point-to-point collection method of "one policy for one enterprise" and "one policy for one project" for accounts receivable in these key regions, key projects and significant amounts. It should be said that better results have been achieved, and this year, some long aging amounts have been recognised to be recovered.

9. There was some increase in the Company's asset-liability ratio in the first half of the year, what are the Company's requirements for managing the asset-liability ratio throughout the year?

PENG Luqiang: In the first half of the year, the Company's asset-liability ratio was 74.8%, slightly higher than the 72.7% at the end of last year, but an improvement over the same period last year. From the current control situation, 74.8% is in line with the current situation of the Company's operations. Firstly, as the president answered to you, the policy stipulates that our payment to subcontractors must be rigid, which has a greater impact on our cash flow. Secondly, the 12 provinces and municipalities for debt resolution have a greater impact on the Company's contract assets. On the one hand, the compression of the investment plan has affected the construction schedule, and on the other hand, the tight capital in the aforementioned provinces and municipalities for debt resolution has led to a lower rate of return and a longer return cycle for the Company, and all of these have had a certain impact on the asset-liability ratio in the first half of the year. But in general, based on historical patterns, it's hopeful that the asset-liability ratio this year is able to be controlled or maintained at the level of the same period last year.

10. In recent years, the Company has seen more growth in the development of urban complex configuration projects, and has made a very big brand name in the market. Does the Company have any linkage with its affiliated units within the Group in terms of residential development? How exactly do they link and cooperate?

WANG Haihuai: The development of urban complex projects is involved in CCCC Urban Investment and CCCC Investment under CCCC. Our current business strategy: **on the one hand**, we focus on key first- and second-tier cities and key regions, such as Shanghai, Guangzhou, Shenzhen, Hangzhou, Ningbo, etc., and the projects of renovation of old communities and comprehensive development of urban hubs in these regions are mainly based on infrastructure. In this way, CCCC's capabilities in planning and design, overall operation, and overall linkage of industry chain, rather than market competition type of real estate projects have been brought into play. **On the other hand,** in addition to participating in market-based competition to improve qualification, performance, market share and market mechanism, we have developed a platform company for comprehensive development, and when it comes to residential and high-rise building business, it will be implemented by the Engineering Bureau through market-based bidding. The

Engineering Bureau can also give full play to its regional advantages to incentivise some comprehensive development projects, make a small amount of equity participation, and link up with our investment platforms that invest in urban-type comprehensive development, so as to combine the industrial chain in order to obtain more and better projects.

11. Recently, at the Forum on China-Africa Cooperation, it was mentioned that the Company's business in Africa now accounts for over 30%. Could you provide an overview of payment methods in Africa and the currencies used for settlements? Some regions may have with funding constraints, will the Company consider adopting resource exchange as a payment method?

TANG Qiangliang: Africa is a region where the Company has made significant investments. Over the years, CCCC has fully utilized its network strengths, resource coordination, and synergy advantages in Africa. The recent China-Africa Forum, with high-level meetings involving 15 party and state leaders over four days, reflects our achievements in Africa. Specifically at the business level, especially when it comes to project payment, CCCC has obvious advantages. To give a brief overview of the annual payment situation: compared to the previous year, the Company's operating cash ratio improved by 1.27%. The accounts receivable turnover increased by 0.5%, and the reduction in receivables and inventories was 1%. The operating income profit margin rose by 1.23%. Last year was the first full year after the pandemic, and the payment and settlement for engineering projects in the first half of the year was even better than last year, with expected growth surpassing last year's figures. This is the overall situation.

There are many countries in Africa, and consequently, many types of currencies involved. However, CCCC has several advantages. **Firstly,** the Company has a high degree of localization in its operations. Generally speaking, the degree of localized operation in Africa is as high as around 80%, so a significant portion of payment in local currencies is basically used for the allocation of local social resources. **Secondly,** the Company emphasizes its business portfolio. Our government framework projects in Africa account for about 25%, and in terms of currency payments, the Company is at the leading level among central enterprises. **Finally,** the Company actively expands its resource allocation capabilities. Last year, we became the first central enterprise to conduct business involving local currency for resource allocation and procurement. We have resource import operations with countries such as Mozambique and Uganda. Through these various measures, we will maintain a relatively high level of performance in African business area, assuring the capital market of our continued strength in this field.

12. In the current macro-environment, it is quite an achievement for the Company to have improved its gross margin in the first half of the year. From the project perspective, projects with good cash returns and high profit margins are highly competitive. Will this affect the profitability of the projects that the Company secured in the future?

WANG Haihuai: Market competition has been intensifying, and the construction industry is particularly competitive. Maintaining market competitiveness and sustaining the Company's gross profit margin are core issues in business operations. I would summarize that CCCC has the following advantages.

Firstly, in terms of strategy and business, from the port and dock construction, land reclamation, to the modern integrated transportation with a full coverage of sea, land, air and rail, and to the urban business which covers design, comprehensive development, construction, urban infrastructure, and urban services, we aim to build a unique trinary model for our business portfolio, which, combined with scientific and technological innovations, forms the core competitiveness of the Company. **Secondly, in terms of market-based mechanisms,** the Company has been continuously deepening its reforms and has established a complete set of systems including that for performance evaluations. As an market-oriented international company, we are committed to continuously creating market advantages. **Thirdly, in terms of management and control,** on one hand, the administrative expenses as a proportion of revenue have been decreasing, from 3.7% to 2.4% in the first half of this year. We also plan to further enhance the compliance level and management efficiency of the Company through the empowerment of digital technologies. On the other hand, we are integrating three chains and leveraging digital technologies to build the Company's unique competitive edge. In this regard, we have ranked among the top in evaluations on central government-owned enterprises by the SASAC for several consecutive years, and we have taken a path with CCCC characteristics to accommodate to the market. In summary, these comprehensive factors support the Company's ability to maintain its gross profit margin amid intense market competition. We are very confident that the Company's gross profit margin will remain stable in the future.

13. CCCC Design showed impressive profit growth in the first half of this year, mainly benefiting from a significant increase in gross profit margin. Could you please provide CCCC Design's outlook for its business performance in the coming two years?

CUI Yuping: In the first half of 2024, CCCC Design achieved steady growth. The value of new contracts increased by over 10% year-on-year, while operating revenue decreased by 10.16% year-on-year, and the net profit grew by 35.1% year-on-year; the net profit attributable to the parent company increased by 34.71% year-on-year. The revenue decline was primarily due to the optimization of the business structure, with a revenue reduction in low-margin general project contracting. However, the Company’s profit margin and ROE continued to maintain growth.

Regarding the future prospect, I would like to illustrate it from two dimensions: CCCC Design’s development orientation and incremental business.

In terms of development orientation, we will focus on building a “four roles” orientation, namely, building ourselves into a leader in international high-end consulting, a driver of smart and digital and green industrial reform, a practitioner of full-cycle planning and management consulting, and an explorer of capital operation and maintenance and integrated innovation. To support these orientations, we are setting up four major research centers: to become a leader in international high-end consulting, we will establish the Planning and Consulting Design Research Center; to drive smart and digital and green industrial reform, we will set up the Smart and Digital Green Low-Carbon Industry Consulting Research Center; to practice full-cycle planning and management consulting, we will form the Full-Cycle Management Development Research Center; and to explore capital operation and maintenance and integrated innovation, we will create the Low-Altitude Economy and Underground Space Innovation Research Center.

In terms of incremental business, firstly, in the stock market, China’s existing highway operation and maintenance market size is huge and increasing year by year, the Company’s advantages of a whole industry chain will play an important role in promoting the high-quality development of the highway maintenance business. The Company will seize significant opportunities for the “operation and maintenance” of infrastructure investment in the existing market, realize “upgrades, renovations, and reinforcements” through the means of intelligentization and greenization, and share incremental value with clients through energy performance contracting, thereby achieving an upgrade and elevation of traditional business. Secondly, regarding high-end consulting, we will strengthen and consolidate business connections with key competent departments such as the National Development and Reform Commission and the Ministry of Transport. In the first half of the year, the Company undertook and participated in several studies within national-level transportation development planning system, including the 15th Five-Year Plan for Highway Development, the Optimization and Implementation Plan for the Main Skeleton of the National Comprehensive Three-Dimensional Transportation Network, and the Planning Research on Road Connectivity between China and Neighboring Countries, and planned for major transportation corridor construction projects. Thirdly, regarding new quality productive forces, in the field of smart and digital transportation, the Company has led and participated in several studies on the digital transformation and upgrade of transportation infrastructure across multiple provinces. This has helped Fujian, Sichuan, and Guangdong to be successfully included in the first batch of pilot regions for digital transformation and upgrade of highway and waterway transportation infrastructure. In the low-carbon and water related field, we will focus on the low-carbon transformation of the industry, aiming for energy saving and cleanliness, and cost reduction and efficiency enhancement, and advancing the development of low-carbon business to create incremental business. In the low-altitude economy field, we will focus on various planning and consulting service projects related to low-altitude economy, expanding multiple "low-altitude +" scenarios, and conducting research and development on the operational environment of low-altitude three-dimensional transportation and intermodality ground transportation infrastructure three-dimensional planning-related technologies. Fourthly, regarding our overseas business. In recent years, CCCC Design's overseas business' revenue has accounted for only 3%-5% of its total. Future plans include driving overseas business growth through internal coordination, expanding high-end consulting services, and pursuing overseas mergers and acquisitions. Overall, through the transformation and upgrade of traditional business and the creation of new growth points in new quality productive forces and incremental business, CCCC Design aims to achieve sustained and stable growth and is confident in meeting its performance commitments.

14. Does the announced RMB853 million equity investments in CCCC Design's 2024 investment plan involve any overseas M&A plan? For CCCC Design's overseas business expansion, what support initiatives or resources will CCCG provide?

CUI Yuping: As mentioned in the previous question, the Company plans to drive the incremental growth in its overseas business through internal coordination, expansion of high-end consulting services, overseas mergers and acquisitions and so forth. Currently, the Company is identifying potential targets for these activities, but these efforts are still in the early stages and have not yet reached the project setup stage. Therefore, they are not included in the 2024 investment plan at this time.

15. Regarding the integration of the second batch of design institutes stated in CCCC Design's horizontal competition undertakings, what is the current progress?

CUI Yuping: According to the undertakings made during the asset reorganization, the integration of the second batch of assets is generally to be completed within three years. We are following the principle of integrating and completing in batches as they become mature and conditions permit. Currently, the process is progressing steadily. Once the integration is completed, it will further enhance the profitability of the Company. Please continue to follow relevant announcements for further updates.

16. Regarding the Western Development Strategy, the central government also proposed this strategy in the week before last. I would like to ask how the leadership views this policy and its compatibility with the earlier debt settlement in 12 provinces, as well as the opportunities for the Company? Specifically, what are the Company's business layouts in the Western region, such as Xinjiang and Xizang, and what are its distinctive features and advantages compared to other state-owned enterprises?

WANG Haihuai: CCCC pays close attention to major national policies on regional development. The Company aligns with national strategies and resonates with them, including participation in the "Belt and Road" initiative and the development of major markets in important regions, where CCCC plays a significant role and is a key player. The new round of the Western Development Strategy primarily focuses on several aspects, **the first of which is the security of the whole country.** The development of transportation infrastructure in the Western region presents significant opportunities for CCCC. **The second one is energy,** new energy involves Xinjiang, Xizang, Qinghai, Inner Mongolia and other provinces, which have the advantages of photovoltaic and wind power in the development of these new energy industries, and CCCC is also doing its best to expand the related business. **The third one involves water network and water environment treatment business,** which can provide a good increment for CCCC's business expansion.

17. Regarding restructuring and mergers and acquisitions, two restructuring deals were finalized last night. Are there any group-level assets at CCCC Group that might also be considered for merger and acquisition for listing in the future? For instance, the case of CWE Ltd. last year—what is the current progress on that? Additionally, in the upcoming "15th Five-Year Plan" period, what other fields might the Company explore for M&A, and what new business and profit sources might be pursued? Compared to other state-owned enterprises, which may have power stations and mineral resources, what new business sources might CCCC focus on?

WANG Haihuai: According to the reform orientation of state-owned capital investment companies and CCCC's main business focus, CWE was transferred to CCCC free of charge in the first half of 2023. CWE is mainly involved in clean energy, particularly hydropower construction, investment, and operation, with around seven to eight hundred projects globally, mostly overseas. Among these, there are more than ten ongoing projects. This is a significant enhancement for CCCC's clean energy business. To improve the brand effect of CIWE and leverage synergies, we believe that the major shareholder-CCCG will further integrate high-quality resources and coordinate effectively with CCCC after business streamlining and cultivation.

18. What are the Company's future market expansion goals?

WANG Haihuai: The Company will strategically manage both domestic and overseas markets, focusing on its core responsibilities and main business areas. We will align with national strategies, allocate resources accordingly, and concentrate on important regions, major markets, and key projects. We aim to optimize resource allocation, enhance the development of new quality productive forces, and accelerate the layout of strategic emerging industries. These comprehensive efforts, especially in the overseas market, are expected to further increase the Company's contribution in the future.

19. What are the Company's operational and dividend targets for the next three years?

PENG Luqiang: Since its listing, the Company has maintained a relatively high dividend ratio among large state-owned construction enterprises. From the time of listing to now, our cumulative dividends have reached RMB50.7 billion. In the first half of the year, based on the latest guidance from the SASAC and the CSRC, and considering factors such as the characteristics of the industry, the business model, the Company's development stage, funding needs, and performance evaluation, we have formulated a medium-term dividend plan. This aims to increase dividend predictability, boost market confidence in the Company's stock price, and enhance investor satisfaction. The dividend ratio is set at 20% based on actual funding conditions. Going forward, the Company will develop a medium-to-long-term dividend policy in line with the encouragement directions of the SASAC and the CSRC, considering industry development, operating conditions, cash flow improvements, and future development opportunities. We will conduct a scientific assessment and explore the feasibility of increasing the dividend ratio when operating performance steadily improves and cash flow is ample.

The performance targets for initial unlocking of the restricted stocks under the share incentive plan for 2023-2025 are that the CAGR of net profit shall not be less than 8%, 8.5% and 9%, respectively, as compared with 2021; and the weighted average ROE shall not be less than 7.7%, 7.9% and 8.2%, respectively. The targets for unlocking have already been achieved in 2023. Equity incentives is one of the important measures for reform of state-owned enterprises. The Company will work hard to overcome pressures from the macro-environment and industry cycles, and continue to strive to meet the operational performance targets for 2024 and 2025. Thank you!