



Dear Valued Shareholders,

China Communications Construction Company Limited (1800.HK, the "**Company**", together with its subsidiaries, the "**Group**") would like to express gratitude for your long-standing support to the Company. Every three years, the Company enters into related-party transaction agreements with its controlling shareholder, China Communications Construction Group Limited ("**CCCCG**", together with its subsidiaries excluding the Group, the "**CCCCG Group**"), regarding financial services, leasing, and commercial factoring. The previous transaction agreements are due to expire by the end of 2024, and the Company intends to renew the relevant agreements at this year's annual general meeting. As the annual general meeting approaches, we hope to engage with you about the content of ordinary related-party/continuing connected transactions that the Company has executed in the past, to assist you in better understanding the background and purpose of such transactions, as well as their impact on corporate governance and shareholders' interests.

I Financial Service Agreement

China Communications Finance Co., Ltd. ("**CCCC Finance**") is a subsidiary of the Company, which is owned as to 95% and 5% by the Company and CCCG Group, respectively. As a specialized non-banking financial services institution, CCCC Finance provides various professional financial services such as fund settlement, deposits, credit, entrusted loans, financial leasing, and financial and financing consultants.

We would like to emphasize the following to demonstrate that the Company's current transaction is in line with the business needs of the Company. The company has taken actions to strictly control the risk and has no intention of diverting benefits to shareholders:

1. The financial service transactions between CCCC Finance and CCCG are in line with market practices and the operational needs of the group.

(1) Providing financial services to group members is one of the normal business functions of a finance company. As a large enterprise group, CCCG Group consists of numerous corporate entities, which may have surplus funds or funding needs concurrently. CCCC Finance, as the internal fund coordination entity, plays a key role in balancing the internal funding supply and demand. Conducting business through CCCC Finance not only meets the operational needs of the Group but also generates revenue for the Company.



(2) The business conducted by CCCC Finance is in line with market practices. Similar to other large groups in China, CCCC Finance engages in fund-related transactions with all internal members of the Group and CCCG Group. The difference lies in the fact that while most group companies have their financial companies controlled by the group, leading to related-party/connected transactions between the finance company and the listed company, CCCC Finance is controlled by the listed company, resulting in related-party/connected transactions between the finance company and the group. Entering into financial service agreements with CCCG Group is a standard component of the finance company's normal operations.

2. The scale of deposits and credits is strictly limited, and the Company does not face any loan risk exposure. Providing loans to CCCG Group does not constitute substantive financial assistance.

(1) The scale of deposits and loans is strictly controlled. The Company is fully aware that as a controlling subsidiary of the listed company, CCCC Finance may theoretically face financial risks when providing loans to CCCG Group. Therefore, the Company has explicitly specified in the financial service agreement to control this risk by limiting the amount of deposits and loans. According to the agreement, the amount of loans provided to CCCG Group on any given day shall not exceed 75% of their average daily deposit balance in CCCC Finance. This means that the loan demand of CCCG Group can be satisfied by their deposits at any time, without the need for CCCC Finance to use funds from any other entity (especially the listed company). Therefore, this transaction does not constitute substantive financial assistance from the Company to CCCG.

(2) There have been no abnormal occurrences in the historical execution of the financial services agreement. According to the execution of the financial services agreement in recent years, the Company absorbed deposits from CCCG Group amounted to CNY 10.98 billion, CNY 10.12 billion, and CNY 9.29 billion for the three years ended 31 December 2023, respectively, with the peak credit amounts reaching CNY 3.96 billion, CNY 4.48 billion, and CNY 7.63 billion and peak loan amounts reaching CNY 3.96 billion, CNY 1.83 billion, and CNY 4.86 billion, respectively. The amounts of the credits or loans are significantly lower than the absorbed deposit amounts.

(For specific data, please refer to the 2021 Annual Report, pages 83 and 73; the 2022 Annual Report, pages 74 and 70; and the 2023 Annual Report, pages 81 and 76).



(3) There is no fund flow between the Company and related parties/connected persons. CCCC Finance strictly manages accounts according to regulations to ensure the safety of funds for account holders. Accounts opened by the Company and related parties/connected persons in CCCC Finance are independent of each other, and there is no fund flow between these accounts.

(Please refer to the 2021 Annual Report, page 82; the 2022 Annual Report, page 73; and the 2023 Annual Report, page 80 for details).

3. The interest rates for deposits and loans are entirely determined according to market principles and are not inferior to the conditions offered by CCCC Finance to other market entities.

CCCC Finance offers deposit interest rates to related parties/connected persons that are not higher than the range of deposit rates for the same period and type set by the People's Bank of China, nor higher than the rates offered to other internal members for the same period and type. The interest rates for loans provided by CCCC Finance to related parties are referenced to the levels of loans for the same period and type offered by major domestic commercial banks, while not lower than the rates offered to other internal members for the same period and type.

II Leasing and Commercial Factoring Plan

China Communications Capital Holdings Limited ("**CCCC Capital**") is a wholly-owned subsidiary of the Company, which holds approximately 62.4% of China Communications Leasing Co., Ltd. ("**CCCC Leasing**"). CCCC Leasing is the operation entity for leasing business between the Company and CCGG. CCCC Capital is committed to leveraging its industrial and financial advantages, providing comprehensive investment and financing services such as direct leasing, operational leasing, recourse factoring, and non-recourse factoring, thereby expanding financing channels for the core business development of CCGG Group. To expand its business scale, CCCC Capital also provides financing leasing services to CCGG Group, generating corresponding revenue.



We would like to emphasize that the related-party/connected transactions between CCCC Capital and CCGG are normal business activities based on market rules and only constitute a small portion of CCCC Capital's business scope. Neither CCCC Capital nor the Company relies on the above-mentioned business, and this business will not have a significant impact on the Company's normal operations.

1. CCCC Capital provides financing leasing and commercial factoring services to entities with excellent qualifications.

In 2023, the main entities involved in the company's related-party/connected financing leasing and commercial factoring transactions include China Urban and Rural Holding Group, China Airport Construction Group, China Communications Information & Technology Group, and Shanghai Zhenhua Heavy Industries Co., Ltd. (600320.SH), among others. These entities primarily consist of listed companies and central state-owned enterprise groups with good credit ratings and manageable transaction risks.

2. The proportion of related-party leasing and commercial factoring transactions in CCCC Capital's daily operations is relatively low and will not have a significant impact on its normal business operations.

From 2021 to 2023, the scale of related-party leasing and commercial factoring transactions compared to CCCC Capital's daily transaction volume and its proportion among similar transactions are as follows:

CNY in million	2021	2022	2023
Leasing Scale	1,442	1,149	768
% of total leasing business	5.76%	4.10%	2.07%
Commercial Factoring Scale	3,290	392	460
% of total CF business	14.21%	4.90%	7.94%

For detailed information, please refer to the Company's 2021 Annual Report on page 84, the 2022 Annual Report on page 76, and the 2023 Annual Report on page 82.

The amount of related-party/connected transactions only accounts for a very small portion of CCCC Capital's daily operations, which will not have a significant impact on its business operations or the Company's financial security.



3. The Company has implemented a series of measures to control risks beyond normal commercial scope.

Transactions between CCCC Capital and CCCG are priced according to market rules and are negotiated and determined by CCCG after referencing independent third-party quotations. CCCC Capital operates under a system of managerial responsibility led by the board of directors, employing centralized management and secure and efficient business systems to monitor transactions in a timely manner: (a) during the planning phase, measures have been taken to designate lessees as non-related/non-connected entities as much as possible to reduce the scale of related-party/connected transactions; (b) during the execution phase, all leasing and factoring transactions provided to related parties/connected persons require approval from the management department, and transactions without approval are not executed; (c) during the analysis phase, the Company produces a monthly report on related-party/connected transactions to closely monitor their execution.

III Corporate Governance Mechanism in Ordinary Related-party/Continuing Connected Transactions

Since the establishment of the three-year related-party/connected transaction plan, the Company has established a robust compliance management and decision-making system:

1. Actively leveraging the supervisory functions of the Board of Directors' Audit and Internal Control Committee, and fully soliciting the opinions of independent directors on the fairness of related-party transactions.
2. Formulating comprehensive daily management mechanisms and establishing a closed-loop management mechanism throughout the entire lifecycle, with planning at the beginning of the year, monthly supervision, quarterly communication, and annual assessment.
3. Strictly adhering to securities compliance requirements, ensuring genuine, accurate, complete, timely, and fair information disclosure to guarantee the fairness of related-party transactions. The company also collects opinions and suggestions from minority investors through various channels to protect their interests.



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CHINA COMMUNICATIONS CONSTRUCTION CO., LTD.

Furthermore, the transactions involved in the aforementioned proposal comply with regulatory requirements set by Chinese government authorities. According to the China Securities Regulatory Commission's "Guidelines for the Supervision of Listed Companies No. 8 - Regulatory Requirements for Listed Companies' Fund Transactions and External Guarantees", listed companies are prohibited from providing funds to related parties in the following ways: (1) lending funds of the listed company; (2) issuing commercial acceptance bills to controlling shareholders, actual controllers, and other related parties without a genuine transaction background; (3) other methods identified by the China Securities Regulatory Commission. Transactions between CCCO Finance, CCCO Capital, and related parties comply with the regulatory requirements of the China Securities Regulatory Commission and should not be considered unreasonable fund transactions or related parties' use of funds from the listed company.

In summary, the Company believes that based on the business needs of CCCO Finance and CCCO Capital, as well as the risk control measures already implemented by the Company, the economic benefits obtained will significantly outweigh the risks undertaken. Furthermore, there is no scenario of providing unreasonable financial assistance to group companies.

We sincerely trust that the Company's explanation and proposal are in line with the shareholder interests. We therefore sincerely ask you to take it into consideration and support the proposals. We also welcome further discussion with you regarding the relevant proposals to address any other questions or concerns you may have. If you require any assistance, please feel free to contact the China Communications Construction Investment Relations team at ir@ccccltd.cn.

Yours Sincerely,

Name: YU Jingjing

Position: Company Secretary