
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Qilu Expressway Company Limited (the “Company”), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Qilu Expressway Company Limited

齊魯高速公路股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1576)

**MAJOR TRANSACTION
IN RELATION TO THE CONSTRUCTION SECTION NO.8
CONTRACT FOR THE MAIN WORKS UNDER
THE RECONSTRUCTION AND EXPANSION PROJECT OF
THE JIHE EXPRESSWAY;
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE GENERAL PROCUREMENT FRAMEWORK AGREEMENT AND
THE GENERAL SALES FRAMEWORK AGREEMENT; AND
NOTICE OF THE EGM**

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



Capitalised terms used in this cover shall have the same meanings as those defined in this circular.

The letter from the Board is set out on pages 10 to 32 of this circular. The letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 33 to 34 of this circular. A letter from Gram Capital Limited, the Independent Financial Adviser, containing its recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 35 to 50 of this circular.

A notice for convening the EGM to be held at 10:00 a.m. on Tuesday, 29 November 2022 at Video Conference Room, 24th Floor, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000, Jingshi East Road, High-tech Zone, Jinan City, the PRC is set out on pages EGM-1 to EGM-2 of this circular.

If you wish to appoint proxy(ies) to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. For the holders of H Shares, the aforementioned documents shall be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The form of proxy must be returned not less than 24 hours before the time scheduled for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

31 October 2022

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DEFINITIONS

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

“14th Five-Year Plan”	the relevant period of the 14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Outline of Long-term Goals for 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), that is, 2021-2025
“2022 Period”	the period from the date of the Framework Agreements to 31 December 2022
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CCCC Fourth Highway”	CCCC Fourth Highway Engineering Co., Ltd. (中交第四公路工程局有限公司), a company established in the PRC with limited liability
“CCCC Second Harbor”	CCCC Second Harbor Engineering Company Ltd. (中交第二航務工程局有限公司), a company established in the PRC with limited liability
“CCEED”	China Construction Eighth Engineering Division Co., Ltd. (中國建築第八工程局有限公司), a company established in the PRC with limited liability
“CCFGCL”	China Construction First Group Corporation Limited (中國建築一局(集團)有限公司), a company established in the PRC with limited liability
“Company”	Qilu Expressway Company Limited (齊魯高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability on 6 December 2016, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1576)
“Connected Main R&E Contracts”	collectively, the Construction Section No. 1 Contract, the Construction Section No. 2 Contract, the Construction Section No. 5 Contract, the General Supervision Office Section No. 1 Contract and the Onsite Supervision Section No. 4 Contract

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“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Connected Construction R&E Contracts”	collectively, the Construction Section No.1 Contract, the Construction Section No.2 Contract and the Construction Section No.5 Contract
“Connected Construction R&E Works”	the construction works in respect of the subject matters of the transactions under the Connected Construction R&E Contracts
“Construction R&E Contracts”	collectively, the Construction Section No.1 Contract, the Construction Section No.2 Contract, the Construction Section No.3 Contract, the Construction Section No.4 Contract, the Construction Section No.5 Contract, the Construction Section No.6 Contract, the Construction Section No.7 Contract, the Construction Section No.8 Contract and the Construction Section No.9 Contract
“Construction R&E Works”	the constructions works in respect of the subject matters of the transactions under the Construction R&E Contracts
“Construction Section No. 1 Contract”	a contract dated 20 May 2022 and entered into among the Company, SDHS Engineering Construction and Qilu Jiangong in relation to the construction of works for the first bidding road section for the R&E Project
“Construction Section No. 2 Contract”	a contract dated 20 May 2022 and entered into between the Company and Shandong Luqiao in relation to the construction of works for the second bidding road section for the R&E Project
“Construction Section No.3 Contract”	a contract dated 20 May 2022 and entered into among the Company, CSCRIG and CCFGCL in relation to the construction of works for the third bidding road section for the R&E Project
“Construction Section No.4 Contract”	a contract dated 20 May 2022 and entered into among the Company, CCEED and Shandong Jinyu Information in relation to the construction of works for the fourth bidding road section for the R&E Project

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“Construction Section No. 5 Contract”	a contract dated 20 May 2022 and entered into among the Company, Shandong R&B and Liaocheng Transportation Development in relation to the construction of works for the fifth bidding road section for the R&E Project
“Construction Section No.6 Contract”	a contract dated 20 May 2022 and entered into between the Company and Shandong Taishan R&B in relation to the construction of works for the sixth bidding road section for the R&E Project
“Construction Section No.7 Contract”	a contract dated 20 May 2022 and entered into among the Company, CCCC Second Harbor and Shandong Kangqiao Traffic in relation to the construction of works for the seventh bidding road section for the R&E Project
“Construction Section No.8”	the eighth bidding road section of the reconstruction and expansion project of the Jihe Expressway
“Construction Section No.8 Contract”	the contract dated 27 July 2022 entered into between the Company and Sichuan Road & Bridge Group in relation to the construction works for the Construction Section No.8
“Construction Section No.9 Contract”	a contract dated 20 May 2022 and entered into among the Company, CCCC Fourth Highway and Wuhan CCCC in relation to the construction of works for the ninth bidding road section for the R&E Project
“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“COSCO SHIPPING”	China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司), a limited liability company incorporated in the PRC, the entire equity interest of which is held by the Stated-owned Assets Supervision and Administration Commission of the State Council of the PRC, and is a controlling Shareholder of the Company
“COSCO SHIPPING (Hong Kong)”	COSCO SHIPPING (Hong Kong) Co., Limited (中遠海運(香港)有限公司), a company incorporated in Hong Kong with limited liability on 3 September 1992 and a controlling Shareholder of the Company holding approximately 30.00% equity interest of the Company as at the Latest Practicable Date

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“CSCRIG”	China State Construction Railway Investment & Engineering Group Co., Ltd. (中建鐵路投資建設集團有限公司), a company established in the PRC with limited liability
“Deshang Expressway (Liaocheng – Fan County section)”	an expressway running from West Ring Expressway of Liaocheng City, Shandong Province to the intersection of Gucheng Town of Shen County and Yancunpu Town of Fan County (Shandong-Henan boundary), and connecting to the Fan County section of the Deshang Expressway in Henan Province, with a total length of approximately 68.942 km
“Director(s)”	the director(s) of the Company
“Domestic Shares”	ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Earlier Construction R&E Contracts”	the Constructions R&E Contracts but excluding the Construction Section No.8 Contract
“EGM”	the extraordinary general meeting of the Company to be held at 10:00 a.m. on Tuesday, 29 November 2022 at Video Conference Room, 24th Floor, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000, Jingshi East Road, High-tech Zone, Jinan City, the PRC to consider and, if thought fit, approve the transactions contemplated under the Construction Section No.8 Contract and the Framework Agreements (including their proposed annual caps)
“Framework Agreements”	collectively, the General Procurement Framework Agreement and the General Sales Framework Agreement
“FY2023”	the year ending 31 December 2023
“General Highway Business Operation Services”	various services in relation to highway business operation, including highway design services, highway inspection and maintenance services, highway research and analysis services and highway construction supporting services

DEFINITIONS

“General Procurement Framework Agreement”	the agreement entered into between the Company and Shandong Hi-Speed Group dated 27 July 2022, in relation to, among other things, the procurement by the Group for certain types of goods from Shandong Hi-Speed Group and its Subordinated Companies from the date of the agreement up to 31 December 2023
“General Sales Framework Agreement”	the agreement entered into between the Company and Shandong Hi-Speed Group dated 27 July 2022, in relation to, among other things, the sales of certain types of goods by the Group to Shandong Hi-Speed Group and its Subordinated Companies from the date of the agreement up to 31 December 2023
“General Supervision Office Section No. 1 Contract”	a contract dated 20 May 2022 and entered into between the Company and STESC in relation to the supervision of works for the first bidding road section for the reconstruction and expansion project of the Jihe Expressway
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Framework Agreements and their proposed annual caps
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary Share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which was listed and traded on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors, namely Mr. Cheng Xuezhao, Mr. Li Hua, Mr. Wang Lingfang, Mr. He Jiale and Mr. Han Ping, to advise the Independent Shareholders in respect of the transactions contemplated under the Framework Agreements and their proposed annual caps

DEFINITIONS

“Independent Shareholders”	the Shareholders other than Shandong Hi-Speed Group and its associates (including Shandong Hi-Speed), who are required to abstain from voting at the EGM
“Jihe Expressway”	the Jinan to Heze Expressway, the approximately 153.6 km expressway running through nine districts/counties under four cities from Jinan City to Heze City in Shandong Province
“km”	kilometre(s)
“Latest Practicable Date”	25 October 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Liaocheng Transportation Development”	Liaocheng Transportation Development Co., Ltd. (聊城市交通發展有限公司), a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NDRC”	the National Development and Reform Commission of the PRC (中國國家發展和改革委員會), which is a comprehensive functional department of the State in charge of the management of national economy and social development
“Onsite Supervision Section No. 4 Contract”	a contract dated 20 May 2022 and entered into between the Company and SDHS EPM in relation to the supervision of works for the fourth bidding road section for the R&E Project
“Plan”	the Shandong Province “14th Five-Year” Comprehensive Traffic Transportation Development Plan (《山東省「十四五」綜合交通運輸發展規劃》) promulgated by the People’s Government of Shandong Province
“PRC” or “State”	the People’s Republic of China (excluding, for the purpose of this circular, Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan)

DEFINITIONS

“Qilu Expressway Investment”	Qilu Expressway (Shandong) Investment Management Co., Limited (齊魯高速(山東)投資管理有限公司), a company incorporated under the PRC laws with limited liability, and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Qilu Jiangong”	Qilu Jiangong Construction Development Group Co., Ltd. (齊魯建工建設發展集團有限公司), a company established in the PRC with limited liability
“R&E Project”	the reconstruction and expansion project of the Jihe Expressway
“R&E Works”	the construction works in respect of the R&E Project
“RMB”	Renminbi, the lawful currency of the PRC
“SDHS Engineering Construction”	Shandong Hi-Speed Engineering Construction Group Co., Ltd (山東高速工程建設集團有限公司), a company established in the PRC with limited liability
“SDHS EPM”	Shandong Hi-Speed Engineering Project Management Co., Ltd. (山東高速工程項目管理有限公司), a company established in the PRC with limited liability
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Hi-Speed”	Shandong Hi-Speed Company Limited (山東高速股份有限公司), a limited liability company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600350.SH), directly holding as to approximately 38.93% of the total issued Shares of the Company as at the Latest Practicable Date, and is an existing controlling Shareholder
“Shandong Hi-Speed Group”	Shandong Hi-Speed Group Company Limited (山東高速集團有限公司), a limited liability company incorporated in the PRC, which indirectly holds as to approximately 38.93% of the total issued Shares of the Company through its subsidiary Shandong Hi-Speed as at the Latest Practicable Date, and is an existing controlling Shareholder

DEFINITIONS

“Shandong Hi-Speed Supply Chain Management”	Shandong Hi-Speed Supply Chain Management Co., Ltd. (山東高速供應鏈管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Shandong Hi-Speed Group
“Shandong Huaying”	Shandong Huaying Equity Investment Management Co., Ltd. (山東華贏股權投資管理有限公司), a company incorporated under the PRC laws with limited liability, and a third party independent of the Company and its connected persons as at the Latest Practicable Date
“Shandong Luqiao”	Shandong Luqiao Group Co., Ltd. (山東省路橋集團有限公司), a company established in the PRC with limited liability
“Shandong R&B”	Shandong Road & Bridge Construction Group Co., Ltd. (山東省公路橋樑建設集團有限公司), a company established in the PRC with limited liability
“Shandong Taishan R&B”	Shandong Taishan Road & Bridge Engineering Company (山東泰山路橋工程公司) (currently known as Shandong Taishan Road & Bridge Engineering Group Co., Ltd (山東泰山路橋工程集團有限公司)), a company established in the PRC with limited liability
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Shares
“Shennan Expressway”	an expressway running from the K150+400 point of Deshang Expressway at the south of Beixuzhuang Village, Shen County, Shandong Province, the PRC, and connecting to the Henan – Shandong Boundary-Nanle section of Nanlin Expressway in Henan Province at the east bank of the Tuhai River in the south of Xiduantuan Village, with a total length of approximately 18.267 km
“Sichuan Road & Bridge”	Sichuan Road & Bridge Co., Ltd (四川路橋建設集團股份有限公司), a joint stock company established in the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange (stock code: 600039.SH)

DEFINITIONS

“Sichuan Road & Bridge Group”	Sichuan Road & Bridge (Group) Co., Ltd (四川公路橋樑建設集團有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Sichuan Road & Bridge
“STESC”	Shandong Transportation Engineering Supervision Consulting Co., Ltd. (山東省交通工程監理諮詢有限公司), a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subordinated Companies”	the subsidiaries and branches of Shandong Hi-Speed Group
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company established pursuant to the Company Law of the PRC
“Wuhan CCCC”	Wuhan CCCC Traffic Engineering Co., Ltd. (武漢中交交通工程有限責任公司), a company established in the PRC with limited liability
“%”	per cent

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders, and vice versa. The term “person(s)” shall include corporation(s).

Any reference in this circular to any enactment refers to that enactment as for the time being amended or re-enacted. Any word defined under the Listing Rules or any modification thereof and used in this circular shall, where applicable, have the meaning assigned to it under the Listing Rules or any modification thereof, as the case may be.

LETTER FROM THE BOARD

Qilu Expressway Company Limited

齊魯高速公路股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1576)

Executive Directors:

Mr. Wang Zhenjiang (*Chairman of the Board*)
Mr. Peng Hui
Mr. Liu Qiang

Registered office:

Room 2301, Block 4,
Zone 3, Hanyu Financial & Business Centre,
No. 7000 Jingshi East Road,
High-tech Zone, Jinan City,
Shandong Province, PRC

Non-executive Directors:

Mr. Chen Dalong
Mr. Wang Shaochen
Mr. Zhou Cenyu
Mr. Su Xiaodong
Ms. Kong Xia
Mr. Du Zhongming
Mr. Shi Jinglei

Principal place of business in Hong Kong:

40th Floor, Dah Sing Financial Centre,
No. 248 Queen's Road East,
Wanchai, Hong Kong

Independent non-executive Directors:

Mr. Cheng Xuezhao
Mr. Li Hua
Mr. Wang Lingfang
Mr. He Jiale
Mr. Han Ping

31 October 2022

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO THE CONSTRUCTION SECTION NO.8
CONTRACT FOR THE MAIN WORKS UNDER
THE RECONSTRUCTION AND EXPANSION PROJECT OF
THE JIHE EXPRESSWAY;
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE GENERAL PROCUREMENT FRAMEWORK AGREEMENT AND
THE GENERAL SALES FRAMEWORK AGREEMENT; AND
NOTICE OF THE EGM**

I. INTRODUCTION

References are made to (i) the announcement of the Company dated 3 May 2021 in relation to the receipt of a notice by the Company from the Shandong Provincial Traffic Transport Department that the R&E Project has been listed as a project planned to be implemented under the 14th Five-Year Plan, and the Company was required to accelerate the commencement of the relevant preliminary preparation works; (ii) the announcements of the Company dated 20 May 2022 and 19 August 2022 and the circular of the Company dated 20

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July 2022 in relation to, among others, the Earlier Construction R&E Contracts and the transactions contemplated thereunder; and (iii) the announcement of the Company dated 27 July 2022 in relation to the entering into of the Construction Section No.8 Contract between the Company and Sichuan Road & Bridge Group whereby the latter has been selected as the bid winner for the construction works for the Construction Section No.8 through a standardised tender and bidding process.

References are also made to the announcement of the Company dated 27 July 2022 in relation to, among others, the entering into of the General Procurement Framework Agreement and the General Sales Framework Agreement between the Company and Shandong Hi-Speed Group, pursuant to which the Company agreed to procure certain types of goods from and sell certain types of goods to Shandong Hi-Speed Group in accordance with the terms and conditions of the respective Framework Agreements.

The purpose of this circular is to provide you with, among others, (i) further details of the Construction Section No.8 Contract and the Framework Agreements; (ii) the recommendation of the Directors to the Shareholders in relation to the transactions contemplated under the Construction Section No.8 Contract and the Framework Agreements (including their proposed annual caps); (iii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the transactions contemplated under the Framework Agreements and their proposed annual caps; (iv) the recommendations from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Framework Agreements and their proposed annual caps; (v) other information as required under the Listing Rules; and (vi) the notice convening the EGM to enable you to make an informed decision while voting on the relevant resolutions at the EGM.

II. THE CONSTRUCTION SECTION NO.8 CONTRACT

The principal terms and conditions of the Construction Section No.8 Contract are set out as follows:

- Date** : 27 July 2022
- Parties** : (i) the Company (as principal); and
(ii) Sichuan Road & Bridge Group (as contractor)

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- Subject matters** : Sichuan Road & Bridge Group (as contractor) undertook to take on, among others, the following road section works for the Construction Section No.8 of the reconstruction and expansion project of the Jihe Expressway, namely: the construction works for the road section starting from K176+587 and ending at K201+487 with a total length of approximately 24.9 km, which is classified as an expressway and has a designed speed of 120 km per hour, including, among others, asphalt and concrete surface pavements, 6 grade-separated interchanges, 2 merging interchanges, 7 large and medium bridges and other structures, from the Company.
- Project sum** : The total contract amount for the project shall be RMB1,737,548,458.60.
- Prepayment** : The prepayment amount shall be 10% of the total contract amount. Upon the contract agreement is signed by the contractor and the contractor's undertaken key personnel and equipment are stationed on-site and having been reviewed by the principal and as confirmed by the supervisor, the principal shall pay the contractor 70% of the prepayment for commencement of construction as stated in the current progress payment certificate; and shall further pay 30% of the prepayment upon the contractor's undertaken key equipment for road surface are stationed on-site.
- Quality guarantee deposit** : Within 14 days after the delivery inspection certificate is issued, the contractor shall pay a quality guarantee deposit to the principal. The quality guarantee deposit may be made in the form of bank guarantee or by cash or cheque and shall represent 3% of the total contract amount. The quality guarantee deposit paid shall bear no interest.

If the quality guarantee deposit is made in the form of bank guarantee, it shall be drawn by a Stated-owned commercial bank or a national joint stock commercial bank branch or a bank of higher grade having the capacity to provide such guarantee in the format as approved by the principal at the expenses of the contractor.

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- Wage deposit for migrant workers** : The deposit amount shall be 1% of the contract amount, which shall be withheld by the principal in the proportion of 5% of the measurement amount in the measurement payment when in the form of cash, until the wage deposit for migrant workers reaches 1% of the contract amount. During the construction period, if the principal uses the deposit due to matters regarding the wage of migrant workers, resulting in the deposit amount falling below 1% of the contract amount, a lump-sum deduction will be made from the measurement payment for the next period, in order to keep the amount of wage deposit for migrant workers at 1% of the contract amount.
- Construction period** : 916 calendar days
- Effective date** : The Construction Section No.8 Contract shall be concluded upon the date on which it is signed and sealed by the parties to the contract, and shall take effect upon completion of the approval procedures as required under the Listing Rules, including the relevant announcement and Shareholders' approval requirements.

Basis of Determination of the Consideration

The project sum of the Construction Section No.8 Contract is determined through tender process. The relevant laws and regulations governing the procedures of tenders and bids include the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), the Implementing Regulations on the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》) and the Measures for the Administration of the Bidding for Highway Construction Projects (《公路工程建設項目招標投標管理辦法》) and the Regulations on Construction Projects Required to be Tendered (《必須招標的工程項目規定》) as promulgated by the NDRC. Pursuant to the Regulations on Construction Projects Required to be Tendered (《必須招標的工程項目規定》) promulgated by the NDRC, procurement of the General Highway Business Operation Services shall be subject to bidding if they meet any of the following thresholds: (i) estimated contract sum of over RMB4 million in respect of a single contract under a construction project; (ii) procurement of key machineries and materials with an estimated consideration of over RMB2 million for a single contract; or (iii) procurement of project survey, design, and supervision services with an estimated consideration of over RMB1 million.

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The basic procedures for the bidding under the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), the Implementing Regulations on the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》) and the Measures for the Administration of the Bidding for Highway Construction Projects (《公路工程建設項目招標投標管理辦法》) are as follows:

- (i) bid invitation documents shall be prepared and the bidding notice shall be issued by the tenderee in accordance with the provisions of the relevant laws and regulations;
- (ii) the bidder shall submit the bidding application and the tenderee shall, examine the bidder's qualification based on qualification examination standards such as the bidder's business licence, survey qualification certificate, design qualification certificate and whether the bidder's qualification meets the requirements of the bid invitation documents;
- (iii) the tenderee shall not open the bids until at least three applications have been received from the bidders;
- (iv) the bidding applications shall be examined by the bid evaluation commission, which shall be comprised of expert members selected, on a random basis, from the list of professional experts who have been enrolled in the Shandong Integrated Bid Expert Database for Public Resources Trading (山東省公共資源交易綜合評標專家庫) as administrated by Shandong Public Resources Trading Center (山東省公共資源交易中心) in accordance with the Administrative Measures for Shandong Integrated Bid Examination and Evaluation Expert Database and Experts for Public Resources Trading (《山東省公共資源交易綜合評標評審專家庫和專家管理辦法》), with reference to the standards and methods as provided by the bid invitation documents. The standards and shortlisting methods for candidates are based on:
 - (a) the technical proposals submitted by the bidders regarding the project's technical requirements;
 - (b) the experience of the bidders' key personnel;
 - (c) the business performance of the bidders;
 - (d) the contract performance reputation of the bidders; and
 - (e) the bidding quotation.

The bid evaluation committee shall submit a written report and list of candidates for the winning bid to the tenderee. There shall be no more than three candidates for the winning bid and order shall be indicated in the report;

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- (v) an announcement of candidates for the winning bid shall be made by the tenderer within 3 days from receiving the evaluation report;
- (vi) with respect to the projects in which State-owned capital occupies the controlling or dominant position and that are subject to bid invitation, the tenderer shall make the candidate ranking first as the bid winner. If the candidate ranking first as the bid winner surrenders the bid winning, or such a candidate fails to meet the conditions for winning the bid as a result of failing to perform the contract due to force majeure, or failing to submit a performance bond according to the requirements of the bidding documents, or being found to have committed any illegal act that affects the bid winning result, the tenderer may determine another candidate as the bid winner according to the sequence of candidates in the list of bid winning candidates provided by the bid evaluation committee, or the tenderer may launch a new bid invitation;
- (vii) the tenderer shall enter into a written contract with the bid winner in accordance with relevant laws and regulations; and
- (viii) the bid winner shall fulfill its obligations as provided in the contract and complete the bid winning project.

The Board confirms that none of the General Highway Business Operation Services (including highway design services; highway inspection and maintenance services; highway research and analysis services; and highway construction supporting services) is subject to government-prescribed price. Construction project cost consulting service (建設工程造價諮詢服務) (a sub-category of services classified under highway construction supporting services) should take reference from government-guided prices. Other General Highway Business Operation Services shall apply market price.

For services subject to tender process pursuant to the applicable laws and regulations, the price shall be determined by tender process. The transactions under the Construction R&E Contracts are projects subject to tender process under the Regulations on Construction Projects Required to be Tendered (《必須招標的工程項目規定》) promulgated by the NDRC. Therefore, the Company must determine the counterparty through bidding. To evaluate the tender documents submitted by bidders, the bidding applications shall be examined by the bid evaluation commission, which shall be comprised of expert members selected by the Company, on a random basis, from the list of professional experts who have been enrolled in the Shandong Integrated Bid Expert Database for Public Resources Trading (山東省公共資源交易綜合評標專家庫) as administrated by Shandong Public Resources Trading Center (山東省公共資源交易中心) in accordance with the Administrative Measures for Shandong Integrated Bid Examination and Evaluation Expert Database and Experts for Public Resources Trading (《山東省公共資源交易綜合評標評審專家庫和專家管理辦法》), with reference to the standards and methods as provided by the bid-invitation documents. The standards and shortlisting methods for candidates are based on: (a) the technical proposals submitted by the bidders regarding the project's technical requirements; (b) the experience of the bidders' key personnel; (c) the business performance of the bidders; (d) the contract performance reputation of the bidders; and (e) the bidding quotation. The Construction Section No.8 Contract was entered

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into through the Company's standardised tender and bidding process. Sichuan Road & Bridge Group ranked first among the bidders for the Construction Section No.8 Contract, and therefore was selected as the successful bidder. The consideration for the Construction Section No.8 Contract was determined on the basis of the bidding quotation of the successful bidder, namely Sichuan Road & Bridge Group.

The payments for the project sum of the Construction Section No.8 Contract are based on the construction progress and the assessment result according to the technical specifications and the measurement rules for bills of quantities of the project. The payments shall be satisfied by the Group's internal resources and bank borrowings.

Reasons for and Benefits of Entering into the Construction Section No.8 Contract

As disclosed in the section headed "Basis of Determination of the Consideration" above, the Construction Section No.8 Contract was entered into through the Company's standardised tender and bidding process. Sichuan Road & Bridge Group ranked first among the bidders for the Construction Section No.8 Contract on the basis of the evaluation criteria set out in the tender document, which included the overall evaluation of the technical proposal, experience of the bidder's key personnel, business performance of the bidder, contract performance reputation and bidding quotation provided by the bidder, and therefore Sichuan Road & Bridge Group was selected as the successful bidder.

The Board (including the independent non-executive Directors) is of the view that the transactions contemplated under the Construction Section No.8 Contract are entered into in the usual and ordinary course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

III. THE FRAMEWORK AGREEMENTS

The major terms of the Framework Agreements are set out as follows:

	General Procurement Framework Agreement	General Sales Framework Agreement
Date	: 27 July 2022	
Parties	: (i) The Company; and (ii) Shandong Hi-Speed Group	
Term	: From the date of the agreements to 31 December 2023	

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Subject matter : The goods procured by the Group from Shandong Hi-Speed Group and its Subordinated Companies primarily include steel reinforcement bars, strand, cement, geomaterials, asphalt, concrete and other building materials, construction equipment and their accessories, as well as all other items prescribed under the registered business scopes of Shandong Hi-Speed Group and its Subordinated Companies and as permitted by applicable laws.

The goods sold by the Group to Shandong Hi-Speed Group and its Subordinated Companies primarily include asphalt, asphalt mixture, cement, concrete and other building materials, construction equipment and their accessories, and plantation protection materials, as well as all other items prescribed under the Group's registered business scopes and as permitted by applicable laws.

Whilst there are certain overlapping of goods procured and sold by the Group from and to Shandong Hi-Speed Group and its Subordinated Companies under the General Procurement Framework Agreement and the General Sales Framework Agreement, respectively, the Directors consider that they should be considered separately in their individual context.

In line with the usual practice in expressway construction, the construction units for expressway construction and upgrade projects generally source the road-paving and building materials and equipment required through public tender or private negotiations, and such sourcing exercise generally takes the form of bulk procurement in terms of the varieties of the products given the practicalities at the construction sites where multiple construction materials and equipment shall be used simultaneously. Whereas certain of those products are not produced or processed at the Group's facilities, the Group, had it been successful in the tender and/or private negotiations, has to procure them from external suppliers; meanwhile, where Shandong Hi-Speed Group and certain of its Subordinated Companies have the capacity to supply those materials and equipment, those items are also included in the subject matter under the General Procurement Framework Agreement. Therefore, there is certain overlapping of the goods procured or sold by the Group from or to Shandong Hi-Speed Group and its Subordinated Companies, respectively.

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Principles of transactions	<p>: In respect of the goods supplied by Shandong Hi-Speed Group and its Subordinated Companies, the Group shall give priority to the goods supplied by Shandong Hi-Speed Group and its Subordinated Companies so long as those supplied by third parties are on the same price and quality as theirs, except when the transaction counterparty of such goods available for bidding must be determined through bidding in accordance with the relevant laws and regulations.</p> <p>Shandong Hi-Speed Group will ensure the goods supplied by it and its Subordinated Companies are of high quality and the prices of which are fair and reasonable, whereas the prices of the goods sold to the Group shall not be higher than those sold to third parties.</p>	<p>In respect of the goods supplied by the Group, Shandong Hi-Speed Group and its Subordinated Companies shall give priority to the goods supplied by the Group so long as those supplied by third parties are on the same price and quality as the Group's, except when the transaction counterparty of such goods available for bidding must be determined through bidding in accordance with the relevant laws and regulations.</p> <p>The Group will ensure the goods supplied are of high quality and the prices of which are fair and reasonable, whereas the prices of the goods sold to Shandong Hi-Speed Group and its Subordinated Companies shall not be higher than those sold to third parties.</p>
Demand estimation	<p>: Save for public tender, the Company shall submit the plan of the procurement demand for the next accounting year or the adjustment plan for the procurement demand of the current accounting year to Shandong Hi-Speed Group prior to 31 October of each year, and the mutual agreement in respect to the plan shall be reached between the parties prior to 30 November. Whereas the Company's plan of procurement demand for the next accounting year is substantially the same as that of the current accounting year, the Shandong Hi-Speed Group shall satisfy the plan accordingly.</p>	<p>Save for public tender, Shandong Hi-Speed Group shall submit the plan of the procurement demand for the next accounting year or the adjustment plan for the procurement demand of the current accounting year to the Company prior to 31 October of each year, and the mutual agreement in respect to the plan shall be reached between the parties prior to 30 November. Whereas Shandong Hi-Speed Group's plan of procurement demand for the next accounting year is substantially the same as that of the current accounting year, the Group shall satisfy the plan accordingly.</p>

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Payment method : Upon the Framework Agreements becoming effective, the Group will enter into separate and individual contracts with Shandong Hi-Speed Group or its Subordinated Companies. The specific terms on the scopes of procurement/sale, amounts, settlement methods and the relevant rights and obligations shall be set out in the contractual provisions of the individual signed contracts or tender documents.

Pricing policy : The pricing of each of the goods procured or sold under the Framework Agreements shall be determined on the basis of the following general principles and sequences:

- (i) **government-prescribed price:** where the central or local government imposes price control on a particular product, the price of such product shall be determined in accordance with the prescribed price published on the website of the relevant government authority or the authoritative price list;
- (ii) **government-guided price:** where a guided price standard imposed by the central or local government is available for a particular product and such guided price standard has been published on the website of relevant government authority or via authoritative price list, the price of such product shall be determined within the range of the government-guided price through negotiation;
- (iii) **market price:** where the above two price standards are not available for a particular product or the previous government prescribed or guided price are no longer applicable to such product, and such product does not fall within those subject to tender process pursuant to laws and regulations, the price of such product shall be determined with reference to the market price and the general principle for pricing shall be fair and reasonable. If the product falls within those subject to tender process pursuant to laws and regulations or the party receiving the procurement must apply the bidding procedure according to its internal code, the price shall be determined by tender process.

For prices that shall be determined through mutual negotiation, both parties shall take into consideration the following key factors while determining market price:

- (a) the prevailing market price charged by any third party selling a similar product in the region taking into account the quotation from other product suppliers providing the similar product and a minimum of two comparable transactions carried out with independent third parties during the same period; and

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- (b) the lowest fee quote in respect of the same or similar product sold by the parties and their relevant subordinate entities to any third party.

For prices that shall be determined through tender process under the applicable laws and regulations or the internal codes of purchaser:

Both parties shall select the product suppliers and determine the final price through the way of public tender process in accordance with the requirements under applicable laws and regulations of the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), Implementing Regulations on the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》) and the Measures for the Administration of the Bidding for Highway Construction Projects (《公路工程建設項目招標投標管理辦法》), as well as the provisions of relevant internal codes. Such process shall be carried out under the related laws and internal codes, and shall consider the following factors, including but not limited to:

- (a) the terms of the tender provided by the bidder, including the bid price, the terms set by the bidder for the tender;
- (b) the background, qualifications, technical and financial conditions; and
- (c) the historical business record for the provision of similar or same products by the bidder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there is no government-prescribed price or government-guided price provided for the goods being the subject matters under the Framework Agreements under the relevant PRC laws and regulations currently, thus the market price is applicable to all such goods, and the prices of which are determined by way of negotiations between parties or through tender process.

- Effective conditions** :
- (i) The agreements having been duly executed by the legal representative or authorised representative of the parties; and
 - (ii) the Company having obtained the approval of the resolutions in respect of the agreements and the transactions contemplated thereunder (including the proposed annual caps) by the Independent Shareholders at the EGM.

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Annual Caps and Historical Transaction Amounts

The table below sets out the proposed annual caps under the Framework Agreements during the term of the agreements.

	General Procurement Framework Agreement <i>RMB'000</i>	General Sales Framework Agreement <i>RMB'000</i>
Annual caps		
For the 2022 Period	150,000	300,000
For FY2023	1,100,000	1,000,000

The Group did not record any historical transaction amount with Shandong Hi-Speed Group and its Subordinated Companies for each of three years ended 31 December 2021 and up to the Latest Practicable Date in respect of the transactions contemplated under each of the Framework Agreements.

Basis for determining the annual caps

The annual caps under the Framework Agreements were determined after arm's length negotiations between the Company and Shandong Hi-Speed Group after taking into account of the following factors:

Particularly in respect of the General Procurement Framework Agreement

- (i) the expected increase in the demand and hence, the procurement of the cement, concrete and other geomaterials and construction materials to support the Construction R&E Works over the term of the General Procurement Framework Agreement;
- (ii) whereas the goods to be procured under the General Procurement Framework Agreement are expected to be mainly used by the construction units for the performance of the Construction R&E Works, the substantial increase of the proposed annual cap for the year ending 31 December 2023 is mainly attributable to expected timeline for such projects, whereby the substantial portion of the main construction and engineering works will commence in 2023, leading to an expected surge in demand for those goods being the subject matter of the General Procurement Framework Agreement;

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Particularly in respect of the General Sales Framework Agreement

- (iii) the expected demand of the road-paving materials, building materials, construction equipment and accessories and plantation protection materials by the construction units for the performance of the Connected Construction R&E Works over the term of the General Sales Framework Agreement;
- (iv) whereas the goods to be sold to Shandong Hi-Speed Group and its Subordinated Companies under the General Sales Framework Agreement are expected to be used by the latter, being the bid winners of the Connected Construction R&E Contracts, for the carrying out of the engineering works thereunder, taking in account of the expected timeline for the project progress, it is expected that the substantial portion of the main construction and engineering works will commence in 2023, the demand for such goods by the construction units of the Connected Construction R&E Contracts will surge by then, and thus leading to a substantial increase of the proposed annual cap for the year ending 31 December 2023;

Applicable to the Framework Agreements generally

- (v) the historical market price trend of the major geomaterials and construction materials and expected increase of those prices during the term of the Framework Agreements, taking into consideration of those of the various goods under the Framework Agreements to be charged by independent third party industry participants based on the Group's market research and quotations obtained by the Group from time to time, data from public channels as well as those information as obtained from the discussions and interviews with the market participants;
- (vi) the expected direct costs and project costs to be incurred by the respective parties to the Framework Agreements for the sales of goods under the Framework Agreements, taking into consideration, for instance, the expected increase in the raw material prices, the costs for sourcing and installation of the equipment, and the possible need for dedication of additional manpower and resources to facilitate the product offerings and development of such businesses over the term of the Framework Agreements; and
- (vii) certain buffers of all less than 10% have been reserved in respect of the expected procurement and sales of goods under the Framework Agreements. The Board considers that buffer amounts are necessary and appropriate in the circumstances when the expected procurement and sales demand are mainly influenced by the R&E Project progress from time to time, where such progress may be affected by a wide variety of factors such as the weather conditions or accidents on the Jihe Expressway necessitating emergency road closure and/or additional road repair or construction works, which may not be foreseen or capable of being estimated with reasonable level of certainty. Also, any delay or acceleration in the completion of the R&E Works at any stage may lead to a deviation of the expected demand of the road-paving materials, construction materials and other equipment and accessories

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at a particular point in time during the term of the Framework Agreements, and thereby leading to a corresponding change in the transaction amounts as incurred or recognised by the Group from that as projected at the onset. In the event of such circumstances arise, it would be impracticable or overly burdensome for the Group to revise the proposed annual caps and undergo the additional necessary procedures which could further delay the project progress. Whereas the buffer amounts represent less than 10% of the expected procurement costs or expected sales revenue (as the case may be); meanwhile, a 10% variance of project progress from that of the project plan is not uncommon in expressway construction projects, and particularly in light of the scale of the R&E Project, the Board is of the view that the buffers remain to be fair and reasonable in the circumstances.

Taking into account of the above factors, the Directors reasonably estimated the annual caps with reference to the following:

The General Procurement Framework Agreement

The annual caps proposed under the General Procurement Framework Agreement are determined based on the (i) the estimated procurement amounts by the Group; and (ii) buffers of less than 10% of such estimated procurement amounts for the 2022 Period and FY2023, respectively.

The estimated procurement amounts by the Group represent (i) the estimated procurement amounts for each type of products to be procured for the Construction R&E Works during the term of the General Procurement Framework Agreement; and (ii) the estimation related to other expressway construction, maintenance and upgrade projects, being the Group's possible demand (in terms of volume) of the goods under the General Procurement Framework Agreement with reference to the estimation on the re-sale of such goods to those other expressway operators and construction units for FY2023.

(A) Estimation related to the Construction R&E Works

The estimated amounts of the goods to be procured under the General Procurement Framework Agreement and dedicated for the Construction R&E Works (accounting for 100% and approximately 94% to the total estimated procurement amounts for the 2022 Period and FY2023 respectively) are calculated by the estimated procurement volume (which in turn is determined with reference to the amount of relevant engineering works for the respective period/year) of each of the goods under the Agreement, multiplied by the estimated unit price of the goods. In addition, a subsidiary of the Group shall also start procuring those goods, which will be used for producing the products for sale under the General Sales Framework Agreement, in FY2023. Based on the above, the Board estimates that the amounts to be incurred by the Group for procurement of the above goods for the purpose of Construction R&E Works are of approximately RMB140 million and RMB1,007 million for the 2022 Period and FY2023, respectively.

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(B) Estimation related to other projects

The estimated amounts of the goods under the General Procurement Framework Agreement to be procured for sale to the project owners and construction units of other expressway construction, maintenance and upgrade projects accounted for RMB70 million for FY2023. The amounts of estimation related to other projects are expected to be recorded from the trading business of a subsidiary of the Company (under the Group's sales of industrial products business segment), whereby the subsidiary will procure products from external suppliers and re-sell them to the subsidiary's customers pursuant to the latter's demands. The estimated amounts for FY2023 are determined with reference to the procurement costs of products (which were procured from independent third party suppliers based on certain product procurement agreements entered with the latter) supplied by the subsidiary pursuant to the product sales agreements recently entered into by the subsidiary with independent third party customers, and the estimated amounts under the General Procurement Framework Agreement in respect of those other projects represent a difference of less than 5% from the total contract values of the aforementioned product procurement agreements.

Please refer to paragraph (vii) above for further details of the justifications of the buffer amounts for the procurement of goods under the General Procurement Framework Agreement.

The General Sales Framework Agreement

The annual caps proposed under the General Sales Framework Agreement are determined based on the (i) the estimated sales amount by the Group; and (ii) buffers of less than 10% of such estimated sales amounts for the 2022 Period and FY2023, respectively.

The estimated amounts of the sales products under the General Sales Framework Agreement are calculated by the estimated sales volume of each of those products multiplied by the estimated unit price of the product. The estimated sales volume is determined with reference to the engineering work amounts of the Connected Construction R&E Works. Upon the acknowledgement of such engineering work amounts, the estimated volume of the sales products is either (i) converted from the engineering work amounts; or (ii) determined with reference to the relevant subsidiaries' production capacity for such products. Based on the above, the Board estimates that the sales amounts for the products under the General Sales Framework Agreement are of approximately RMB290 million and RMB949 million for the 2022 Period and FY2023, respectively.

Please refer to paragraph (vii) above for further details of the justifications of the buffer amounts for the sales of goods under the General Sales Framework Agreement.

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Reasons for and benefits of entering into the Framework Agreements

Shandong Hi-Speed Group is one of the leading expressway operators and road transport-related infrastructure goods and services providers in Shandong Province, whereas the Group is the operator of three expressways in Shandong Province and leveraging on its experience in expressway operation and management as well as provision of highway engineering and construction-related services, expanded its scale of operations in terms of the procurement and sales of industrial products including geomaterials and construction materials for use in expressway construction and facilities upgrade.

The Directors consider that it is beneficial to the Group to enter into the Framework Agreements taking into account of the following factors:

- (i) Shandong Hi-Speed Group and its Subordinated Companies have respectable experience and reputation in their respective areas of businesses and solid financial standing and have demonstrated themselves as contractual counterparties in terms of the quality highway operation-related services for the Group over the past years. The long-term cooperating relationship between the Group and Shandong Hi-Speed Group and its Subordinated Companies can reduce the accommodation costs for the Group;
- (ii) whereas the Group has undertaken the scalable R&E Project, which is also a key project under the Plan for a comprehensive upgrade of road network and mobility experience of the public, and is expected to be in need of a substantial volume of different road-paving, construction and building materials and equipment for such R&E Works to be carried out. Meanwhile, Shandong Hi-Speed Group is a prominent state-owned entity for the investment, construction and operation of the road infrastructure in Shandong Province and provision of the peripheral services, construction material, equipment and engineering support. Leveraging on their extensive experience and scale of operation in terms of the provision of material and equipment in relation to expressway construction and upgrade projects, it is essential for the Group, as the R&E Project owner, to secure a stable supply of such products, being the subject matter of the General Procurement Framework Agreement to ensure smooth implementation of the R&E Project during the term of the agreement;
- (iii) meanwhile, taking into consideration of the technical requirements and complexities of the R&E Works, the Company, as the R&E Project owner, will have particular specifications (including those for the construction works as well as the materials to be used for such works) for the construction units to follow and adopt in respect of certain parts of the Construction R&E works. As such, and not uncommon with other expressway construction projects in general, the project owner, which will have the master control over the project operation and will be in a better position to coordinate the efficient use of construction materials for the project works taking into account of the project progress of different road sections, will arrange for master procurement of the construction materials and related goods and equipment; and in line with the market-oriented operational approach, such goods shall be sold by the Group at market price to the construction units through arm's length transactions;

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- (iv) further, it is envisaged that there will be a relatively significant demand for a diverse range of construction materials to support the R&E Works. It is the industry practice that the construction units will not keep a substantial volume of the construction materials on-site due to the limited size of the construction site in order to minimise the impact to the environment, the disruption to the current construction works on-site as well as to reduce the storage costs involved. In addition, certain construction materials (such as cement and concrete) have their respective limited period of use in accordance with the applicable technical standards due to their physical properties. As such, the construction materials are generally ordered on an as-needed basis depending on the project progress. The procurement and sales of goods pursuant to the Framework Agreements enable stable access of different kinds of construction materials to support the R&E Project, as well as to meet the demands of the construction units for the purpose of carrying out the Connected Construction R&E Works. In light of the ongoing business relationship between Shandong Hi-Speed Group and its Subordinated Companies and the Group, the parties have been able to adequately understand and satisfy each other's business and operating requirements. In particular, given the leading role of Shandong Hi-Speed Group and its Subordinated Companies in terms of the reputation and the scale of operations in Shandong Province, their operation facilities and projects sites are widely spread over a number of locations within the province, thus the Group will be able to have easier access to its potential customers as well as the raw materials required and with a stronger bargaining power. The Board considers that the shortened supplier-customer distance as a result can further increase the Group's ability to procure the materials in a convenient and timely matter and at lower delivery costs on one hand, and to better satisfy the timely needs of the construction units under the Connected Construction R&E Contracts on the other, thereby achieving an overall enhancement in the Group's expressway construction and sales capacity; and
- (v) the goods supplied to and procured by the parties to the Framework Agreements have been on no less favourable terms as compared with those offered or supplied to and procured from independent third parties (as the case may be), taking into account the quality, price, understanding of business needs and operational requirements of the Group, familiarity with the projects undertaken by the parties and value-added contributions that could be offered, and those goods are in compliance with the applicable industry requirements on expressway operation, construction and engineering in general.

Therefore, whereas the Group and Shandong Hi-Speed Group have gained a mutual understanding on each other's business and operational needs based on the current and on-going business relationships in respect of the highway operation-related service, taking into account of the capabilities of both parties and the safeguards and requirements as to the quality and price of the goods under the Framework Agreements, the Board considers that the arrangements under the Framework Agreements are mutually beneficial to both parties, and particularly in respect of the Group, they would better facilitate the Group's development towards an integrated industry chain operational model through enhancement of its business scale in terms of the enhancement procurement and sales of the construction and building materials and equipment for the R&E Project. This effectively controls the associated transactional risks and communication costs in the Group's ordinary and usual course of business.

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Taking into account of the above, the Directors (excluding Mr. Zhou Cenyu and Ms. Kong Xia who were required to abstain from voting on the relevant Board resolutions in relation to the Framework Agreements but including the independent non-executive Directors, whose views are also contained in the letter from the Independent Board Committee in this circular) are of the view that the Framework Agreements and the transactions contemplated thereunder (including their proposed annual caps) are entered into in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IV. INTERNAL CONTROL MEASURES IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS

The Group has established a comprehensive internal control system to ensure that the continuing connected transactions under the Framework Agreements are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Relevant internal control measures include the following:

- (i) the Company has completed the approval of the Framework Agreements, in accordance with the connected transaction management measures and internal control system; and
- (ii) the Group has designated a team comprising the management of the Company, the securities investment department, the planning and financial department, the human resources department, the corporate management department and the audit and legal department to monitor the continuing connected transactions on an ongoing basis and report to the Board on a regular basis;
- (iii) the Company will regularly monitor the prices for the procurement and sales of the goods, being the subject matter of the continuing connected transactions under the Framework Agreements, to ensure that they are fair and reasonable and in accordance with the relevant pricing basis;
- (iv) the management team of the Group will, together with the financial management department, regularly review the sales and procurement of goods and the actual transaction amount to ensure that the relevant annual caps will not be exceeded;
- (v) the management team of the Group organises and conducts internal control tests on a regular basis to assess the integrity and effectiveness of the internal control measures in relation to the continuing connected transactions;
- (vi) the Board reviews the implementation of the Framework Agreements on an annual basis and the financial statements on a semi-annual basis. The review covers, inter alia, whether the Group and the connected persons have fulfilled the terms of the said agreements during the relevant year, and whether the actual transaction amounts incurred between the Group and the connected persons are within the annual caps;

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- (vii) the independent non-executive Directors review the continuing connected transactions on an annual basis and make annual confirmation in the annual report of the Company as to whether the continuing connected transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better terms and on terms that are fair and reasonable; (c) in accordance with the terms of the relevant agreements; and (d) are in the interests of the Company and the Shareholders as a whole; and
- (viii) to assist the Company in complying with the applicable rules set out in Chapter 14A of the Listing Rules, the auditor of the Company has performed work on the continuing connected transactions of the Company in accordance with the requirements of “Hong Kong Standard on Assurance Engagements 3000 – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to “Practice Note 740 – Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants and issued a letter on the continuing connected transactions disclosed in the annual report of the Company in accordance with the applicable accounting standards and the Listing Rules.

V. INFORMATION OF THE PARTIES

The Company

The Company is a joint stock company incorporated and validly existing under the laws of the PRC with limited liability and the H Shares of which are listed on the Main Board of the Stock Exchange. The Company is principally engaged in (i) the construction, maintenance, operation, management of expressways, including the Jihe Expressway, the Deshang Expressway (Liao Cheng – Fan County section) and the Shennan Expressway; (ii) engineering projects, including highway engineering construction, expressway maintenance and municipal greening and other constructions; and (iii) sales of industrial products and other business, in Shandong Province, the PRC.

Sichuan Road & Bridge Group

Sichuan Road & Bridge Group is a limited liability company incorporated in the PRC and is a wholly-owned subsidiary of Sichuan Road & Bridge. Sichuan Road & Bridge is a joint stock company incorporated in the PRC with limited liability and is mainly engaged in the construction project of highway, railway, building construction, municipal administration, mining and new energy infrastructure, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600039.SH).

Sichuan Road & Bridge Group is principally engaged in highway engineering, bridge engineering, railway engineering, port and airway engineering, hydraulic and hydropower engineering, electric power engineering, municipal and utility engineering, tunnel engineering and other businesses.

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To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, Sichuan Road & Bridge Group and its ultimate beneficial owners are all third parties independent of the Company and its connected persons.

Shandong Hi-Speed Group

Shandong Hi-Speed Group is a limited liability company incorporated and validly existing under the laws of the PRC. 90% of the equity interest in Shandong Hi-Speed Group is held by the Shandong Provincial State-owned Assets Supervision and Administration Commission, directly and indirectly, while the remaining 10% of the equity interest in Shandong Hi-Speed Group is held by the Shandong Provincial Council for Social Security Fund. Shandong Hi-Speed Group is a state-owned capital investment company in infrastructure sector in Shandong Province. It is principally engaged in expressway operation and management, carrying out the construction of major transportation projects designated by the Shandong Provincial Government, and revitalising, integrating, operating and managing other authorised non-expressway transportation assets. It is an investment and financing platform for the transportation industry development of the Shandong Provincial Government and the investment and financing entity of major transportation projects in Shandong Province.

VI. DIRECTORS' INTERESTS IN THE ABOVE TRANSACTIONS

As (i) Mr. Zhou Cenyu, a non-executive Director, is the secretary of the party general branch and the chairman of the board of directors, who is also the legal representative, of Shandong Hi-Speed Supply Chain Management, a wholly-owned subsidiary of Shandong Hi-Speed Group, the secretary of the party branch and chairman of the board of directors of Shandong Expressway Minsheng Group Co., Ltd. (山東高速民生集團有限公司), an indirect subsidiary of Shandong Hi-Speed Group, and a director of Shandong Hi-Speed Quanyin Supply Chain Management Co., Ltd. (山高荃銀供應鏈管理有限公司), a subsidiary of Shandong Hi-Speed Supply Chain Management and thus of Shandong Hi-Speed Group; and (ii) Ms. Kong Xia, also a non-executive Director, is the deputy head of the organisation department of the party committee (that is, the party committee of the head office) of Shandong Hi-Speed Group, and meanwhile, Shandong Hi-Speed Group is a controlling Shareholder and thus a connected person of the Company, both Mr. Zhou and Ms. Kong were deemed to have a material interest in the transactions contemplated under each of the Framework Agreements and therefore had abstained from voting on the relevant Board resolutions. Save for the above, none of the Directors had or was deemed to have a material interest in the above transactions and was required to abstain from voting on the relevant Board resolutions.

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VII. LISTING RULES IMPLICATIONS

In Respect of the Construction Section No.8 Contract

The Construction Section No.8 Contract will be accounted for as construction-in-progress at contractual payments. Under Chapter 14 of the Listing Rules, as all of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Construction Section No.8 Contract and the transaction contemplated thereunder exceed 25% but are less than 100%, the Construction Section No.8 Contract and the transaction contemplated thereunder constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In Respect of the Framework Agreements

As at the Latest Practicable Date, Shandong Hi-Speed Group indirectly held approximately 38.93% of the issued Shares of the Company through its subsidiary Shandong Hi-Speed. Meanwhile, Shandong Hi-Speed Group was a controlling Shareholder and thus a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. Therefore, the transactions contemplated under each of the Framework Agreements constituted a continuing connected transaction under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect to their respective highest proposed annual cap exceed 5%, both Framework Agreements and the transactions contemplated thereunder (including their respective proposed annual caps) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

VIII. THE EGM

The EGM will be held at 10:00 a.m. on Tuesday, 29 November 2022 at Video Conference Room, 24th Floor, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000, Jingshi East Road, High-tech Zone, Jinan City, the PRC. The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for the EGM is enclosed with this circular. If you wish to appoint proxy(ies) to attend the EGM or any adjourned meeting thereof, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon. For holders of H Shares, the aforementioned documents shall be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The form of proxy must be served not less than 24 hours before the time scheduled for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

LETTER FROM THE BOARD

IX. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company has been closed from Sunday, 30 October 2022 to Tuesday, 29 November 2022 (both days inclusive), during which period no transfer of Shares will be registered.

X. VOTING BY POLL

Pursuant to the Listing Rules, voting by poll is mandatory at all general meetings (except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted by a show of hands). The chairman of the EGM will request for voting by poll on all the proposed resolutions in the notice of the EGM. The results of the poll will be published on the websites of the Company and the Stock Exchange on the day of the EGM.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for each Share registered in his/her name in the register of members of the Company. A Shareholder entitled to more than one vote need not use all his/her votes or cast all the votes he/she uses in the same manner.

XI. ABSTENTION OF SHAREHOLDERS FROM VOTING

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders has a material interest in the transaction contemplated under the Construction Section No.8 Contract. Accordingly, no Shareholder is required to abstain from voting on the resolution to approve the Construction Section No.8 Contract and the transaction contemplated thereunder.

Nevertheless, by virtue of Shandong Hi-Speed Group having material interests in the transactions contemplated under each of the Framework Agreements, Shandong Hi-Speed Group and its associates (which are interested in approximately 38.93% of the total issued share capital of the Company as at the Latest Practicable Date) will be required to abstain from voting on the resolutions to be proposed at the EGM to approve the Framework Agreements and the transactions contemplated thereunder. As at the Latest Practicable Date, Shandong Hi-Speed holds 778,500,000 Shares, representing approximately 38.93% of the issued share capital of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Shandong Hi-Speed, no Shareholder is required to abstain from voting on the resolutions to approve the Framework Agreements and the transactions contemplated thereunder.

LETTER FROM THE BOARD

XII. RECOMMENDATIONS

After taking into account the reasons for and benefits of entering into the Construction Section No.8 Contract, the Board (including the independent non-executive Directors) is of the view that the transaction contemplated under the Construction Section No.8 Contract is entered into in the ordinary and usual course of business of the Group on normal commercial terms, and 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 resolution to be proposed at the EGM to approve the Construction Section No.8 Contract and the transaction contemplated thereunder.

Further, after taking into account the reasons for and benefits of entering into the Framework Agreements, the Board (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular after taking into account the advice from Gram Capital and the principal factors and reasons taken into consideration by Gram Capital) is of the view that the transactions contemplated under the Framework Agreements (including their proposed annual caps) are entered into in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Framework Agreements and the transactions contemplated thereunder.

Yours faithfully,
By order of the Board
Qilu Expressway Company Limited
Wang Zhenjiang
Chairman

Shandong, the PRC

Qilu Expressway Company Limited

齊魯高速公路股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1576)

31 October 2022

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE GENERAL PROCUREMENT FRAMEWORK AGREEMENT AND
THE GENERAL SALES FRAMEWORK AGREEMENT**

We refer to the circular of the Company of even date (the “Circular”). Unless the context otherwise requires, terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to form the Independent Board Committee to consider whether the transactions contemplated under the Framework Agreements (including their proposed annual caps), the details of which are set out in the letter from the Board, are fair and reasonable so far as the Independent Shareholders are concerned and to advise you in this regard.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to the transactions contemplated under the Framework Agreements (including their proposed annual caps). The details of the opinion of Gram Capital and the principal factors considered in arriving at such opinion are set out in the letter from Gram Capital on pages 35 to 50 of the Circular.

Your attention is also drawn to the letter from the Board on pages 10 to 32 and other information set out in the appendix to the Circular.

RECOMMENDATIONS

Having taken into account the terms and conditions of the Framework Agreements (including their proposed annual caps) and the reasons for and benefits of entering into the Framework Agreements, the interests of the Independent Shareholders and the opinion from Gram Capital, we are of the view that the transactions contemplated under the Framework Agreements (including their proposed annual caps) are entered into in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the above matters.

Yours faithfully,

For and on behalf of
the Independent Board Committee of
Qilu Expressway Company Limited

Mr. Cheng Xuezhao

Mr. Li Hua

Mr. Wang Lingfang

Mr. He Jiale

Mr. Han Ping

Independent non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in the Circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

31 October 2022

*To: The independent board committee and the independent shareholders of
Qilu Expressway Company Limited*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the transactions contemplated under General Procurement Framework Agreement (the “**Procurement Transactions**”); and (ii) the transactions contemplated under the General Sales Framework Agreement (the “**Sales Transactions**”, together with the Procurement Transactions, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 31 October 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 27 July 2022, the Company entered into, among other things, the General Procurement Framework Agreement and the General Sales Framework Agreement with Shandong Hi-Speed Group pursuant to which, the Company agreed to procure certain types of goods from and sell certain types of goods to Shandong Hi-Speed Group in accordance with the terms and conditions of the General Procurement Framework Agreement and the General Sales Framework Agreement, respectively.

With reference to the Board Letter, the Procurement Transactions and the Sales Transactions constitute continuing connected transactions and are subject to the reporting, announcement, annual review, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Mr. Cheng Xuezhao, Mr. Li Hua, Mr. Wang Lingfang, Mr. He Jiale and Mr. Han Ping (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as an independent financial adviser in relation to the Company's continuing connected transactions, details of which are set out in the Company's circulars dated 15 November 2021 and 20 July 2022. Save for the aforesaid engagements, there was no other service provided by Gram Capital to the Company relating to any transaction of the Company with executed agreement during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Besides, apart from the advisory fee and expenses payable to us in connection with this engagement as the Independent Financial Adviser, there is no arrangement whereby we shall be entitled to receive any other fees or benefits from the Company.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagements will not affect our independence to act as the Independent Financial Adviser due to the fact that (a) we were appointed as independent financial adviser to advise the Independent Board Committee and the then independent Shareholders and the past engagements did not fall into any circumstances as set out under the Rule 13.84 of the Listing Rules, therefore we maintained our independence from the Company during the aforesaid past engagements; and (b) the advisory fee of the aforesaid past engagements paid by the Company to us accounted for an insignificant portion of our revenue for the relevant period, we are of the view that we are independent to act as the Independent Financial Adviser.

LETTER FROM GRAM CAPITAL

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the General Procurement Framework Agreement and the General Sales Framework Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes the particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the 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 therein or the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Shandong Hi-Speed Group, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

LETTER FROM GRAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Business overview of the Company

With reference to the Board Letter, the Company is principally engaged in (i) the construction, maintenance, operation, management of expressways (including the Jihe Expressway, the Deshang Expressway (Liao Cheng – Fan County section) and the Shennan Expressways; (ii) engineering projects, including highway engineering construction, expressway maintenance and municipal greening and other constructions; and (iii) sales of industrial products and other business, in Shandong Province, the PRC.

Information on Shandong Hi-Speed Group

Shandong Hi-Speed Group is a limited liability company incorporated in the PRC. It is a state-owned capital investment company in infrastructure sector in Shandong Province. It is principally engaged in expressway operation and management, carrying out the construction of major transportation projects designated by the Shandong Provincial Government, and revitalising, integrating, operating and managing other authorised non-expressway transportation assets. It is an investment and financing platform for the transportation industry development of the Shandong Provincial Government and the investment and financing entity of major transportation projects in Shandong Province.

Reasons for and benefits of the Transactions

With reference to the Board Letter, whereas the products supplied by the Group under the General Sales Framework Agreement comprises of, among other things, those which have been processed by the Group, the mutual supply of various categories of goods under the General Procurement Framework Agreement and the General Sales Framework Agreement is beneficial to both the Group and the Shandong Hi-Speed Group and its Subordinated Companies, particularly in light of the fact that both parties envisage that there will be a relatively significant demand for a diverse range of construction materials to support the R&E Works.

It is the industry practice that the construction units will not keep a substantial volume of the construction materials on-site due to the limited size of the construction site in order to minimise the impact to the environment, the disruption to the current construction works on-site as well as to reduce the storage costs involved. In addition, certain construction materials (such as cement and concrete) have their respective limited period of use in accordance with the applicable technical standards due to their physical properties. As such, the construction materials are generally ordered on an as-needed basis depending on the project progress.

LETTER FROM GRAM CAPITAL

The procurement and sales of goods pursuant to the Framework Agreements enable stable access of different kinds of construction materials to the R&E Project, as well as to meet the demands of the construction units for the purpose of carrying out Connected Construction R&E Works. In light of the ongoing business relationship between Shandong Hi-Speed Group and its Subordinated Companies and the Group, the parties have been able to adequately understand and satisfy each other's business and operating requirements. In particular, given the leading role of Shandong Hi-Speed Group and its Subordinated Companies in terms of the reputation and the scale of operations in Shandong Province, their operation facilities and projects sites are widely spread over a number of locations within the province, thus the Group will be able to have easier access to its potential customers as well as the raw materials required and with a stronger bargaining power. The Board considers that the shortened supplier-customer distance as a result can further increase the Group's ability to procure the materials in a convenient and timely matter and at lower delivery costs on one hand, and to better satisfy the timely needs of the construction units under the Connected Construction R&E Contracts on the other, thereby achieving an overall enhancement in the Group's expressway construction and sales capacity.

With reference to the Board Letter, Shandong Hi-Speed Group is a prominent state-owned entity for the investment, construction and operation of the road infrastructure in Shandong Province and provision of the peripheral services, construction material, equipment and engineering support. Pursuant to the General Procurement Framework Agreement, the pricing of the goods procured under the agreement shall be determined on the basis of the following general principles and sequences, government-prescribed price, government-guided price and market price. The market price shall be determined through mutual negotiation (the lowest fee quote sold by the party or its relevant subordinate entities to any third party will be considered) or tender process (the bid prices will be considered). The entering into of the General Procurement Framework Agreement will enable the Group to have a stable source of construction materials such that the relevant subsidiaries of the Company could further supply such materials to third parties.

As the transactions contemplated under the General Sales Framework Agreement are revenue in nature, the entering into the General Sales Framework Agreement will enable the Group to expand its source of revenue.

As confirmed by the Directors, as the Transactions will be entered into in the ordinary and usual course of business of the Group and on a frequent basis, it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Listing Rules, if necessary. Please also refer to sub-section headed "Subject matter" under the section headed "II. THE FRAMEWORK AGREEMENTS" for the reasons of the certain overlapping of goods procured and sold by the Group from and to Shandong Hi-Speed Group and its Subordinated Companies under the General Procurement Framework Agreement and the General Sales Framework Agreement.

LETTER FROM GRAM CAPITAL

Having considered the above, we are of the view that the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

A. *The Procurement Transactions*

1. *Principal terms of the Transactions*

Major terms of the Transactions are set out as follows, details of which are set out under the section headed “II. THE FRAMEWORK AGREEMENTS” of the Board Letter:

Major terms	The Procurement Transactions	The Sales Transactions
Date	27 July 2022	
Parties	(i) the Company; and (ii) Shandong Hi-Speed Group	
Term	From the date of the agreements to 31 December 2023	
Subject matter	The goods procured by the Group from Shandong Hi-Speed Group and its Subordinated Companies primarily include steel reinforcement bars, strand, cement, geomaterials, asphalt, concrete and other building materials, construction equipment and their accessories, as well as all other items prescribed under the registered business scopes of Shandong Hi-Speed Group and its Subordinated Companies and as permitted by applicable laws.	The goods sold by the Group to Shandong Hi-Speed Group and its Subordinated Companies primarily include asphalt, asphalt mixture, cement, concrete and other building materials, construction equipment and their accessories, and plantation protection materials, as well as all other items prescribed under the Group’s registered business scopes and as permitted by applicable laws.

LETTER FROM GRAM CAPITAL

Major terms	The Procurement Transactions	The Sales Transactions
Principles of transactions	<p>In respect of the goods supplied by Shandong Hi-Speed Group and its Subordinated Companies, the Group shall give priority to the goods supplied by Shandong Hi-Speed Group and its Subordinated Companies so long as those supplied by third parties are on the same price and quality as theirs, except when the transaction counterparty of such goods available for bidding must be determined through bidding in accordance with the relevant laws and regulations.</p> <p>Shandong Hi-Speed Group will ensure the goods supplied by it and its Subordinated Companies are of high quality and the prices of which are fair and reasonable, whereas the prices of the goods sold to the Group shall not be higher than those sold to third parties.</p>	<p>In respect of the goods supplied by the Group, Shandong Hi-Speed Group and its Subordinated Companies shall give priority to the goods supplied by the Group so long as those supplied by third parties are on the same price and quality as the Group's, except when the transaction counterparty of such goods available for bidding must be determined through bidding in accordance with the relevant laws and regulations.</p> <p>The Group will ensure the goods supplied are of high quality and the prices of which are fair and reasonable, whereas the prices of the goods sold to Shandong Hi-Speed Group and its Subordinated Companies shall not be higher than those sold to third parties.</p>
Payment method	<p>Upon the Framework Agreements becoming effective, the Group will enter into separate and individual contracts with Shandong Hi-Speed Group or its Subordinated Companies. The specific terms on the scopes of procurement/sale, amounts, settlement methods and the relevant rights and obligations shall be set out in the contractual provisions of the individual signed contracts or tender documents.</p>	

LETTER FROM GRAM CAPITAL

Pricing Policies

The pricing of each of goods procured or sold under the Framework Agreements shall be determined on the basis of the following general principles and sequences:

- (a) **government-prescribed price:** where the central or local government imposes price control on a particular product, the price of such product shall be determined in accordance with the prescribed price published on the website of the relevant government authority or the authoritative price list;
- (b) **government-guided price:** where a guided price standard imposed by the central or local government is available for a particular product and such guided price standard has been published on the website of relevant government authority or via authoritative price list, the price of such product shall be determined within the range of the government-guided price through negotiation;
- (c) **market price:** where the above two price standards are not available for a particular product or the previous government prescribed or guided price are no longer applicable to such product, and such product does not fall within those subject to tender process pursuant to laws and regulations, the price of such product shall be determined with reference to the market price and the general principle for pricing shall be fair and reasonable. If the product falls within those subject to tender process pursuant to laws and regulations or the party receiving the procurement must apply the bidding procedure according to its internal code, the price shall be determined by tender process.

With reference to the Board Letter, there is no government-prescribed price or government-guided price provided for the goods being the subject matters under the Framework Agreements under the relevant PRC laws and regulations currently, thus the market price is applicable to all such goods, and the prices of which are determined by way of negotiations between parties or through tender process.

We noted that the prices to be determined through mutual negotiation or through tender process are further governed by the Framework Agreements. Having considered that (A) (i) prevailing market price, quotation from other independent suppliers for at least two comparable transactions and minimum quotation for same or similar product will be considered (which indicates that the price will be determined according to market); or (ii) relevant laws and regulations will be in compliance with and public tender process (including a comprehensive assessment on bid price, terms set by bidders, background, qualification, historical record will be considered) will be followed; and (B) determination of pricing based on prevailing market price, comparison with quotations from independent third parties, tendering process are generally adopted as pricing policy of continuing connected transactions, we are of the view that the pricing policy of the Framework Agreements are fair and reasonable.

LETTER FROM GRAM CAPITAL

To safeguard the interests of the Company and the Shareholders as whole, the Company adopted internal control measures relating to the Transactions, details of which are set out under the section headed “INTERNAL CONTROL MEASURES IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS” of the Board Letter. Having considered that the Company will regularly monitor the prices for the procurement and sales of the goods, being the subject matter of the continuing connected transactions under the Framework Agreements, we consider that the effective implementation of the procedures would help to ensure fair pricing of the Transactions according to the pricing policies.

In addition, we also noted that the management team of the Group will, together with the financial management department, regularly review the sales and procurement of goods and the actual transaction amount to ensure that the relevant annual caps will not be exceeded. We consider that there is sufficient procedure to monitor the utilisation of proposed annual caps under the Framework Agreements.

The proposed annual caps

A. The Procurement Transactions

With reference to the Board Letter, the Group did not record any historical transaction amount with Shandong Hi-Speed Group and its Subordinated Companies for each of three years ended 31 December 2021 and up to the Latest Practicable Date.

Set out below are the proposed annual caps for the Procurement Transactions (i) for the 2022 Period; and (ii) for FY2023:

	For the period from the date of the General Procurement Framework Agreement to 31 December 2022	For the year ending 31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
The proposed annual caps of the Procurement Transactions (the “ Procurement Cap(s) ”)	150,000	1,100,000

In determining the Procurement Caps, the Company has considered various factors as set out under the section headed “Basis for determining the annual caps” of the Board Letter.

LETTER FROM GRAM CAPITAL

To assess the fairness and reasonableness of the Procurement Caps, we obtained a supporting calculation for the Procurement Caps and noted that the Procurement Caps was determined based on (a) estimated procurement amounts made by two subsidiaries of the Company; and (b) buffers of less than 10% on the aforesaid estimated procurement amounts for 2022 Period and FY2023 respectively.

The estimated procurement amounts made by the two subsidiaries of the Company (the “**Subsidiary A**” and “**Subsidiary B**” respectively) were the summation of (i) the estimation related to the R&E Project, being the estimated procurement amounts for each type of products to be procured by the Subsidiary A and Subsidiary B from Shandong Hi-Speed Group and its Subordinated Companies pursuant to the General Procurement Framework Agreement (the “**Procurement Product(s)**”) for 2022 Period and FY2023; and (ii) the estimation related to other projects, being the Subsidiary A’s possible demand (in volume) of the Procurement Products with reference to estimation on the demand of Procurement Products to be re-sold other expressway operators and construction units for FY2023.

The estimation related to the R&E Project

The estimated amounts of each Procurement Product relating to the R&E Project (accounting for 100% and approximately 94% to the total estimated procurement amounts for the 2022 Period and FY2023 respectively) were calculated by the estimated procurement volume multiply by the estimated unit price of the Procurement Products.

In respect of the estimated procurement volume of the Procurement Products, we discussed with the Directors and understood that the volume of each type of the Procurement Products was determined based on the possible demand (in volume) of the Procurement Products or products as processed by the Procurement Products with reference to the estimated demand of engineering works for the main works under the R&E Project. The Procurement Products and the products as processed by the Procurement Products will be sold to construction units (施工單位) in respect of the main works under the R&E Project.

Upon our request, we obtained figures showing the amount of relevant engineering works. We further reviewed both the aforesaid figures and the construction contracts for construction section No. 1 to No. 9 of the R&E Project. We noted that amounts of relevant engineering works are in line with the summation of relevant amounts as set out in the construction contracts for construction section No. 1 to No. 9 of the R&E Project.

After the relevant engineering works amounts (工程量) were acknowledged, the estimated volume of the Procurement Products was then determined with reference to the engineering works amounts. We also understood from the Directors that, the Group may also procure certain Procurement Products from independent third party supplier based on the Group’s understanding that Shandong Hi-Speed Group and its Subordinated Companies may not supply all the demand of certain Procurement Products pursuant to the engineering works amounts for the R&E Project. Therefore, the Group downward adjusted the estimated volume of certain Procurement Products from Shandong Hi-Speed Group and its Subordinated Companies.

LETTER FROM GRAM CAPITAL

In respect of the estimated volume for the relevant Procurement Products to be procured by Subsidiary A for the 2022 Period and FY2023 (i.e. the allocation of the estimated volume for the Procurement Products to the 2022 Period and FY2023), the Subsidiary A provided us a table showing the estimated proportion of construction units' (施工單位) demand for the Procurement Products in 2022 Period and FY2023 to total demand volume. We noted that the proportions of "the estimated volume for the relevant Procurement Products to be procured by Subsidiary A for each of the 2022 Period and FY2023" to "the total estimated volume for the relevant Procurement Products" according to the supporting calculation are in line with the estimated proportion of construction units' (施工單位) demand for the Procurement Products in 2022 and 2023 to total demand volume pursuant to the table.

In addition, as the Subsidiary B proposed to supply the relevant Sales Products from 2023, there would be no procurement volume for the Procurement Products (being the materials for the producing of the Sales Products to be supplied by the Subsidiary B) for the 2022 Period. Relevant volume of the Procurement Products to be procured by Subsidiary B was expected to be incurred in FY2023.

Based on the above factors, we are of the view that the total estimated volume for the Procurement Products relating to the R&E Project to be reasonable.

In respect of the unit prices of the Procurement Products, we obtained the estimated unit prices for each of the Procurement Products together with supporting information for unit prices, such as market index for products, cost for each component for products, quotations from independent third parties, or price information published by a governmental unit. After reviewing the aforesaid documents and based on the public information available to us, we noted that the unit prices as final prices or as adopted for calculating final prices were (i) in line with the published information; (ii) fell within the recent range of prices of such products; or (iii) not higher than the quotations from independent third parties. Therefore, we are of the view that the unit prices of the Procurement Products were reasonably estimated by the Subsidiary A and Subsidiary B.

Given that the estimated amounts of the Procurement Products (related to the R&E Project), being the summation of the estimated amounts of each Procurement Products as calculated by the estimated procurement volume multiply by the estimated unit price of the Procurement Product, both of which were reasonably estimated by the Subsidiary A and Subsidiary B, we are of the view that the estimated amounts of Procurement Products (related to the R&E Project) of approximately RMB140 million for the 2022 Period and approximately RMB1,007 million for FY2023 are reasonable.

The estimation related to other projects

The amounts of estimation related to other projects accounted for approximately 6% to the total estimated procurement amounts for FY2023. The amounts of estimation related to other projects are expected to be recorded from the trading business of Subsidiary A under the Group's sales of industrial products business segment. Under Subsidiary A's trading business, Subsidiary A will procure products from suppliers and re-sell such products to Subsidiary A's

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customers pursuant to its customers' demands. As advised by the Directors, the estimated amounts for FY2023 were determined with reference to the procurement costs of products supplied by the Subsidiary A pursuant to products sales agreements which were recently entered into by the Subsidiary A with independent third party customers. The products sold by Subsidiary A pursuant to the aforesaid sales agreements were procured by Subsidiary A from independent third party suppliers.

Upon our request, we obtained the products procurement agreements and noted that the amounts of estimation related to other projects for FY2023 was close to (with difference of less than 5%) the total contract values of the products procurement agreements. Accordingly, we consider the amounts of estimation related to other projects for FY2023 to be reasonable.

Buffers

As the estimated supply volume of the sales products (being Procurement Products or Procurement Products as materials for the producing of the sales products to be supplied to construction units of the R&E Projects) by Subsidiary A and Subsidiary B was determined with reference to the engineering works amounts for the main works under the R&E Project. Any postponed or expedited completion of the works at any stage may cause changes to the actual demand of Procurement Products and/or the products as processed by the Procurement Products during each period/year. In the event that the aforesaid circumstances arise, it would be impractical or burdensome to revised proposed annual cap for such period. As the buffers for the 2022 Period and FY2023 represented less than 10% of the total estimated amounts of the Procurement Products respectively and having considered aforesaid circumstances and that there were listed companies on the Stock Exchange which incorporated buffer of 10% in the proposed annual caps of their continuing connected transactions, we consider that the buffers are acceptable.

Based on the above factors, we are of the view that the Procurement Caps for the 2022 Period and FY2023 to be fair and reasonable.

B. The Sales Transactions

With reference to the Board Letter, the Group did not record any historical transaction amount with Shandong Hi-Speed Group and its Subordinated Companies for each of three years ended 31 December 2021 and up to the Latest Practicable Date.

Set out below are the proposed annual caps for the Sales Transactions (i) for the 2022 Period; and (ii) for FY2023:

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	For the period from the date of the General Sales Framework Agreement to 31 December 2022	For the year ending 31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
The proposed annual caps of the Sales Transactions (the “ Sales Cap(s) ”)	300,000	1,000,000

In determining the Sales Caps, the Company has considered various factors as set out under the section headed “Basis for determining the annual caps” of the Board Letter.

To assess the fairness and reasonableness of the Sales Caps, we obtained a supporting calculation for the Sales Caps and noted that the Sales Caps were determined based on (a) estimated sales amounts made by three subsidiaries of the Company; and (b) buffers of less than 10% on the aforesaid estimated sales amounts for 2022 Period and FY2023 respectively.

The estimated sales amounts made by three subsidiaries of the Company (i.e. Subsidiary A, Subsidiary B and another subsidiary of the Company (the “**Subsidiary C**”)(collectively, the “**Subsidiaries**”) were the summation of the estimated sales amounts for each type of products to be supplied by the Subsidiaries) to Shandong Hi-Speed Group and its Subordinated Companies pursuant to the General Sales Framework Agreement (the “**Sales Products**”) for the 2022 Period and FY2023 respectively. The estimated amounts of each Sales Products were calculated by the estimated sales volume multiply by the estimated unit price of the Sales Products.

For the 2022 Period, the Group anticipated that only Subsidiary A will supply certain Sales Products to Shandong Hi-Speed Group and its Subordinated Companies pursuant to the General Sales Framework Agreement.

For FY2023, the Group anticipated that, in addition to the supply of certain Sales Products by Subsidiary A, the Subsidiary B and Subsidiary C will also supply certain Sales Products.

As advised by the Directors, the estimated supply volume of the Sales Products by the Subsidiaries was determined with reference to the engineering works amounts for the main works under the reconstruction and expansion project pursuant to construction contracts for construction sections No. 1, No 2 and No. 5 of the R&E Project, the counterparties of which were connected persons of the Company. For the avoidance of doubt, the Subsidiaries will also supply the Sales Products to the construction units pursuant to construction contracts for other

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construction sections of the R&E Project (i.e. construction sections No. 3, No. 4, No. 6, No. 7, No. 8 and No. 9). However, as the counterparties to the aforesaid contracts were independent third parties, relevant supply amounts will not be accounted for the transactions contemplated under the Sales Transactions.

Upon our request, we obtained figures showing the amount of relevant engineering works and acknowledged that such amounts are in line with the amounts as set out in the construction contracts for construction sections No. 1, No 2 and No. 5 of the R&E Project. The counterparties of the aforesaid contracts are connected persons of the Company.

After the engineering works amounts were acknowledged, the estimated volume of the Sales Products was (i) converted from the engineering works amounts; or (ii) determined with reference to the relevant Subsidiaries' production capacity for such products.

Based on the above factors, we are of the view that the total estimated volume for the Sales Products to be reasonable.

In respect of the estimated volume for the relevant Sales Products to be supplied by Subsidiary A for the 2022 Period and FY2023 (i.e. the allocation of the estimated volume for the Sales Products to the 2022 Period and FY2023), the Subsidiary A provided us a table showing the estimated proportion of construction units' (施工單位) demand for the Sales Products in 2022 Period and FY2023 to total demand volume. We noted that the proportions of "the estimated volume for the relevant Sales Products to be supplied by Subsidiary A for each of the 2022 Period and FY2023" to "the total estimated volume for the relevant Sales Products" according to the supporting calculation are in line with the estimated proportion of construction units' (施工單位) demand for the Sales Products in 2022 and 2023 to total demand volume pursuant to the table. In addition, as the Subsidiary B and Subsidiary C proposed to supply the relevant Sales Products from 2023, no volume for the relevant Sales Products to be supplied by Subsidiary B and Subsidiary C was estimated for the 2022 Period. Accordingly, we are of the view that the estimated volume for the Sales Products for the 2022 Period and FY2023 to be reasonable.

In respect of the unit price of the Sales Products, we obtained the estimated unit prices for each of the Sales Products together with supporting information for unit prices, such as market index for products, cost for each component for products, or price information published by a governmental unit. After reviewing the aforesaid documents and based on the public information available to us, we noted that the unit prices as final prices or as adopted for calculated final prices were (i) in line with the published information or prices generated from professional cost budgeting software; (ii) fell within the recent range of prices of such products; or (iii) not lower than the estimated purchase price for the procurement of same products. Therefore, we are of the view that the unit prices of the Sales Products were reasonably estimated by the Subsidiaries.

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Given that the estimated amounts of the Sales Products, being the summation of the estimated amounts of each Sales Products as calculated by the estimated sales volume multiply by the estimated unit price of the Sales Products, both of which were reasonably estimated by the Company, we are of the view that the estimated amounts of the Sales Products of approximately RMB290 million for the 2022 Period and approximately RMB949 million for FY2023 to be reasonable.

As mentioned above, the estimated supply volume of the Sales Products by the Subsidiaries was determined with reference to the engineering works amounts for the main works under the reconstruction and expansion project of Jihe Expressway to construction contracts for construction sections No. 1, No 2 and No. 5 of the R&E Project. Any postponed or expedited completion of the works at any stage may cause changes to the actual demand of Sales Products during each period. In the event that the aforesaid circumstances arise, it would be impractical or burdensome to revised proposed annual cap for such period. As the buffers for the 2022 Period and FY2023 represented less than 10% of the total estimated amounts of the Sales Products respectively and having considered aforesaid circumstances and that there were listed companies on the Stock Exchange which incorporated buffer of 10% in the proposed annual caps of their continuing connected transactions, we consider that the buffers are acceptable.

Based on the above factors, we are of the view that the Sales Caps for the 2022 Period and FY2023 to be fair and reasonable.

Shareholders should note that as the Procurement Caps and the Sales Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2023, and they do not represent forecasts of cost to be incurred or income to be generated from the transactions contemplated under the the Framework Agreements. Consequently, we express no opinion as to how closely the actual cost to be incurred or income to be generated from the transactions contemplated under the Framework Agreements will correspond with the respective annual caps.

In light of the above, we are of the view that the terms of the Transactions are on normal commercial terms and are fair and reasonable.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the transactions must be restricted by the relevant annual caps for the period concerned under the Framework Agreements; (ii) the terms of the aforesaid transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the aforesaid transactions must be included in the Company's subsequent published annual reports.

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Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the aforesaid transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps.

In the event that the amounts of the aforesaid transactions are anticipated to exceed their respective annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *For identification purpose only*

1. FINANCIAL OVERVIEW OF THE GROUP

The financial information of the Group for the three years ended 31 December 2021 and the six months ended 30 June 2022 is set out in the 2019 annual report, the 2020 annual report, the 2021 annual report and the 2022 interim report of the Company, respectively. The annual and interim reports of the Company are available for inspection on the websites of the Company at www.qlecl.com and HKExnews as follows:

- (i) the annual report of the Company for the year ended 31 December 2019:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0421/2020042100863.pdf>
- (ii) the annual report of the Company for the year ended 31 December 2020:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042300463.pdf>
- (iii) the annual report of the Company for the year ended 31 December 2021:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042700736.pdf>
- (iv) the interim report of the Company for the six months ended 30 June 2022:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0902/2022090201684.pdf>

2. INDEBTEDNESS

As at 30 September 2022, being the latest practicable date for the purpose of this statement of indebtedness, the outstanding indebtedness of the Group were as follows:

(i) Borrowings

The Group had total interest-bearing bank borrowings of RMB3,297,081,990, among which RMB1,157,986,000 were guaranteed and RMB2,139,095,990 were unguaranteed.

(ii) Contingent Liabilities

The Group had no material contingent liabilities and guarantees on a group consolidated basis.

(iii) Lease Liabilities

The balance of the Group's lease liabilities was RMB72,508,740, representing the rental payables for land and properties.

Save as those disclosed above or elsewhere in this circular and except for the inter-group liabilities during the ordinary course of business and normal trade payables, as at 30 September 2022, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance leases commitments, guarantees or other contingent liabilities.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the construction, maintenance, operation and management of expressways, as well as highway engineering construction and sales of industrial products in Shandong, the PRC.

As disclosed in the 2022 interim report of the Company published on 2 September 2022, the Group recorded a revenue from operations of approximately RMB988.21 million for the six months ended 30 June 2022, representing an increase of approximately 8.44% from that of approximately RMB911.30 million for the corresponding period in 2021. During the six months ended 30 June 2022, the toll income from the Jihe Expressway amounted to approximately RMB561.73 million, representing a decrease of approximately 8.97% from that of approximately RMB617.08 million for the corresponding period in 2021; and the toll income from the Deshang Expressway (Liaocheng – Fan County section) and Shennan Expressway amounted to approximately RMB235.26 million, representing a decrease of approximately 12.98% from that of approximately RMB270.37 million for the correspondence period of last year. The decrease in toll income of the Group was mainly attributable to the severe pandemic situation in some regions of the PRC during the six months ended 30 June 2022 as well as the implementation of various pandemic prevention and control measures, which led to a general decrease in social operation and people’s travel, and had a significant impact to the traffic flow on the expressways. Besides, the increasing oil prices and the impact of expressway entrance overload control contributed to a decrease in the traffic volume and thus the toll income attributable from large trucks in expressway network.

Nevertheless, the Group recognised revenue of approximately RMB177.61 million and RMB7.24 million for the six months ended 30 June 2022 from the construction activities of the R&E Project and other engineering construction works, respectively, the sum of which represents an overall increase of approximately 779.75% when compared with that of approximately RMB21.01 million in the corresponding period of last year. Further, the Group recorded revenue from the sales and trading of industrial products of approximately RMB3.80 million. These contributed to the overall increase in the revenue of the Group for the six months ended 30 June 2022 when compared to that for the corresponding period of last year.

The Group recorded profit attributable to owners of the parent of approximately RMB405.11 million, representing a slight decrease or approximately 0.69% when compared to that of approximately RMB407.91 million for the corresponding period of last year. Such decrease was mainly attributable to the reduction in toll income as mentioned above.

For details, please refer to the section headed “Management Discussion and Analysis – Financial Review – Operations” in the 2022 interim report of the Company.

In the first half of 2022, with the insistence of the master policy of “dynamic clearance” against the Covid-19 pandemic, the effect of the implementation of prevention and control measures had been witnessed with the success in containing the pandemic and restoring the general livelihoods of the public and business activities in a gradual manner. Leveraging on the stable implementation of the social development policies by the State as well as the continuous improvement of the market economic system, the long-term positive fundamentals in the PRC remains unchanged and the general economy and social activities will be picking up their growth momentum in the second half of the year. In light of the new patterns and changes, Shandong Province has closely followed the superposition effect of major strategies and the new opportunities brought by the expansion of opening up, continued the amplification of policy integration and is preparing for breaking through the transformation of new and old kinetic energy, to accelerate the formation of innovative development advantages, effectively strengthen infrastructure support, become more entrepreneurial and provide a stable and healthy development environment for the Group. In the mid and long term, expressways continue play an important role in the modern transportation system which contributes to economic development. With the solid growth of the PRC’s economy, consumer expenditure is expected to rise steadily, and tourism and logistics sectors will continue to prosper. The above factors will remain strong driving forces for the growth of expressway industry. The Group will continue to strive to improve its expressway operation management and upgrade the expressway maintenance initiatives, as well as to improve the technical quality of the Group’s expressways and optimise the Group’s service brand.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Group’s business prospects, internal resources and available credit facilities, the working capital available to the Group is sufficient for the Group’s requirements for at least 12 months from the date of this circular.

5. FINANCIAL IMPACT OF THE TRANSACTION CONTEMPLATED UNDER THE CONSTRUCTION SECTION NO.8 CONTRACT ON THE GROUP

When the construction cost in respect of the works under the Construction Section No.8 is incurred, such cost will be capitalised as the construction-in-progress of the Group, meanwhile increasing the accounts payable of the Group. Upon payment of the project sum in accordance with the Construction Section No.8 Contract, there will be a corresponding decrease in the accounts payable as well as the cash and cash equivalents of the Group. As the project sum will be settled by the Group’s internal resources and other financing methods, the total liabilities of the Group will be increased by an amount equivalent to such sum obtain from the financing facilities. Whilst there will be corresponding changes in the assets and liabilities positions of the Group as mentioned above, it is expected that completion of the constructions works under the Construction Section No.8 Contract will not have any immediate resultant impact on the net asset position of the Group.

During the construction period, the revenue and costs recognised in respect of such construction activities based on the capitalised amount will increase in tandem in accordance with applicable accounting standard, thereby no resultant impact to the net profit position of the Group. Meanwhile, in respect of the financial position of the Group, there will also be no resultant effect as to the Group's net assets as the increase in the sum of the Group's fixed assets and construction-in-progress will be offset by the decrease in the bank balances and other cash and cash equivalents and increase in bank borrowings of the Group. During the operational phase upon completion the construction works, the finance costs arising from the interest expenses incurred in respect of the financing facilities for the project will lead to a decrease in the profit of the Group during the term of such facilities.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with respect to the Company. The information contained herein relating to the Company has been supplied by the Directors, who collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, no other facts are omitted in this circular which would make any statement herein misleading insofar as it relates to the Company.

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, based on the information available to the Company and to the best knowledge of the Directors, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or were recorded in the register required to be kept by the Company under section 352 of the SFO, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Further details of the Directors and Supervisors being a director, supervisor or employee of a company which has an interest or short position in the shares and underlying shares of the issuer which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

- Mr. Wang Shaochen, a non-executive Director, currently serves as a director of the human resources sharing services centre (Jinan branch) of China Energy Guoyuan Power Co., Ltd. (國家能源集團國源電力有限公司);
- Mr. Zhou Cenyu, a non-executive Director, is currently the secretary of the party general branch and the chairman of the board of directors, who is also the legal representative, of Shandong Hi-Speed Supply Chain Management, the secretary of the party branch and chairman of the board of directors of Shandong Expressway Minsheng Group Co., Ltd. (山東高速民生集團有限公司), and a director of Shandong Hi-Speed Quanyin Supply Chain Management Co., Ltd. (山高荃銀供應鏈管理有限公司);
- Mr. Su Xiaodong, a non-executive Director, currently serves as the investment director and general manager of the capital and investment department of COSCO SHIPPING (Hong Kong);

- Ms. Kong Xia, a non-executive Director, is the deputy head of the organisation department of the party committee (that is, the party committee of the head office) of Shandong Hi-Speed Group;
- Mr. Shi Jinglei, a non-executive Director, serves as a deputy manager of the Board's office of China Merchants Expressway Network & Technology Holdings Co., Ltd. (招商局公路網絡科技控股股份有限公司);
- Mr. Du Zhongming, a non-executive Director, serves as a departmental general manager of CITIC-Prudential Asset Management Company Limited (中信保誠資產管理有限責任公司);
- Ms. Meng Xin, the chairperson of the Supervisory Committee, serves as the assistant to president and the general manager of the financial department of COSCO SHIPPING (Hong Kong);
- Mr. Wu Yongfu, a Shareholder representative Supervisor, serves as the deputy head of the engineering and construction centre of Guoneng Power Technology & Engineering Co., Ltd. (國能電力技術工程有限公司); and
- Mr. Zhang Yin, a Shareholder representative Supervisor, serves as the director of the project development and capital operation centre of Shandong Hi-Speed Group.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, to the best knowledge of the Directors, there was no material adverse change in the financial position or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

4. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claims of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened by or against any member of the Group.

5. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESSES

The table below summarises the positions concurrently held by the Directors and Supervisors in road operation companies of the controlling shareholders and/or their associates (other than the Company):

Name/Positions held with the Company	Directorship, supervisorship, senior management or other positions held with road operation companies of the controlling shareholders and/or their associates (other than the Company) as at the Latest Practicable Date
Chen Dalong / Vice chairman of the Board and non-executive Director	Director of Smart Watch Assets Limited, Freetech Intelligent Road Regeneration Engineering Investment Co., Ltd. (英達智能道路再生工程投資有限公司) (held by COSCO SHIPPING (Hong Kong) Industry & Trade Limited (中遠海運(香港)工貿有限公司), a wholly owned subsidiary of COSCO SHIPPING (Hong Kong), as to 49%) and director of Tianjin Expressway Maintenance Company Limited (天津市高速公路養護有限公司) (held by Freetech Intelligent Road Regeneration Engineering Investment Co., Ltd. as to 55%), as well as chairman of the board of directors of the following companies: (i) Hebei Jixing Expressway Co., Ltd. (河北冀星高速公路有限公司); (ii) Tianjin Tianyu Expressway Co., Ltd. (天津天預高速公路有限公司); (iii) Tianjin Tian'ang Expressway Co., Ltd. (天津天昂高速公路有限公司); (iv) Tianjin Tianxu Expressway Co., Ltd. (天津天旭高速公路有限公司); (v) Tianjin Tianda Expressway Co., Ltd. (天津天達高速公路有限公司); (vi) Tianjin Tianwei Expressway Co., Ltd. (天津天偉高速公路有限公司); (vii) Tianjin Tianduo Expressway Co., Ltd. (天津天奪高速公路有限公司); (viii) Tianjin Tianfu Expressway Co., Ltd. (天津天富高速公路有限公司); (ix) Tianjin Tianyong Expressway Co., Ltd. (天津天永高速公路有限公司); and (x) Tianjin Tianxian Expressway Co., Ltd. (天津天顯高速公路有限公司) (Smart Watch Assets Limited is a wholly-owned subsidiary of COSCO SHIPPING (Hong Kong) and the parent company of companies (i) to (x))

Name/Positions held with the Company	Directorship, supervisorship, senior management or other positions held with road operation companies of the controlling shareholders and/or their associates (other than the Company) as at the Latest Practicable Date
Su Xiaodong / Non-executive Director	Investment director and general manager of the capital and investment department of COSCO SHIPPING (Hong Kong); as well as director of the following companies: (i) Hebei Jingshi Expressway Development Co., Ltd. (河北京石高速公路開發有限公司); (ii) COSCO H.K. (Beijing) Investment Co., Limited (香遠(北京)投資有限公司); (iii) Hebei Jixing Expressway Co. Ltd. (河北冀星高速公路有限公司); (iv) Tianjin Tianyu Expressway Co., Ltd. (天津天預高速公路有限公司); (v) Tianjin Tian'ang Expressway Co., Ltd. (天津天昂高速公路有限公司); (vi) Tianjin Tianxu Expressway Co., Ltd. (天津天旭高速公路有限公司); (vii) Tianjin Tianda Expressway Co., Ltd. (天津天達高速公路有限公司); (viii) Tianjin Tianwei Expressway Co., Ltd. (天津天偉高速公路有限公司); (ix) Tianjin Tianduo Expressway Co., Ltd. (天津天奪高速公路有限公司); (x) Tianjin Tianfu Expressway Co., Ltd. (天津天富高速公路有限公司); (xi) Tianjin Tianyong Expressway Co., Ltd. (天津天永高速公路有限公司); and (xii) Tianjin Tianxian Expressway Co., Ltd. (天津天顯高速公路有限公司) (Smart Watch Assets Limited is the holding company of the above companies (i) to (xii))
Zhou Cenyu / Non-executive Director	Secretary of the party general branch and chairman of the board of directors (a legal representative) of Shandong Hi-Speed Supply Chain Management Co., Ltd. (山東高速供應鏈管理有限公司) (formerly known as Qilu Transportation and Logistics Development Company Limited (齊魯交通物流發展有限公司)), the secretary of the party branch and chairman of the board of directors of Shandong Expressway Minsheng Group Co., Ltd. (山東高速民生集團有限公司), and a director of Shandong Hi-Speed Quanyin Supply Chain Management Co., Ltd. (山高荃銀供應鏈管理有限公司)
Kong Xia / Non-executive Director	Deputy head of the organisation department of the party committee (that is, the party committee of the head office) of Shandong Hi-Speed Group

Name/Positions held with the Company	Directorship, supervisorship, senior management or other positions held with road operation companies of the controlling shareholders and/or their associates (other than the Company) as at the Latest Practicable Date
Meng Xin / Chairperson of the Supervisory Committee	Assistant to president and general manager of the finance department of COSCO SHIPPING (Hong Kong); director of COSCO SHIPPING (Hong Kong) Industry & Trade Limited (中遠海運(香港)工貿有限公司); director of COSCO Treasury Company Limited, held as to 100% by COSCO SHIPPING; director of Great Victory Holdings Ltd., held as to 100% by COSCO SHIPPING; director of Peaktrade Investments Limited, held as to 100% by COSCO SHIPPING; director of Smart Watch Assets Limited and the following companies: (i) Hebei Jixing Expressway Co. Ltd. (河北冀星高速公路有限公司); (ii) Tianjin Tianyu Expressway Co., Ltd. (天津天預高速公路有限公司); (iii) Tianjin Tian'ang Expressway Co., Ltd. (天津天昂高速公路有限公司); (iv) Tianjin Tianxu Expressway Co., Ltd. (天津天旭高速公路有限公司); (v) Tianjin Tianda Expressway Co., Ltd. (天津天達高速公路有限公司); (vi) Tianjin Tianwei Expressway Co., Ltd. (天津天偉高速公路有限公司); (vii) Tianjin Tianduo Expressway Co., Ltd. (天津天奪高速公路有限公司); (viii) Tianjin Tianfu Expressway Co., Ltd. (天津天富高速公路有限公司); (ix) Tianjin Tianyong Expressway Co., Ltd. (天津天永高速公路有限公司); and (x) Tianjin Tianxian Expressway Co., Ltd. (天津天顯高速公路有限公司)
Zhang Yin / Shareholder Representative Supervisor	Director of the project development and capital operation centre of Shandong Hi-Speed Group

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or Supervisors holds any interest in business other than the business of the Group which directly or indirectly competes or is likely to compete with the business of the Group.

6. INTERESTS OF DIRECTORS AND SUPERVISORS IN ASSETS AND CONTRACTS

References are made to the announcement and the circular of the Company dated 20 May 2022 and 20 July 2022, respectively, in relation to, among others, the major transactions of the Company in respect of the entering into of the Connected Main R&E Contracts. Set out below is a summary of the subject matter and consideration in respect of the transaction contemplated under each of the Connected Main R&E Contracts.

I. Construction Section No. 1 Contract

- Parties : (i) the Company (as principal);
- (ii) SDHS Engineering Construction (as contractor);
and
- (iii) Qilu Jiangong (as contractor)

SDHS Engineering Construction is a limited liability company established in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, SDHS Engineering Construction is controlled by Shandong Luqiao as to 60%. Shandong Luqiao is a limited liability company established in the PRC and a wholly-owned subsidiary of Shandong Hi-Speed Road & Bridge Co., Ltd. (山東高速路橋集團股份有限公司). Shandong Hi-Speed Road & Bridge Co., Ltd. is a limited liability company incorporated in the PRC, with its shares listed on the Shenzhen Stock Exchange (stock code: 000498.SZ). Shandong Hi-speed Road & Bridge Co., Ltd. is a controlling subsidiary of Shandong Hi-Speed Group.

- Subject matter : SDHS Engineering Construction and Qilu Jiangong (as contractors) undertook to take on, among others, the following road section works for the first construction section of the R&E Project, namely: the construction works for the road section starting from K55+378 and ending at K74+841 with a total length of approximately 19.463 km, which is classified as an expressway and has a designed speed of 120 km per hour, including, among others, asphalt and concrete surface pavements, 13 grade-separated interchanges, 2 merging interchanges, 3 large and medium bridges and other structures.

- Project sum : The total contract amount for the project shall be RMB1,523,044,782.85.

II. Construction Section No. 2 Contract

- Parties : (i) the Company (as principal); and
(ii) Shandong Luqiao (as contractor)

Shandong Luqiao is a limited liability company established in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shandong Luqiao is a wholly-owned subsidiary of Shandong Hi-Speed Road & Bridge Co., Ltd. (山東高速路橋集團股份有限公司).

- Subject matter : Shandong Luqiao (as contractor) undertook to take on, among others, the following road section works for the second construction section of the R&E Project, namely: the construction works for the road section starting from K74+841 and ending at K96+700 with a total length of approximately 21.859 km, which is classified as an expressway and has a designed speed of 120 km per hour, including, among others, asphalt and concrete surface pavements, 2 grade-separated interchanges, 1 merging interchange, 11 large and medium bridges and other structures.

- Project price : The total contract amount for the project shall be RMB1,190,821,034.05.

III. Construction Section No. 5 Contract

- Parties : (i) the Company (as principal);
(ii) Shandong R&B (as contractor); and
(iii) Liaocheng Transportation Development (as contractor)

Shandong R&B is a company established in the PRC with limited liability. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shandong R&B is controlled by Shandong Luqiao as to 72% equity interest.

Liaocheng Transportation Development is a company established in the PRC with limited liability. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Liaocheng Transportation Development is controlled by Shandong Hi-Speed Road & Bridge Investment Management Co., Ltd. (山東高速路橋投資管理有限公司) as to 51% equity interest, which is a company established in the PRC with limited liability, and a wholly-owned subsidiary of Shandong Hi-Speed Road & Bridge Group Co., Ltd. (山東高速路橋集團股份有限公司).

Subject matter : Shandong R&B and Liaocheng Transportation Development (as contractors) undertook to take on, among others, the following road section works for the fifth construction section of the R&E Project, namely: the construction works for the road section starting from K132+220 and ending at K146+560 with a total length of approximately 14.34 km, which is classified as an expressway and has a designed speed of 120 km per hour, including, among others, asphalt and concrete surface pavements, 9 grade-separated interchanges, 1 merging interchange, 9 large and medium bridges and other structures.

Project price : The total contract amount for the project shall be RMB885,866,345.30.

IV. General Supervision Office Section No. 1 Contract

Parties : (i) the Company (as principal); and
(ii) STESC (as supervisor)

STESC is a limited liability company established in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, STESC is controlled by Shandong Hi-Speed Engineering Consulting Group Co., Ltd. (山東高速工程諮詢集團有限公司) as to 60%. Shandong Hi-Speed Engineering Consulting Group Co., Ltd. is a limited liability company established in the PRC and a wholly-owned subsidiary of Shandong Hi-Speed Group.

Subject matter : STESC (as supervisor) undertook to take on, among others, the supervision works for the R&E Project, particularly as to the construction works for the road section starting from K55+378 and ending at K208+153 with a length of approximately 152.775 km, which is classified as an expressway and has a designed speed of 120 km per hour, including, among others, asphalt and concrete surface pavements, 51 grade-separated interchanges, 15 merging interchanges, 2 grand bridges, 46 large and medium bridges and other structures.

Supervisory service fees : The total contract amount for the project shall be RMB36,900,500.00.

V. Onsite Supervision Section No. 4 Contract

Parties : (i) the Company (as principal); and
(ii) SDHS EPM (as supervisor)

SDHS EPM is a limited liability company established in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, SDHS EPM is controlled by Shandong Hi-Speed Engineering Consulting Group Co., Ltd. (山東高速工程諮詢集團有限公司) and Shandong Hi-Speed as to 43.50% and 41.50%, respectively.

Subject matter : SDHS EPM (as supervisor) undertook to take on, among others, the supervision works for the R&E Project, particularly as to the construction works for the road section starting from K160+557 and ending at K208+153 with a length of approximately 47.596 km, which is classified as an expressway and has a designed speed of 120 km per hour, including, among others, asphalt and concrete surface pavements, 13 grade-separated interchanges, 5 merging interchanges, 1 grand bridge with a length of 1,182 metres, 11 large and medium bridges with a length of 2,139 metres and other structures.

Supervisory service fees : The total contract amount for the project shall be RMB26,619,600.00.

As (i) Mr. Zhou Cenyu, a non-executive Director, is the secretary of the party general branch and the chairman of the board of directors, who is also the legal representative, of Shandong Hi-Speed Supply Chain Management, a wholly-owned subsidiary of Shandong Hi-Speed Group, the secretary of the party branch and chairman of the board of directors of Shandong Expressway Minsheng Group Co., Ltd. (山東高速民生集團有限公司), an indirect subsidiary of Shandong Hi-Speed Group, and a director of Shandong Hi-Speed Quanyin Supply Chain Management Co., Ltd. (山高荃銀供應鏈管理有限公司), a subsidiary of Shandong Hi-Speed Supply Chain Management and thus of Shandong Hi-Speed Group; and (ii) Ms. Kong Xia, also a non-executive Director, is the deputy head of the organisation department of the party committee (that is, the party committee of the head office) of Shandong Hi-Speed Group, and meanwhile, Shandong Hi-Speed Group is a controlling Shareholder and thus a connected person of the Company, both Mr. Zhou and Ms. Kong were deemed to have a material interest in the transactions contemplated under each of the Connected Main R&E Contracts.

Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries:

- (i) none of the Directors or Supervisors had any direct or indirect interest in any assets which had been 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 since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up, and up to the Latest Practicable Date; and
- (ii) none of the Directors or Supervisors or any of their respective associates was materially interested in any contract or arrangement which was significant to the business of the Group subsisting as at the Latest Practicable Date.

7. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As at the Latest Practicable Date, none of the Directors or Supervisors had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given an opinion or advice contained in this circular or reference to its name has been made in this circular:

Name	Qualification
Gram Capital	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Gram Capital:

- (i) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (ii) did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

Gram Capital has given and has not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter, report, opinion and/or the reference to its name in the form and context in which it appears.

9. MATERIAL CONTRACTS

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

- (i) the tripartite agreement of which the Company, Shandong Hi-speed Group Company Limited (山東高速集團有限公司) and Qilu Transportation Development Group Company Limited (齊魯交通發展集團有限公司) completed the execution on 26 November 2020, pursuant to which Shandong Hi-Speed Group assumed all contractual rights and obligations of Qilu Transportation under the agreement between Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway;
- (ii) the subscription agreement entered into between the Company and China Construction Bank Corporation Jinan Changqing Sub-branch (中國建設銀行股份有限公司濟南長清支行) on 29 January 2021, pursuant to which the Company subscribed for the wealth management product issued by the latter in the principal amount of RMB200,000,000;
- (iii) the subscription agreement entered into between the Company and China Merchants Bank Co. Ltd. (中國招商銀行股份有限公司) on 29 January 2021, pursuant to which the Company subscribed for the wealth management product issued by the latter in the principal amount of RMB200,000,000;
- (iv) the subscription agreement entered into between the Company and Industrial and Commercial Bank of China Limited Jinan Jing'er Road Sub-branch (中國工商銀行股份有限公司濟南經二路支行) on 30 April 2021, pursuant to which the Company subscribed for the wealth management product issued by the latter in the principal amount of RMB200,000,000;

- (v) the subscription agreement entered into between the Company and China Construction Bank Corporation Jinan Changqing Sub-branch (中國建設銀行股份有限公司濟南長清支行) on 28 May 2021, pursuant to which the Company subscribed for the wealth management products issued by the latter in the principal amount of RMB200,000,000;
- (vi) the subscription agreements entered into between the Company and China Construction Bank Corporation Jinan Changqing Sub-branch (中國建設銀行股份有限公司濟南長清支行) on 7 September 2021, 25 February 2022, 13 April 2022 and 27 May 2022, respectively, pursuant to which the Company subscribed for the wealth management products issued by the latter in the principal amount of RMB150,000,000, RMB200,000,000, RMB200,000,000 and RMB300,000,000, respectively;
- (vii) the subscription agreement entered into between the Company and China Guangfa Bank Co., Ltd. Jinan Branch (廣發銀行股份有限公司濟南分行) on 29 June 2022, pursuant to which the Company subscribed for the wealth management product issued by the latter in the principal amount of RMB400,000,000;
- (viii) the partnership agreement entered into between Qilu Expressway Investment and Shandong Huaying on 4 August 2022, pursuant to which a partnership shall be formed by Qilu Expressway Investment (as the limited partner) and Shandong Huaying (as the general partner) with a fund scale of RMB285.01 million for investment in a PPP project in relation to the construction of Hongqi Road and the southern section of Derun Road (Gangcheng West Street Interchange – Tonglin Road) (both being urban express roads) in Yantai, Shandong Province, the PRC; and
- (ix) the subscription agreement entered into between the Company and Bank of Beijing Co., Ltd. Jinan Branch (北京銀行股份有限公司濟南分行) on 23 September 2022, pursuant to which the Company subscribed for wealth management product issued by the latter in the principal amount of RMB600,000,000.

10. GENERAL

- (i) The registered office, headquarters and principal place of business in the PRC of the Company is situated at Room 2301, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000 Jingshi East Road, High-tech Zone, Jinan City, Shandong Province, the PRC.
- (ii) The principal place of business in Hong Kong of the Company is at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.
- (iii) The H Share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

- (iv) The joint company secretaries of the Company are Mr. Lian Shengguo and Ms. So Shuk Yi Betty. Ms. So is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute since 1997.
- (v) The English text of this circular, the accompanying form of proxy and the notice of the EGM shall prevail over the Chinese version in case of any inconsistency.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of HKEXnews at www.hkexnews.hk and the Company at www.qlecl.com from the date of this circular up to and including the date of the EGM:

- (i) the Construction Section No.8 Contract;
- (ii) the General Procurement Framework Agreement;
- (iii) the General Sales Framework Agreement;
- (iv) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (v) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular; and
- (vi) the written consent of Gram Capital.

NOTICE OF THE EGM

Qilu Expressway Company Limited

齊魯高速公路股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1576)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the “**EGM**”) of Qilu Expressway Company Limited (the “**Company**”) will be held at 10:00 a.m. on Tuesday, 29 November 2022 at Video Conference Room, 24th Floor, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000, Jingshi East Road, High-tech Zone, Jinan City, the People's Republic of China (the “**PRC**”) for the purpose of considering and, if thought fit, passing the resolutions set out below. Capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 31 October 2022.

ORDINARY RESOLUTIONS

“THAT

1. the Construction Section No.8 Contract and the transaction contemplated thereunder be and is hereby considered, approved, confirmed and ratified in all respects, and any Director be and is hereby authorised to do all such acts as he/she may consider necessary or expedient for the purpose of implementing and/or giving effect to the Construction Section No.8 Contract;
2. the General Procurement Framework Agreement and the transaction contemplated thereunder (including its proposed annual caps) be and is hereby considered, approved, confirmed and ratified in all respects, and any Director be and is hereby authorised to do all such acts as he/she may consider necessary or expedient for the purpose of implementing and/or giving effect to the General Procurement Framework Agreement; and
3. the General Sales Framework Agreement and the transaction contemplated thereunder (including its proposed annual caps) be and is hereby considered, approved, confirmed and ratified in all respects, and any Director be and is hereby authorised to do all such acts as he/she may consider necessary or expedient for the purpose of implementing and/or giving effect to the General Sales Framework Agreement.”

By order of the Board
Qilu Expressway Company Limited
Wang Zhenjiang
Chairman

Shandong, the PRC
31 October 2022

NOTICE OF THE EGM

Notes:

1. The register of members of the Company has been closed from Sunday, 30 October 2022 to Tuesday, 29 November 2022 (both days inclusive), during which period no transfer of shares of the Company shall be registered.
2. Any shareholders entitled to attend and vote at the EGM can appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a shareholder of the Company.
3. In order to be valid, the proxy form must be deposited in person or by post to the Company's Hong Kong H share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares), or to the correspondence address of the Company (attention: secretary of the Board) (for holders of domestic shares) not less than 24 hours before the time for holding the EGM (or any adjournment thereof) or the time appointed for polling. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and delivery of the proxy form will not preclude shareholders from attending and voting in person at the EGM or any adjournment thereof should they so wish.
4. Shareholders or their proxies shall produce their identification documents when attending the EGM.
5. The EGM is expected to last for no more than half a day. Shareholders who attend the EGM shall bear their own travelling and accommodation expenses.
6. The correspondence address of the Company is as follows:

Address: Room 2301, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000 Jingshi East Road, High-tech Zone, Jinan City, Shandong Province, the PRC
Postal Code: 250101
Fax: (+86) 0531-87207077
7. The voting at the EGM shall be conducted by way of poll. The results of the poll will be published on the websites of HKExnews (www.hkexnews.hk) and the Company (www.qlcl.com).

As at the date of this notice, the executive Directors are Mr. Wang Zhenjiang, Mr. Peng Hui and Mr. Liu Qiang; the non-executive Directors are Mr. Chen Dalong, Mr. Wang Shaochen, Mr. Zhou Cenyu, Mr. Su Xiaodong, Ms. Kong Xia, Mr. Du Zhongming and Mr. Shi Jinglei; and the independent non-executive Directors are Mr. Cheng Xuezhao, Mr. Li Hua, Mr. Wang Lingfang, Mr. He Jiale and Mr. Han Ping.