
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)

CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTIONS IN RELATION TO 2024-2026 CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENTS; 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 46 of this circular. The letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 47 to 48 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 49 to 75 of this circular.

A notice for convening the EGM to be held at 10:00 a.m. on Friday, 29 December 2023 at Video Conference Room, 24/F, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000 Jingshi East Road, High-tech Zone, Jinan City, Shandong Province, 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.

14 December 2023

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	10
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	47
LETTER FROM GRAM CAPITAL	49
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II – GENERAL INFORMATION	II-1
NOTICE OF THE EGM	EGM-1

DEFINITIONS

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

“2024-2026 Continuing Connected Transactions Framework Agreements”	collectively, (i) the 2024-2026 Financial Services Framework Agreement; (ii) the 2024-2026 General Procurement Framework Agreement; (iii) the 2024-2026 General Sales Framework Agreement; and (iv) the 2024-2026 General Services Framework Agreement
“2024-2026 Financial Services Framework Agreement”	the financial services framework agreement dated 23 November 2023 entered into between the Company and Shandong Hi-Speed Group, details of which are set out in this circular
“2024-2026 General Procurement Framework Agreement”	the general procurement framework agreement dated 23 November 2023 entered into between the Company and Shandong Hi-Speed Group, details of which are set out in this circular
“2024-2026 General Sales Framework Agreement”	the general sales framework agreement dated 23 November 2023 entered into between the Company and Shandong Hi-Speed Group, details of which are set out in this circular
“2024-2026 General Services Framework Agreement”	the general services framework agreement dated 23 November 2023 entered into between the Company and Shandong Hi-Speed Group, details of which are set out in this circular
“14th Five-Year Plan”	Outline of the People’s Republic of China 14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives 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
“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors

DEFINITIONS

“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.HK)
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“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. 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
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“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, holding approximately 30.00% equity interest of the Company as at the Latest Practicable Date, and is one of the controlling shareholders of the Company
“COSCO SHIPPING International”	COSCO SHIPPING International (Hong Kong) Co., Ltd. (中遠海運國際(香港)有限公司), a company listed on the Stock Exchange (stock code: 517), and a subsidiary of COSCO SHIPPING (Hong Kong)
“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

DEFINITIONS

“Director(s)”	the director(s)
“Domestic Share(s)”	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
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the 2024-2026 General Services Framework Agreement, the 2024-2026 General Procurement Framework Agreement, the 2024-2026 General Sales Framework Agreement and the 2024-2026 Financial Services Framework Agreement as well as the transactions contemplated thereunder (including the proposed annual caps) (other than the other financial services under the 2024-2026 Financial Services Framework Agreement)
“Electrical and Mechanical Engineering Construction Contract”	Contract for the Construction of Electrical and Mechanical Engineering for Reconstruction and Expansion Project of the Jinan – Guangzhou Expressway (Jinan to Heze Section) (JHJD-1 Tender Section) (《濟廣高速公路濟南至荷澤段改擴建工程機電工程施工合同書(JHJD-1標段)》) entered into between the Company and Shandong Aobang and Shandong Zhengchen Technology (as a consortium), on 3 November 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
“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

DEFINITIONS

“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 under the 2024-2026 General Services Framework Agreement, the 2024-2026 General Procurement Framework Agreement, the 2024-2026 General Sales Framework Agreement and their proposed annual caps and the deposit services and cross-border fund centralised operation and management services under the 2024-2026 Financial Services Framework Agreement 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
“People’s Capital”	People’s Capital Management (Shenzhen) Co., Ltd. (華民股權投資基金管理(深圳)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
“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the transactions contemplated under the 2024-2026 General Services Framework Agreement, the 2024-2026 General Procurement Framework Agreement and the 2024-2026 General Sales Framework Agreement and their proposed annual caps, as well as the deposit services and cross-border fund centralised operation and management services under the 2024-2026 Financial Services Framework Agreement and their proposed annual caps

DEFINITIONS

“Independent Shareholder(s)”	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
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“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”	7 December 2023, 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
“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
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“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

DEFINITIONS

“Power Relocation and Modification Construction Contract”	Contract for the Electricity Relocation (Phase II) for the Reconstruction and Expansion Project of the Jinan – Guangzhou Expressway (Jinan to Heze Section) (DLQGSG (2)-1 Tender Section) (《濟廣高速公路濟南至荷澤段改擴建工程電力遷改施工(二期)合同文件(DLQGSG(2)-1標段》) entered into between the Company and Shandong Zhengchen Technology, on 3 November 2023
“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)
“Previous Financial Services Framework Agreements”	the financial services framework agreement dated 31 August 2021 entered into between the Company and Weihai City Commercial Bank and the 2023 cross-border fund centralised operation and management service agreement dated 8 June 2023 entered into between the Company and Shandong Hi-Speed Group
“Previous General Procurement Framework Agreement”	the agreement dated 27 July 2022 entered into between the Company and Shandong Hi-Speed Group in relation to, among other things, the purchase of certain types of goods by the Group from Shandong Hi-Speed Group and its Subordinated Companies during the period from the date of the agreement to 31 December 2023
“Previous General Sales Framework Agreement”	the agreement dated 27 July 2022 entered into between the Company and Shandong Hi-Speed Group in relation to, among other things, the sale of certain types of goods by the Group to Shandong Hi-Speed Group and its Subordinated Companies during the period from the date of the agreement to 31 December 2023
“Previous General Services Framework Agreement”	the agreement dated 18 June 2021 entered into between the Company and Shandong Hi-Speed Group in relation to the procurement of General Highway Business Operation Services from Shandong Hi-Speed Group and its relevant Subordinated Companies for the three years ended 31 December 2023
“Qilu Expressway Hong Kong”	Qilu Expressway (Hong Kong) Co., Ltd. (齊魯高速(香港)有限公司), a company incorporated in Hong Kong with limited liability and a subsidiary of the Company

DEFINITIONS

“Qilu Expressway Investment”	Qilu Expressway (Shandong) Investment Management Co., Ltd. (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
“RMB” or “Renminbi”	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 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

DEFINITIONS

“Shandong Hi-Speed”	Shandong Hi-Speed Company Limited (山東高速股份有限公司), a joint stock company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600350.SH), directly holding approximately 38.93% of the total issued shares of the Company as at the Latest Practicable Date, and 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, indirectly holding approximately 38.93% of the total issued shares of the Company through its subsidiary Shandong Hi-Speed as at the Latest Practicable Date, and an existing controlling shareholder
“Shandong Hi-Speed Rail Transportation Group”	Shandong Hi-Speed Rail Transportation Group Co., Ltd., a company incorporated in the PRC with limited liability, is directly held as to 49% by Shandong Hi-Speed Group and 51% by Shandong Hi-Speed as at the Latest Practicable Date, being a subsidiary of Shandong Hi-Speed Group
“Shandong Aobang”	Shandong Aobang Traffic Facilities Engineering Co., Ltd. (山東奧邦交通設施工程有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Shandong Hi-Speed Information Group as at the Latest Practicable Date
“Shandong Hi-Speed Information Group”	Shandong Hi-Speed Information Group Co., Ltd. (山東高速信息集團有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Shandong Hi-Speed Group as at the Latest Practicable Date
“Shandong Zhengchen Technology”	Shandong Zhengchen Technology Co., Ltd. (山東正晨科技股份有限公司) a company incorporated in the PRC with limited liability and is owned as to 33.3944% by Shandong Hi-Speed Information Group as at the Latest Practicable Date
“Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, including domestic shares and H shares

DEFINITIONS

“Shareholder(s)”	holder(s) of the share(s)
“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 Xiduantun Village, with a total length of approximately 18.267 km
“STESC”	Shandong Traffic 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”	subsidiaries, branch companies and associates
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Weihai City Commercial Bank”	Weihai City Commercial Bank Co., Ltd., a joint stock company incorporated in the PRC, the shares of which are listed on the Stock Exchange (stock code: 9677.HK), which is principally engaged in taking deposits from the public, extending short-term, medium-term and long-term loans, effecting domestic settlements, discounting bills, and acting as an agent for issuance of, settlement for, and underwriting of, government bonds, and other financial services. As at the Latest Practicable Date, Shandong Hi-Speed Group and its holding subsidiary, Shandong Hi-Speed, hold approximately 35.56% and 11.6% of the issued shares of Weihai City Commercial Bank respectively
“%”	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. Ma Xianghui

Ms. Kong Xia

Mr. Su Xiaodong

Mr. Kang Jian

Mr. Wang Gang

Mr. Shi Jinglei

Mr. Du Zhongming

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. Liu Hongwei

Mr. He Jiale

Mr. Wang Lingfang

Mr. Leng Ping

Ms. Shen Chen

14 December 2023

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND MAJOR TRANSACTIONS
IN RELATION TO
2024-2026 CONTINUING CONNECTED TRANSACTIONS
FRAMEWORK AGREEMENTS; AND
NOTICE OF THE EGM**

I. INTRODUCTION

References are made to the announcement of the Company dated 23 November 2023 in relation to, among others, (i) the 2024-2026 General Services Framework Agreement; (ii) the 2024-2026 Financial Services Framework Agreement; (iii) the 2024-2026 General Procurement Framework Agreement; and (iv) the 2024-2026 General Sales Framework Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, (i) the recommendation from the Independent Board Committee to the Independent Shareholders; (ii) the recommendations from Gram Capital to the Independent Board Committee and the Independent Shareholders; (iii) other information as required under the Listing Rules; and (iv) the notice convening the EGM to enable you to make an informed decision while voting on the relevant resolutions at the EGM.

II. 2024-2026 CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENTS

1. 2024-2026 General Services Framework Agreement

The principal terms and conditions of the 2024-2026 General Services Framework Agreement are set out as follows:

Date	:	23 November 2023
Parties	:	(i) the Company; and (ii) Shandong Hi-Speed Group
Term	:	Effective from 1 January 2024 to 31 December 2026 (both days inclusive).
Subject matter	:	Pursuant to the 2024-2026 General Services Framework Agreement, Shandong Hi-Speed Group and its relevant Subordinated Companies will provide the Group with General Highway Business Operation Services, including the planning, renovation, engineering, survey and system design of highways and ancillary facilities; highway technology inspections, and regular and ad-hoc inspections of bridges and tunnels; repair and maintenance of highways and ancillary facilities; survey and analysis of road sections; research on treatment measures and techniques; projection of and research on traffic volume and toll amount; operational management of toll collection; project supervision; project contracting and supply of bulk materials; and other related or similar services.

LETTER FROM THE BOARD

- Demand estimation** : The Group shall submit a service demand plan for the next fiscal year or any adjustment plan on service projects for the current fiscal year to Shandong Hi-Speed Group by 31 October of each year. Both parties shall also reach a consensus on the plans before 30 November of the same fiscal year. In the event that the service demand plan of the Group for the next fiscal year is agreed upon between the parties, Shandong Hi-Speed Group shall fulfill the plan.
- Payment method** : Upon the 2024-2026 General Services Framework Agreement becoming effective, in respect of the projects for which the provision of services by Shandong Hi-Speed Group and its relevant Subordinated Companies is determined through tenders, the time and manner of payment of the relevant service fees shall be determined in accordance with the tender documents and the agreement signed by both parties separately.
- Effective conditions** : (i) The agreement having been executed by the legal representative or authorised representative of the parties, and affixed with the common seals of the parties; and
- (ii) The Company having obtained the approval of the resolutions in respect of the agreement and the transactions contemplated thereunder (including the proposed annual caps) by the Independent Shareholders at the EGM.
- Pricing policies** : The fees for various services under the 2024-2026 General Services Framework Agreement shall be determined on the basis of the following principles and sequences:
- (i) **government-prescribed price:** where the central or local government imposes price control on services, the fees for services 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 services and such guided price standard has been published on the website of relevant government authority or via authoritative price list, the price of services shall be determined within the range of the government-guided price through negotiation; and

LETTER FROM THE BOARD

- (iii) **market price:** where the above two price standards are not available for services or the previous government prescribed or guided price are no longer applicable to such services, and such services does not fall within those subject to tender process pursuant to laws and regulations, the fee for the service shall be determined with reference to the market price and the general principle for pricing shall be fair and reasonable. If the services 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:

- (i) the prevailing market price charged by any third party selling a similar service in the region taking into account the quotation from other service suppliers providing the similar service and a minimum of two comparable transactions carried out with Independent Third Parties during the same period; and
- (ii) the lowest fee quote in respect of the same or similar service sold by the parties and their relevant Subordinated Companies to any third party.

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

Both parties shall select the service 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:

- (i) the terms of the tender provided by the bidder, including the bid price, the terms set by the bidder for the tender;
- (ii) the background, qualifications, technical and financial conditions of the bidder; and

LETTER FROM THE BOARD

- (iii) the historical business record for the provision of similar or same services 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 services being the subject matters under the 2024-2026 General Services Framework Agreement under the relevant PRC laws and regulations currently, thus the market price is applicable to all such services, and the prices of which are determined by way of negotiations between parties or through tender process.

Historical Transaction Amounts and Previous Annual Caps

The existing annual caps and the historical transaction amounts for the transactions contemplated under the Previous General Services Framework Agreement for each of the two years ended 31 December 2022 and the ten months ended 31 October 2023 shall be respectively as follows:

	For the year ended		Ten months ended
	31 December		31 October
	2021	2022	2023
	<i>(Note 1)</i>		
		<i>RMB'000</i>	
Previous annual caps	100,000	1,700,000	2,400,000
	<i>(Note 2)</i>	<i>(Note 2)</i>	<i>(Note 2)</i>
Historical transaction amounts	36,385	371,890	760,293

Notes:

1. From the date of the Previous General Services Framework Agreement.
2. Reference is made to 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 reconstruction and expansion project of the Jihe Expressway (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. Taking into account the scope of services that can be provided by Shandong Hi-Speed Group and its relevant Subordinated Companies, the progress of the preliminary work of the R&E Project, and the expected increase in the demand of the Company for such services, the Board passed a resolution on 26 August 2021 to adopt the proposed amendments to adjust upwards the annual caps for each of the three years ended 31 December 2023 to RMB100 million, RMB200 million and RMB100 million under the Agreement respectively, which were considered, approved and confirmed by the EGM on 13 December 2021. Subsequently, with the commencement of the main works of the R&E Project, taking into account the scope of services that can be provided by Shandong Hi-Speed Group and its relevant Subordinated Companies, the progress of the main works of the R&E Project on the Jihe Expressway, the awarding of the tenders for sections of the main works of the R&E Project, and the expected increase in the demand of the Company for such services as a result thereof, the Board passed a resolution on 20 May 2022 to adopt the Proposed Revised Annual Caps (being RMB1.7 billion and RMB2.4 billion respectively) as the respective annual caps for the two years ended 31 December 2023, which were considered, approved and confirmed by the general meeting on 19 August 2022.

LETTER FROM THE BOARD

Proposed Annual Caps, and Basis for Determining the Annual Caps

The proposed annual caps for the transactions contemplated under the 2024-2026 General Services Framework Agreement for each of the three years ended 31 December 2026 shall be respectively as follows:

	For the year ending 31 December		
	2024	2025	2026
	<i>RMB'000</i>		
Annual caps	2,600,000	600,000	100,000

The annual caps under the 2024-2026 General Services Framework Agreement were determined after arm's length negotiations between the Company and Shandong Hi-Speed Group after taking into account of the following factors:

- (i) As disclosed above, the actual historical transaction amounts under the Previous General Services Framework Agreement for each of the two years ended 31 December 2022 and the ten months ended 31 October 2023;
- (ii) The General Highway Business Operation Services required by the Company in the course of its daily operations such as (a) the routine maintenance works and repair works expected to be performed on the Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County Section) and the Shennan Expressway as part of the Group's preventive maintenance measures upon consideration of the technical conditions of such expressways; and (b) the development, maintenance, upgrade and improvement of the information systems of the Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County Section) and the Shennan Expressway; and
- (iii) the General Highway Business Operation Services to be required by the Company to facilitate the relevant works of the R&E Project on the Jihe Expressway, which is expected to be completed by April 2025. The substantially higher proposed annual cap in respect of the General Highway Business Operation Services for the year ending 31 December 2024 is mainly attributable to the progress of the construction works under the R&E Project. Particularly, given the expected completion date of the R&E Project as mentioned above, most of the individual construction works, and thus the procurement of the General Highway Business Operation Services to carry out such works and payment of the relevant service fees, as well as the payment of the unsettled amount of the construction works of 2023, will occur in 2024.

LETTER FROM THE BOARD

The Company must determine the counterparty through bidding and the considerations for the contracts shall be determined on the basis of the bidding quotations of bidders when the relevant projects mentioned in factors (ii) to (iii) above reach the required thresholds under the Regulations on Construction Projects Required to be Tendered (《必須招標的工程項目規定》), and if Shandong Hi-Speed Group and its relevant Subordinated Companies bid and win the projects, such transactions will constitute connected transactions of the Company under the Listing Rules.

The following table shows the estimated amounts of factor (ii) and (iii) for the three years ending 31 December 2026:

	For the year ending 31 December		
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Services required for daily operation	82,417	69,798	59,333
Services required for R&E Project	2,374,844	503,302	40,353
Total	2,457,260	573,100	99,685

Reasons for and Benefits of Entering into the 2024-2026 General Services Framework Agreement

Shandong Hi-Speed Group and its relevant Subordinated Companies have been providing General Highway Business Operation Services to the Group in order to build up the business chain and promote the sustainable development of Shandong provincial roads. The reasons for the transactions carried out between the Group and Shandong Hi-Speed Group and its relevant Subordinated Companies are as follows:

- (i) members of the Group have established business relationships with Shandong Hi-Speed Group and its relevant Subordinated Companies;
- (ii) the relevant service suppliers have the expertise in their respective fields and may possess licences and/or experienced and skilled technical staff necessary for carrying out professional business;
- (iii) the Group will benefit from economy of scale due to the professional technical support from Shandong Hi-Speed Group and its relevant Subordinated Companies which are devoted to providing services in relation to highway operation business, and the use of such services will be more cost effective;
- (iv) for certain sophisticated technical support and repair and maintenance services, the existing arrangements with Shandong Hi-Speed Group and its relevant Subordinated Companies will save cost when compared with the procurement of similar technical support and services from domestic and overseas service providers; and

LETTER FROM THE BOARD

- (v) the services provided to the Group by Shandong Hi-Speed Group and its relevant Subordinated Companies have been on no less favorable terms as compared with the services provided by Independent Third Parties, taking into account the service quality, price, understanding of the business needs and operational requirements of the Group, familiarity with the projects of the Group and value-added contributions that could be offered, and such services are in compliance with the applicable industry requirements of road safety and maintenance in general.

As Shandong Hi-Speed Group and its relevant Subordinated Companies have been reliable and stable service providers related to highway operations with high quality services performed by skilled technical staff in the respective expertise, the Group have established a stable and long-term business relationship for procurement of General Highway Business Operation Services over the years. The mutual trust built over the years, as well as the mutual benefits arising from the transactions which enable the parties to leverage on each other's resources and expertise, render any material adverse change or termination of the relation among the parties unlikely.

Further, there is no service procurement commitment on the part of the Group under the agreement, and its obligations thereunder are non-exclusive, meaning that the Group retains control over the selection of its service provider. To this end, the Group has maintained a list of qualified suppliers where the Group have readily available alternative suppliers in the market who offer similar services with comparable terms to replace existing service suppliers when necessary in order to effectively mitigate the exposure in the unlikely event of any material adverse change or termination of the relationship with Shandong Hi-Speed Group and its relevant Subordinated Companies.

Taking into account of the above, the Board (excluding Ms. Kong Xia and Mr. Kang Jian, who were required to abstain from voting on the relevant Board resolutions, but 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 of Gram Capital and the principal factors and reasons considered by it) is of the view that the General Highway Business Operation Services are and will continue to be conducted in the ordinary and usual course of business of the Group and on arm's length basis, the terms and conditions of the 2024-2026 General Services Framework Agreement have been negotiated on an arm's length basis and are on normal commercial terms, and the 2024-2026 General Services Framework Agreement (including the annual caps under the 2024-2026 General Services Framework Agreement) and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

2. 2024-2026 Financial Services Framework Agreement

The major terms and conditions of the 2024-2026 Financial Services Framework Agreement are set out as follows:

- Date** : 23 November 2023
- Parties** : (i) The Company; and
(ii) Shandong Hi-Speed Group
- Term** : Effective from 1 January 2024 to 31 December 2026 (both days inclusive)
- Subject matter** : Shandong Hi-Speed Group and its subsidiaries agreed to provide the Group with the following financial services pursuant to the terms and conditions of the 2024-2026 Financial Services Framework Agreement:
- (i) deposit services, including but not limited to current deposit, time deposit, call deposit and agreement deposit and other deposit types;
 - (ii) other financial services, including bank acceptance notes, discounting of commercial bills, domestic letters of guarantees, letters of credit, online remittance, foreign exchange remittance, etc; and
 - (iii) Cross-border fund centralised operation and management services, that is, Shandong Hi-Speed Group agrees to provide the Group with cross-border fund centralised operation and management services as the lead enterprise without compensation, for the purpose of handling cross-border remittance-related matters such as the foreign debt and offshore lending, centralized collection and payment of recurring project funds and netting settlement.

Subject to the terms and conditions of the 2024-2026 Financial Services Framework Agreement, the Group and Shandong Hi-Speed Group shall further enter into specific contracts for deposit services and other financial services to provide for the specific matters in relation to the provision of such services.

LETTER FROM THE BOARD

Payment method : Upon the 2024-2026 Financial Services Framework Agreement 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 service, 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.

Effective conditions : (i) The agreement having been executed by the legal representative or authorised representative of the parties, and affixed with the common seals of the parties; and

(ii) The Company having obtained the approval of the resolutions in respect of the agreement and the transactions contemplated thereunder (including the proposed annual caps) by the Independent Shareholders at the EGM.

Pricing policies: Shandong Hi-Speed Group and its subsidiaries has undertaken to provide the above financial services to Qilu Expressway and its subsidiaries in accordance with the following pricing policies:

- (i) Deposit services: the deposit interest rates applicable to the deposit services shall not be lower than any of the following: the interest rates offered by the Shandong Hi-Speed Group's subordinated financial institutions to other members of Shandong Hi-Speed Group for the same type of deposits on the same conditions; and the interest rates offered by other commercial banks in the PRC to the Company and its subsidiaries for the same type of deposits; and
- (ii) Other financial services shall meet all of the following criteria:
- (a) it shall not be higher than the standard interest rates as issued by the PBOC or the National Administration of Financial Regulation (if applicable);
- (b) it shall not be higher than or shall be equivalent to the interest or service fees charged by other commercial banks or other financial institutions in respect of the provision of similar services; and
- (c) it shall not be higher than the interest or service fees of similar services provided to other members of Shandong Hi-Speed Group.

LETTER FROM THE BOARD

No service fee was charged by Shandong Hi-Speed Group for the provision of cross-border fund centralised operation and management services to the Group.

Historical Transaction Amounts and Previous Annual Caps

The existing annual caps and the historical transaction amounts for the transactions contemplated under the Previous Financial Services Framework Agreements for each of the two years ended 31 December 2022 and the ten months ended 31 October 2023 shall be respectively as follows:

	For the year ended		Ten months ended
	31 December		31 October
	2021	2022	2023
	<i>(Note 1)</i>		
	<i>RMB'000</i>		
Deposit services			
Previous maximum daily deposit balance caps (including accrued interest)	500,000	1,000,000	1,000,000
Historical maximum daily deposit balances (including accrued interest)	30,000	560,250	2,642
Other financial services			
Previous annual caps	10,000	10,000	10,000
Historical transaction amounts	0	0	0.2
Cross-border fund centralised operation and management services			
Previous daily fund balance caps	–	–	140,000
Historical daily fund balances	–	–	0
			<i>(Note 2)</i>

Notes:

1. From the date of the Previous Financial Services Framework Agreements.
2. The cross-border fund transfers during the historical period were completed on the same day and therefore the historical daily fund balances were nil. The fund transfers during the same day did not exceed the previously daily fund balance caps.

LETTER FROM THE BOARD

Proposed Annual Caps, and Basis for Determining the Annual Caps

The proposed annual caps for the transactions contemplated under the 2024-2026 Financial Services Framework Agreement for each of the three years ending 31 December 2026 shall be respectively as follows:

	For the year ending 31 December		
	2024	2025	2026
	<i>RMB'000</i>		
Deposit services			
Maximum daily deposit balances (including accrued interest)	1,000,000	1,000,000	1,000,000
Other financial services			
Annual caps	5,000	5,000	5,000
Cross-border fund centralised operation and management services			
Daily fund balance caps	140,000	140,000	140,000

The annual caps under the 2024-2026 Financial Services Framework Agreement were determined after arm's length negotiations between the Company and Shandong Hi-Speed Group after taking into account of the following factors:

- (i) As disclosed above, the actual historical transaction amounts under the Previous Financial Services Framework Agreements for each of the two years ended 31 December 2022 and the ten months ended 31 October 2023;

In respect of the deposit services (maximum daily deposit balances (including accrued interest))

- (i) the balance of cash and cash equivalents of the Group as at 30 June 2023 was approximately RMB546 million;
- (ii) the cash generated from daily operations of the Group;
- (iii) the operating cash flow requirements and financial requirements for the Group's operation and business expansion in the future; and
- (iv) based on the fact that the Shandong Hi-Speed Group's subordinated financial institution is supervised by the National Administration of Financial Regulation and maintains satisfactory operating results and financial position, and implements good risk control and standardised management to reduce potential risks, it is expected that the interest income from the deposits at the Shandong Hi-Speed Group's subordinated financial institution will increase accordingly.

LETTER FROM THE BOARD

In respect of other financial services (annual caps of the total fees payable to Shandong Hi-Speed Group)

- (i) Estimated invoicing handling fee of approximately RMB0.5 million for each of the three years ended December 31, 2026 based on the estimated handling fee rate of approximately 0.05% for commercial bank bills;
- (ii) The estimated agency and service charges, advisory and consultancy fees and finance leasing fees with reference to the future development plan of the Group are approximately RMB4.5 million, calculated based on the rates of handling fees of Weihai City Commercial Bank (being the Shandong Hi-Speed Group's subordinated financial institution) ranging from 0.05% to 10%, for each of the three years ended 31 December 2026, respectively;
- (iii) With the innovation in financial services, the Group's future business demands for the other financial services based on the development goal of the Company in the coming three years; and
- (iv) The relevant large-sum commercial acceptance bills are issued due to the needs of reconstruction and expansion. Although no service fee has been incurred at present, there may be bill services related to the needs of the project in the later period.

In respect of cross-border fund centralised operation and management services (the daily fund balance of the Group in the special account for the cross-border fund centralised operation and management of Shandong Hi-Speed Group)

- (i) The Company trades commodities such as industrial products and metallic materials through Qilu Expressway Hong Kong, which involves cross-border fund arrangements. For the year ended 31 December 2022 and the ten months ended 31 October 2023, Qilu Expressway Hong Kong has incurred trading and procurement amount of approximately RMB94 million and RMB 194.33 million, respectively; and
- (ii) Considering the historical trading and procurement volume of industrial products and metallic materials and the business plan for the years from 2024 to 2026, the increase of these business volume is expected to further enhance the Group's demand for cross-border fund flow and payment arrangement services in respect of such trading and procurement.

Reasons for and Benefits of Entering into the 2024-2026 Financial Services Framework Agreement

The Shandong Hi-Speed Group's subordinated financial institution is regulated by the National Administration of Financial Regulation, and is authorised to provide various financial services to the Group. At the same time, the Group has been actively developing its business on the procurement and trading of commodities such as industrial products, and building and metallic materials. The Group conducts the relevant business through Qilu Expressway Hong Kong, involving cross-border fund flows and payment arrangements. The principal reasons for and the benefits of entering into the 2024-2026 Financial Services Framework Agreement are as follows:

For the deposit services and other financial services

- (i) the Group can use the Shandong Hi-Speed Group's subordinated financial institution as a medium to facilitate more efficient deployment of funds among the Company's subsidiaries;

LETTER FROM THE BOARD

- (ii) the Group can maximize the efficiency of the Group's capital by expanding the use of the available funds and by using the funds collected to repay the external commercial loans of the Company's subsidiaries;
- (iii) to save finance costs, which in turn will enhance the profitability of the Group and the Shareholders of the Company (including the minority Shareholders) will be able to benefit from it; and
- (iv) The Shandong Hi-Speed Group's subordinated financial institution has a sound organisational structure and standardised internal control mechanism, and its operating conditions are sound and its financial results are good.

For the cross-border fund centralised operation and management services

- (i) Improving the liquidity of cross-border funds: Cross-border Fund Centralised Operation and Management Services facilitate the Group's trading and procurement of commodities such as industrial products, building and metallic materials. The Company may, leveraging on Shandong Hi-Speed Group's existing cross-border fund arrangements, readily arrange for cross-border fund flows and payment through Shandong Hi-Speed Group's Cross-border Fund Centralised Operation and Management Services in a flexible and timely manner without restrictions, which shortens the cross-border funds turnover process and helps maximise costs and operational efficiency;
- (ii) Familiarity with the Group's business helps promote flexibility and convenience: Shandong Hi-Speed Group has established business relationship with the Group in relation to procurement and sales of building and metallic materials. Shandong Hi-Speed Group is familiar with the Group's capital structure, business operations, capital requirements and cash flow model, which enables it to better anticipate the Group's capital needs. As such, Shandong Hi-Speed Group can readily provide services for the Group in a flexible, convenient and cost-effective manner;
- (iii) The Group's competence in selecting service providers: The Group establishes another channel for services provider access through entering into the 2024-2026 Financial Services Framework Agreement with Shandong Hi-Speed Group. Not only can the Group cooperate with Shandong Hi-Speed Group, it is also not restricted to select other financial institutions (including PRC commercial banks) for cooperation. The Group has the discretion to work with any institution of its choice and to obtain any best terms it offers;
- (iv) Favourable commercial terms: Shandong Hi-Speed Group can offer the Group more favourable commercial terms than those available from domestic commercial banks. For instance, Shandong Hi-Speed Group does not charge the Group service fees for

LETTER FROM THE BOARD

cross-border fund management that are generally charged by commercial banks in the PRC, and the Group can benefit from the arrangement of cross-border fund centralised operation and management services, which saves its finance costs; and

- (v) The Group can actively connect overseas markets and enhance its overseas operation scale by taking advantage of the Cross-border Fund Centralised Operation and Management Services provided by Shandong Hi-Speed Group, which help to expand the Group's industrial chain and value chain in transportation taking full advantage of Hong Kong's position as an international trade centre, implement the Group's new development strategy of "leading by principal business and industry-finance integration and two-wheel drive (主業引領、產融結合、雙輪驅動)", and promote its industry-finance integration and efficiency enhancement.

Taking into account of the above, the Board (excluding Ms. Kong Xia and Mr. Kang Jian who were required to abstain from voting on the relevant Board resolutions, but including the independent non-executive Directors, whose views in relation to the deposit services and cross-border fund centralised operation and management services under the 2024-2026 Financial Services Framework Agreement are contained in the letter from the Independent Board Committee in this circular after taking into account the advice of Gram Capital and the principal factors and reasons considered by it) is of the view that the 2024-2026 Financial Services Framework Agreement and the deposit services, other financial services, cross-border fund centralised operation and management services and its proposed annual caps thereunder 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 Group and its Shareholders as a whole.

3. 2024-2026 General Procurement Framework Agreement

The principal terms and conditions of the 2024-2026 General Procurement Framework Agreement are set out as follows:

Date	:	23 November 2023
Parties	:	(i) The Company; and (ii) Shandong Hi-Speed Group
Term	:	Effective from 1 January 2024 to 31 December 2026 (both days inclusive)
Subject matter	:	The goods procured by the Group from Shandong Hi-Speed Group and its Subordinated Companies include but not limited to 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.

LETTER FROM THE BOARD

- Principles of transactions** : 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 relevant 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. 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.
- Demand estimation** : Save for public tender, the Group shall submit the procurement demand plan for the next accounting year or the adjustment plan for the procurement demand for the current accounting year to Party A before 31 October of each year, and both parties shall agree on the plan before 30 November of the year. If the procurement demand plan of the Group for the next accounting year is agreed by both parties, Shandong Hi-Speed Group shall satisfy the plan.
- Payment method** : The payment time and method of 2024-2026 General Procurement Framework Agreement shall be determined in accordance with the tender documents and the written agreement signed by both parties in respect of the transaction.
- Effective conditions** : (i) the agreement having been executed by the legal representative or authorised representative of the parties, and affixed with the common seals of the parties; and
- (ii) The Company having obtained the approval of the resolutions in respect of the agreement and the transactions contemplated thereunder (including the proposed annual caps) by the Independent Shareholders at the EGM.

LETTER FROM THE BOARD

Pricing policies : The pricing of each of the goods procured or sold under the 2024-2026 General Procurement Framework Agreement shall be determined on the basis of the following 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; and
- (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:

- (i) 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

LETTER FROM THE BOARD

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

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

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:

- (i) the terms of the tender provided by the bidder, including the bid price, the terms set by the bidder for the tender;
- (ii) the background, qualifications, technical and financial conditions of the bidder; and
- (iii) 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 2024-2026 General Procurement Framework Agreement 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.

LETTER FROM THE BOARD

Annual Caps and Historical Transaction Amounts

The existing annual caps and the historical transaction amounts for the transactions contemplated under the Previous General Procurement Framework Agreement for the year ended 31 December 2022 and the ten months ended 31 October 2023 shall be as follows:

	For the year ended 31 December 2022	For the ten months ended 31 October 2023
	<i>(Note 1)</i>	
	<i>RMB'000</i>	
Previous General Procurement Framework Agreement		
Previous annual caps	150,000	1,100,000
Historical transaction amounts	7,956	376,316

Note:

1. From the date of the Previous General Procurement Framework Agreement.

Proposed Annual Caps, and Basis for Determining the Annual Caps

The proposed annual caps for the transactions contemplated under the 2024-2026 General Procurement Framework Agreement for each of the three years ending 31 December 2026 shall be as follows:

	For the year ending 31 December		
	2024	2025	2026
	<i>RMB'000</i>		
2024-2026 General Procurement Framework Agreement			
Annual caps	650,000	55,000	55,000

The annual caps under the 2024-2026 General Procurement Framework Agreement was determined after arm's length negotiations between the Company and Shandong Hi-Speed Group after taking into account of the following factors:

- (i) as disclosed above, the actual historical transaction amounts under the Previous General Procurement Framework Agreement for the year ended 31 December 2022 and the ten months ended 31 October 2023;

LETTER FROM THE BOARD

- (ii) the expected demand during the term of the agreement due to the procurement of the cement, concrete and other geomaterials and building materials to support the Reconstruction and Expansion Project of the Jihe Expressway (in particular, the procurement of materials arising from the progress of R&E Project for the year ending 31 December 2024) and the upgrading, reconstruction and maintenance plan of the peripheral facilities and traffic safety facilities of the expressways under the Group's management, as well as for the purpose of procuring sufficient raw material supplies for the Group's processing to satisfy the corresponding sales demand under its expanding industrial product sales business segment. The substantially higher annual cap for the year ending 31 December 2024 is mainly attributable to the procurement by a subsidiary of the Company for the goods which will be used for producing the products for sale under the 2024-2026 General Sales Framework Agreement, and such proposed annual cap is determined with reference to the remaining amounts of the agreements previously entered into between this subsidiary and Shandong Hi-Speed Group and its relevant Subordinated Companies;
- (iii) the historical market price trend of the major geomaterials and building materials and expected increase of those prices during the term of the agreement, taking into consideration of those of the various goods under the agreement 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;
- (iv) the expected direct costs and project costs to be incurred by the Group in relation to the procurement of goods under the agreement, taking into consideration, for instance, the increase in the raw material prices, the costs for sourcing and installation of the corresponding equipment, and the possible need for dedication of additional manpower and resources to facilitate the expansion of such businesses; and
- (v) certain buffer of approximately less than 10% has been reserved in respect of the expected amount of procurement transaction under the agreement after considering unexpected circumstances which may take place for the three years ending 31 December 2026, for instance, whereas the procured goods (or products as processed by such goods procured pursuant to the agreement) will be used for the R&E Project, any postponed or expedited completion of the works at any stage may cause changes to the actual demand of such procured goods and/or the products as processed by the procured goods, and the unexpected increase in procurement price, etc.. 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.

LETTER FROM THE BOARD

Reasons for and benefits of entering into the 2024-2026 General Procurement Framework Agreement

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 expressway engineering and construction-related services, expanded its scale of operations in terms of the procurement of industrial products including geomaterials and building materials for use in expressway construction and facilities upgrade.

The Directors consider that it is beneficial to the Group to enter into the 2024-2026 General Procurement Framework Agreement 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 provided the quality expressway operation-related services to the Group over the past years. The long-term cooperating relationship between the Group and Shandong Hi-Speed Group and its Subordinated Companies is beneficial to the operation of both parties;
- (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, building materials, 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 2024-2026 General Procurement Framework Agreement to ensure smooth implementation of the R&E Project during the term of the agreement;
- (iii) further, it is envisaged that there will be a relatively significant demand for a diverse range of building materials to support the R&E Works and the upgrading, reconstruction and maintenance plan of the peripheral facilities and traffic safety facilities of the expressways under the Group's management. This is particularly against the background whereby the R&E Project is expected to be completed by April 2025, most of the remaining construction works will be carried out during 2024. Whereas the procurement of the goods under the 2024-2026 General Procurement Framework Agreement for the year ending 31 December 2024 (or otherwise the processed products arising from these procured goods) is mainly

LETTER FROM THE BOARD

intended to be supplied to construction units of the R&E Project, the remaining majority of works under the R&E Project scheduled for 2024 will lead to a corresponding procurement need for these goods. It is 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 building 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 building materials are generally ordered on an as-needed basis depending on the project progress. The procurement of goods pursuant to the Agreements enable stable access of different kinds of construction materials to support the construction needs under the R&E Project and the upgrading, reconstruction and maintenance plan of the peripheral facilities and traffic safety facilities of the expressways under the Group's management. 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, the Group will be able to obtain raw materials more easily and in a timely manner at a reasonable price, use them according to the project progress and sell such goods to the construction units according to their needs, thereby achieving an overall enhancement in the Group's expressway construction and sales capacity; and

- (iv) The goods procured by the Group from Shandong Hi-Speed Group and its subsidiaries were on terms no less favorable to the Group than those offered by 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 2024-2026 General Procurement Framework Agreement, the Board considers that the arrangements under the 2024-2026 General Procurement Framework Agreement 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 achieve the use of building materials and equipment in R&E and other construction projects through reasonable procurement and sell them to the relevant construction units. This effectively controls the associated transactional risks and communication costs in the Group's ordinary and usual course of business.

LETTER FROM THE BOARD

Taking into account of the above, the Directors (excluding Ms. Kong Xia and Mr. Kang Jian who were required to abstain from voting on the relevant Board resolutions but including the independent non-executive Directors, whose views are also contained 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 considered by it) are of the view that the 2024-2026 General Procurement Framework Agreement 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.

4. 2024-2026 General Sales Framework Agreement

The principal terms and conditions of the 2024-2026 General Sales Framework Agreement are set out as follows:

Date	:	23 November 2023
Parties	:	(i) The Company; and (ii) Shandong Hi-Speed Group
Term	:	Effective from 1 January 2024 to 31 December 2026 (both days inclusive)
Subject matter	:	The goods sold by the Group to Shandong Hi-Speed Group and its Subordinated Companies primarily include but not limited to asphalt, asphalt mixture, cement, concrete and other building materials, construction equipment and their accessories, plants as well as other goods permitted by law and permitted to be sold by the Group under the Group's registered business scopes.
Principles of transactions	:	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.

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.

LETTER FROM THE BOARD

- Demand estimation** : 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 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. If the procurement demand plan of Shandong Hi-Speed Group for the next accounting year is agreed by both parties, the Group shall satisfy the plan.
- Payment method** : The payment time and method of the 2024-2026 General Sales Framework Agreement shall be determined in accordance with the tender documents and the written agreement signed by both parties in respect of the transaction.
- Effective conditions** : (i) the agreement having been executed by the legal representative or authorised representative of the parties, and affixed with the common seals of the parties; and
- (ii) The Company having obtained the approval of the resolutions in respect of the agreement and the transactions contemplated thereunder (including the proposed annual caps) by the Independent Shareholders at the EGM.
- Pricing policies** : The pricing of each of the goods procured or sold under the 2024-2026 General Sales Framework Agreement shall be determined on the basis of the following 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;

LETTER FROM THE BOARD

- (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; and
- (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:

- (i) 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
- (ii) the lowest fee quote in respect of the same or similar product sold by the parties and their relevant Subordinated Companies 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:

LETTER FROM THE BOARD

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:

- (i) the terms of the tender provided by the bidder, including the bid price, the terms set by the bidder for the tender;
- (ii) the background, qualifications, technical and financial conditions of the bidder; and
- (iii) 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 2024-2026 General Sales Framework Agreement 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.

LETTER FROM THE BOARD

Annual Caps and Historical Transaction Amounts

The existing annual caps and the historical transaction amounts for the transactions contemplated under the Previous General Sales Framework Agreement for the year ended 31 December 2022 and the ten months ended 31 October 2023 shall be respectively as follows:

	For the year ended 31 December 2022	For the ten months ended 31 October 2023
	<i>(Note 1)</i>	
	<i>RMB'000</i>	
Previous General Sales Framework Agreement		
Previous annual caps	300,000	1,000,000
Historical transaction amounts	99,957	547,639

Note:

1. From the date of the Previous General Sales Framework Agreement.

Proposed Annual Caps, and Basis for Determining the Annual Caps

The proposed annual caps for the transactions contemplated under the 2024-2026 General Sales Framework Agreement for each of the three years ending 31 December 2026 shall be as follows:

	For the year ending 31 December		
	2024	2025	2026
	<i>RMB'000</i>		
2024-2026 General Sales Framework Agreement			
Annual caps	700,000	150,000	180,000

The annual caps under the 2024-2026 General Sales Framework Agreement was determined after arm's length negotiations between the Company and Shandong Hi-Speed Group after taking into account of the following factors:

- (i) as disclosed above, the actual historical transaction amounts under the Previous General Sales Framework Agreement for the year ended 31 December 2022 and the ten months ended 31 October 2023;
- (ii) the expected demand for road-paving materials, building materials, construction equipment and accessories, as well as plant protection materials for the engineering construction of the Group's projects whose bid winner is the Subordinated Companies of Shandong Hi-Speed Group during the term of the 2024-2026 General

LETTER FROM THE BOARD

Sales Framework Agreement. In particular, in respect of the goods sold by the Group to Shandong Hi-Speed Group and its subsidiaries, being the bid winners of the construction works of the R&E, as such goods will be used for the construction of the projects, the demand for goods by the construction units is based on the progress of the projects. The substantially higher proposed annual cap for the year ending 31 December 2024 is mainly attributable to the sales of the construction materials and equipment, being the subject matter of the agreement, to the aforesaid construction units (being Shandong Hi-Speed Group and its Subordinated Companies) to carry out the individual construction works for the R&E Project. Whereas the R&E Project is expected to be completed by April 2025, the substantial majority of the remaining construction works will be carried out during 2024. Hence, the procurement by these construction units, and the sales by the Group, for these construction materials and equipment will be ongoing at a relatively significant volume, leading to a substantially higher proposed annual cap for the year ending 31 December 2024 than those for the remaining years;

- (iii) the historical market price trend of the major geomaterials and building materials and expected increase of those prices during the term of the agreement, taking into consideration of the fees charged by independent third party industry participants in respect of certain goods under the agreement, 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 from the discussions and interviews with the market participants;
- (iv) the expected direct costs and project costs to be incurred by the Group for the sales of goods under the Agreement, taking into consideration, for instance, the increase in the raw material prices, the costs for sales and installation of the corresponding equipment, and the possible need for dedication of additional manpower and resources to facilitate the expansion of such businesses; and
- (v) certain buffer of less than 10% has been reserved in respect of the expected sales of goods under the agreement after considering unexpected circumstances which may take place for the three years ending 31 December 2026, for instance, whereas the sales products will be used for R&E Project, any postponed or expedited completion of the works at any stage may cause changes to the actual demand of sales products, and the unexpected increase in procurement price, etc.. 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.

LETTER FROM THE BOARD

Reasons for and Benefits of Entering into the 2024-2026 General Sales Framework Agreement

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, the operator of three expressways in Shandong Province, leveraging on its experience in expressway operation and management as well as provision of expressway engineering and construction-related services, expanded its scale of operations in terms of the procurement and sales of industrial products including geomaterials and building materials for use in expressway construction and facilities upgrade.

The Directors consider that it is beneficial to the Group to enter into the 2024-2026 General Sales Framework Agreement, 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 is beneficial to the operation of both parties;
- (ii) 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 building materials for the project works taking into account of the project progress of different road sections, will arrange for master procurement of the building 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;
- (iii) further, it is envisaged that there will be a relatively significant demand for a diverse range of building materials to support the R&E works and the upgrading, reconstruction and maintenance plan of the peripheral facilities and traffic safety facilities of the expressways under the Group's management. 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 building 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

LETTER FROM THE BOARD

as-needed basis depending on the project progress. The sales of goods pursuant to the Agreements enable stable access of different kinds of building materials to support the R&E Project and the upgrading, reconstruction and maintenance plan of the peripheral facilities and traffic safety facilities of the expressways under the Group's management, as well as to meet the demands of Shandong Hi-Speed Group and its Subordinated Companies to carry out construction projects as construction units. 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 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 on the other, thereby achieving an overall enhancement in the Group's expressway construction and sales capacity; and

- (iv) the sales of goods by the Group to Shandong Hi-Speed Group and its Subordinated Companies were conducted on terms no less favorable to the Group than those offered by 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 2024-2026 General Sales Framework Agreement, the Board considers that the arrangements under the 2024-2026 General Sales Framework Agreement 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 sales of the construction and building materials and equipment for the road construction projects. This effectively controls the associated transactional risks and communication costs in the Group's ordinary and usual course of business.

LETTER FROM THE BOARD

Taking into account of the above, the Directors (excluding Ms. Kong Xia and Mr. Kang Jian who were required to abstain from voting on the relevant Board resolutions, but including the independent non-executive Directors whose views are contained 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) are of the view that the 2024-2026 General Sales Framework Agreement 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.

III. 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 2024-2026 Continuing Connected Transactions 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 2024-2026 Continuing Connected Transactions 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 subject matter of the continuing connected transactions under the 2024-2026 Continuing Connected Transactions 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 actual transactions and actual transaction amounts of the 2024-2026 continuing connected transactions 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 2024-2026 Continuing Connected Transactions 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;

LETTER FROM THE BOARD

- (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;
- (viii) the audit committee of the Board will also review the annual financial statements and opine on the continuing connected transactions during the year, including whether the terms of the continuing connected transactions are fair and reasonable and whether the transaction amounts are within the relevant annual caps; and
- (ix) 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.

In respect of the transactions under the 2024-2026 Financial Services Framework Agreement, the Group has also adopted the following internal control measures, including:

Deposit Services

- (i) before entering into any deposit arrangements with the Shandong Hi-Speed Group’s subordinated financial institution, the Company will negotiate with the Shandong Hi-Speed Group’s subordinated financial institution on an arm’s length basis in respect of the deposit interest rate of the deposit services, and ensure that such interest rate is determined: (a) by reference to and is not lower than the interest rates offered by the Shandong Hi-Speed Group’s subordinated financial institution to other members of Shandong Hi-Speed Group for the same type of deposits on the same conditions; (b) by reference to and is not lower than the benchmark interest rate then published by the PBOC for the same type of deposits on the same conditions and in case of any change in the benchmark deposit interest rate, the deposit interest rate to be payable by the Shandong Hi-Speed Group’s subordinated financial institution shall be determined by reference to and not lower than such benchmark deposit interest rate; and (c) by reference to and is not lower than the deposit interest rate offered by at least two other independent domestic commercial banks in the PRC for the same type of deposits on the same conditions. As such, the Company will be able to ensure the deposit interest rate of the deposit services for

LETTER FROM THE BOARD

the same type of deposits on the same conditions will not be less favourable than that offered by the Shandong Hi-Speed Group's subordinated financial institution to other members of Shandong Hi-Speed Group; that published by the PBOC; and that offered by two other independent domestic commercial banks in the PRC;

- (ii) the financial management department of the Company will monitor the deposit services on a daily basis to ensure the daily maximum balance (including accrued interests) will not be exceeded; and
- (iii) the financial management department of the Company will report to the management of the Company, giving an update on the deposit arrangements entered into with the Shandong Hi-Speed Group's subordinated financial institution on a monthly basis.

The Other Financial Services

- (i) Before using other financial services, the Company will enquire at least two independent domestic financial institutions in the PRC about the service fee rates;
- (ii) undergo a comprehensive comparison according to the preferential conditions and service fee rates given by each independent domestic financial institution in the PRC in the negotiation process to determine the optimal choice to ensure that the Group's other financial services are most cost-effective.

At the same time, the Company considers that it has adequate mechanisms and internal control procedures in place to ensure compliance and strict adherence to the terms of the 2024-2026 Continuing Connected Transactions Framework Agreements in respect of the continuing connected transactions.

IV. 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 and management of expressways, including the Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County Section) and the Shennan Expressway; (ii) construction 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.

LETTER FROM THE BOARD

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 Caixin Asset Operation Co., Ltd., the entire equity interest of which is held by Shandong Provincial Finance Bureau. 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.

V. DIRECTORS' INTERESTS IN THE ABOVE TRANSACTIONS

As (i) 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, and (ii) Mr. Kang Jian, a non-executive Director, is a member of the party committee and deputy general manager of Shandong Hi-Speed Group, and a director of Shandong Hi-Speed Rail Transportation Group (a subsidiary of Shandong Hi-speed Group), and meanwhile, Shandong Hi-Speed Group is a controlling Shareholder and thus a connected person of the Company, both Ms. Kong and Mr. Kang were deemed to have a material interest in the transactions contemplated under each of the 2024-2026 Continuing Connected Transactions 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.

VI. LISTING RULES IMPLICATIONS

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 the 2024-2026 Continuing Connected Transactions Framework Agreements constituted continuing connected transactions under Chapter 14A of the Listing Rules.

In respect of the 2024-2026 General Services Framework Agreement, the 2024-2026 General Procurement Framework Agreement and the 2024-2026 General Sales Framework Agreement, 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%, the 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 respectively.

LETTER FROM THE BOARD

In respect of the 2024-2026 Financial Services Framework Agreement:

- (i) For the deposit services thereunder on a standalone basis, as all the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules in respect to their respective highest proposed annual cap exceed 5%, the transactions (including their proposed annual caps) in relation to the deposit services, on a standalone basis, are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Meanwhile, as all the applicable percentage ratios exceed 5% but below 25%, the transactions in relation to the deposit services, on a standalone basis, constitute discloseable transactions under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.
- (ii) For the other financial services and the cross-border fund centralised operation and management services thereunder, on a standalone basis, as one or more of the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules in respect of the highest proposed annual cap for each of them exceed 0.1% but all the applicable percentage ratios below 5%, the transactions (including the respective proposed annual caps thereof) in respect of the other financial services and the cross-border fund centralised operation and management services, on a standalone basis, are subject to the reporting, announcement and annual review requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.
- (iii) In addition, pursuant to Rule 14.22 of the Listing Rules, as the deposit services and the cross-border fund centralised operation and management services are the same counterparties, the nature of the transactions is similar and the services are provided in a similar manner, and both transactions are completed within a 12-month period, their transactions need to be aggregated.

As all the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules in respect of the highest proposed annual cap, when aggregated, exceed 5%, the transactions (including the proposed annual caps thereof) in respect of the deposit services and the cross-border fund centralised operation and management services (on an aggregated basis) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Meanwhile, as one of the applicable percentage ratios exceeds 25% but all of the applicable percentage ratios below 100%, such deposit services and the cross-border fund centralised operation and management services (on an aggregated basis) constitute major transactions under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

VII. THE EGM

The EGM will be held at 10:00 a.m. on Friday, 29 December 2023 at Video Conference Room, 24/F, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000 Jingshi East Road, High-tech Zone, Jinan City, Shandong Province, 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.

VIII. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company has been closed from Wednesday, 29 November 2023 to Friday, 29 December 2023 (both days inclusive), during which period no transfer of Shares will be registered.

IX. 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.

X. ABSTENTION OF SHAREHOLDERS FROM VOTING

By virtue of Shandong Hi-Speed Group having material interests in the transactions contemplated under the 2024-2026 Continuing Connected Transactions 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 2024-2026 Continuing Connected Transactions Framework

LETTER FROM THE BOARD

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 2024-2026 Continuing Connected Transactions Framework Agreements and the transactions contemplated thereunder.

XI. RECOMMENDATIONS

After taking into account the reasons for and benefits of entering into the 2024-2026 Continuing Connected Transactions 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 2024-2026 Continuing Connected Transactions 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 2024-2026 Continuing Connected Transactions 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)

14 December 2023

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND MAJOR TRANSACTIONS
IN RELATION TO
2024-2026 CONTINUING CONNECTED TRANSACTIONS
FRAMEWORK AGREEMENTS**

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 the 2024-2026 General Services Framework Agreement, the 2024-2026 General Procurement Framework Agreement, the 2024-2026 General Sales Framework Agreement and the 2024-2026 Financial Service Framework Agreement and the proposed transactions (including their proposed annual caps) (excluding the other financial services under the 2024-2026 Financial Service Framework Agreement), 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 proposed transactions under the 2024-2026 General Services Framework Agreement, the 2024- 2026 General Procurement Framework Agreement, the 2024-2026 General Sales Framework Agreement and the 2024-2026 Financial Service Framework Agreement (including their proposed annual caps) (excluding the other financial services under the 2024-2026 Financial Service Framework Agreement). 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 49 to 75 of the Circular.

Your attention is also drawn to the letter from the Board on pages 10 to 46 and other information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATIONS

Having taken into account the terms and conditions of the the 2024-2026 General Services Framework Agreement, the 2024-2026 General Procurement Framework Agreement, the 2024-2026 General Sales Framework Agreement and the 2024-2026 Financial Service Framework Agreement (including their proposed annual caps) and the reasons for and benefits of entering into the Framework Agreement, the interests of the Independent Shareholders and the opinion from Gram Capital, we are of the view that the transactions contemplated under the 2024-2026 General Services Framework Agreement, the 2024-2026 General Procurement Framework Agreement, the 2024-2026 General Sales Framework Agreement and the 2024-2026 Financial Service Framework Agreement and the proposed transactions (including their proposed annual caps) (excluding the other financial services under the 2024-2026 Financial Service Framework Agreement) 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.

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. Liu Hongwei
Mr. He Jiale
Mr. Wang Lingfang
Mr. Leng Ping
Ms. Shen Chen
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

14 December 2023

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 the 2024-2026 General Services Framework Agreement (the “**Services Transactions**”); (ii) deposit services (the “**Deposit Services**”) and cross-border fund centralised operation and management services (the “**Cross-Border Fund Related Services**”) contemplated under the 2024-2026 Financial Services Framework Agreement; (iii) the transactions contemplated under the 2024-2026 General Procurement Framework Agreement (the “**Procurement Transactions**”); and (iv) the transactions contemplated under the 2024-2026 General Sales Framework Agreement (the “**Sales Transactions**”, together with the Services Transactions, Deposit Services, the Cross-Border Fund Related Services, Procurement Transactions, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 14 December 2023 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 23 November 2023, the Company entered into, among other things, following framework agreements with Shandong Hi-Speed Group,

- the 2024-2026 General Services Framework Agreement, pursuant to which, Shandong Hi-Speed Group and its relevant Subordinated Companies will provide the Group with General Highway Business Operation Services;

LETTER FROM GRAM CAPITAL

- the 2024-2026 Financial Services Framework Agreement, pursuant to which, Shandong Hi-Speed Group and its subsidiaries agreed to provide the Group with the certain financial services (including deposit services and cross-border fund centralised operation and management services) pursuant to the terms and conditions of the 2024-2026 Financial Services Framework Agreement;
- the 2024-2026 General Procurement Framework Agreement, pursuant to which, the Company agreed to procure certain types of goods from Shandong Hi-Speed Group and its Subordinated Companies in accordance with the terms and conditions of the 2024-2026 General Procurement Framework Agreement; and
- the 2024-2026 General Sales Framework Agreement, pursuant to which, the Company agreed to sell certain types of goods to Shandong Hi-Speed Group and its Subordinated Companies in accordance with the terms and conditions of the 2024-2026 General Sales Framework Agreement.

With reference to the Board Letter, the 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.

The Independent Board Committee comprising Mr. Liu Hongwei, Mr. He Jiale, Mr. Wang Lingfang, Mr. Leng Ping and Ms. Shen Chen (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 resolutions 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 (i) the Company's continuing connected transactions, details of which are set out in the Company's circulars dated 20 July 2022; and (ii) the Company's continuing connected transactions, details of which are set out in the Company's circular dated 31 October 2023. 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.

LETTER FROM GRAM CAPITAL

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 Hong Kong 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 engagement; 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.

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 2024-2026 Continuing Connected Transactions Framework Agreements. 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.

LETTER FROM GRAM CAPITAL

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.

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 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 and management of expressways, including the Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County Section) and the Shennan Expressway; (ii) construction 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

With reference to the Board Letter, 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 Shandong Caixin Asset Operation Co., Ltd., the entire equity interest of which is held by Shandong Provincial Finance Bureau. 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.

LETTER FROM GRAM CAPITAL

Shandong Hi-Speed Group 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.

A. THE SERVICES TRANSACTIONS

Reasons for and benefits of the Services Transactions

With reference to the Board Letter, the reasons for the transactions carried out between the Group and Shandong Hi-Speed Group and its relevant Subordinated Companies are as follows: (i) members of the Group have established business relationships with Shandong Hi-Speed Group and its relevant Subordinated Companies; (ii) the relevant service suppliers have the expertise in their respective fields and may possess licences and/or experienced and skilled technical staff necessary for carrying out professional business; (iii) the Group will benefit from economy of scale due to the professional technical support from Shandong Hi-Speed Group and its relevant Subordinated Companies which are devoted to providing services in relation to highway operation business and the use of such services will be more cost effective; (iv) for certain sophisticated technical support and repair and maintenance services, the existing arrangements with Shandong Hi-Speed Group and its relevant Subordinated Companies will save cost when compared with the procurement of similar technical support and services from domestic and overseas service providers; and (v) the services provided to the Group by Shandong Hi-Speed Group and its relevant Subordinated Companies have been on no less favorable terms as compared with the services provided by Independent Third Parties, taking into account the service quality, price, understanding of the business needs and operational requirements of the Group, familiarity with the projects of the Group and value-added contributions that could be offered, and these services are in compliance with the applicable industry requirements of road safety and maintenance in general.

As confirmed by the Directors, as the Services 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. In addition, Shandong Hi-Speed Group was selected as service provider for certain works under the R&E Project on the Jihe Expressway and the transactions thereunder is ongoing.

Pursuant to the existing general services framework agreement with Shandong Hi-Speed Group on 18 June 2021, where government-prescribed price or government-guided price are not available for a particular service or the previous government prescribed or guided price are no longer applicable to such service, the price of such service shall be determined with reference to the market price through negotiation between both parties to the agreement. In determining the market price, both parties shall take into consideration the following key factors: (a) the prevailing market price charged by any third party providing a similar service in the region where the service is provided by one of the parties, the quotation from other

LETTER FROM GRAM CAPITAL

service suppliers providing the same service and a minimum of two comparable transactions carried out with Independent Third Parties during the same period; and (b) the same or similar service provided by Shandong Hi-Speed Group and its relevant Subordinated Companies to any third party, and the minimum quotation for such service.

Having considered the above, we are of the view that the Services 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.

Principal terms of the Services Transactions

Major terms of the Services Transactions are set out as follows, details of which are set out under the section headed “1. 2024-2026 General Services Framework Agreement” of the Board Letter:

Date

23 November 2023

Parties

- (i) the Company; and
- (ii) Shandong Hi-Speed Group

Effective period

Effective from 1 January 2024 to 31 December 2026 (both days inclusive)

Subject matter

Pursuant to the 2024-2026 General Services Framework Agreement, Shandong Hi-Speed Group and its relevant Subordinated Companies will provide the Group with General Highway Business Operation Services, including the planning, renovation, engineering, survey and system design of highways and ancillary facilities; highway technology inspections, and regular and ad-hoc inspections of bridges and tunnels; repair and maintenance of highways and ancillary facilities; survey and analysis of road sections; research on treatment measures and techniques; projection of and research on traffic volume and toll amount; operational management of toll collection; project supervision; project contracting and supply of bulk materials; and other related or similar services.

LETTER FROM GRAM CAPITAL

Demand estimation

The Group shall submit a service demand plan for the next fiscal year or any adjustment plan on service projects for the current fiscal year to Shandong Hi-Speed Group by 31 October of each year. Both parties shall also reach a consensus on the plans before 30 November of the same fiscal year. In the event that the service demand plan of the Group for the next fiscal year is agreed upon between the parties, Shandong Hi-Speed Group shall fulfill the plan.

Pricing Policies

The pricing of each of the services provided under the 2024-2026 General Services Framework Agreement shall be determined in accordance with the following principles and sequences:

- (i) government-prescribed price: where the central or local government imposes price control on services, the fees for services 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 services and such guided price standard has been published on the website of relevant government authority or via authoritative price list, the price of services shall be determined within the range of the government-guided price through negotiation; and
- (iii) market price: where the above two price standards are not available for services or the previous government prescribed or guided price are no longer applicable to such services, and such services does not fall within those subject to tender process pursuant to laws and regulations, the fee for the service shall be determined with reference to the market price and the general principle for pricing shall be fair and reasonable. If the services 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 service in the region taking into account the quotation from other service suppliers providing the similar service and a minimum of two comparable transactions carried out with Independent Third Parties during the same period; and (b) the lowest fee quote in respect of the same or similar service 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 the recipient of the service, both parties shall select the service suppliers and determine the final price through the way of public tender process in accordance with the requirements under applicable laws and regulations as well as the provisions of relevant internal codes.

LETTER FROM GRAM CAPITAL

As advised by the Directors and based on the estimated demand of Services Transactions for the three years ending 31 December 2026, pricing policy of transactions with amounts over 97%, 88% and 40% of the estimated demand of Services Transactions for the three years ending 31 December 2026 will be/has been determined through tender process, which are mainly relating to the R&E Projects and part of routine works under the Services Transactions.

To safeguard the interests of the Company and the Shareholders as whole, the Company adopted internal control measures relating to the Services Transactions, details of which are set out under the section headed “III. INTERNAL CONTROL MEASURES IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS” of the Board Letter. Having considered that (i) the Group will obtain quotations from at least two Independent Third Parties for comparable services and conduct overall assessment on the terms of relevant services before procuring the same; and (ii) bidders are required to provide historical comparable track record with contract values during bidding procedures, we consider that the effective implementation of the procedures would help to ensure fair pricing of the Services Transactions according to the pricing policies.

The Proposed Annual Caps

Set out below are (i) the historical amounts of the existing Services Transactions for the two years ended 31 December 2022 and the 10 months ended 31 October 2023 with existing annual caps; and (ii) the proposed annual caps of the Services Transactions (the “Services Cap(s)”) for the three years ending 31 December 2026:

	For the year ended 31 December 2021 (“FY2021”) <i>RMB’000</i>	For the year ended 31 December 2022 (“FY2022”) <i>RMB’000</i>	For the year ending 31 December 2023 (“FY2023”) <i>RMB’000</i>
Historical transaction amounts	36,385	371,890	760,293
The existing annual caps	100,000	1,700,000	2,400,000 (Note)
	For the year ending 31 December 2024 (“FY2024”) <i>RMB’000</i>	For the year ending 31 December 2025 (“FY2025”) <i>RMB’000</i>	For the year ending 31 December 2026 (“FY2026”) <i>RMB’000</i>
The proposed annual caps	2,600,000	600,000	100,000

Note: The figure is for the 10 months ended 31 October 2023

LETTER FROM GRAM CAPITAL

In determining the Proposed Revised Annual Caps, the Company has considered various factors as set out under the sub-section headed “Proposed Annual Caps, and Basis for Determining the Annual Caps” under the section headed “1. 2024-2026 General Services Framework Agreement” of the Board Letter.

The Services Caps were calculated based on (i) the estimated demand of Services transactions for the three years ending 31 December 2026; and (ii) buffers of approximately 5% to 6% for FY2024 and FY2025 in addition to (i).

The estimated demand of Services Transactions for the three years ending 31 December 2026 comprised (i) the estimated demand of routine works contemplated under the General Highway Business Operation Services (other than preliminary and main works under the R&E Project) (the “**Routine Works Amounts**”); and (ii) the preliminary and main works under the R&E Project (the “**R&E Project Works Amounts**”). Details are as follows:

	FY2024	FY2025	FY2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Routine Works Amounts	82,417	69,798	59,333
R&E Project Works Amounts	2,374,844	503,302	40,353
Total	2,457,260	573,100	99,685

Routine Works Amounts

We understood that the Routine Works Amounts were determined with reference to, among other things, the nature and amounts of services involved in the specific contracts entered into between members of the Group and the Shandong Hi-Speed Group and its relevant Subordinated Companies. Upon our request, the Directors provided us a list showing the breakdowns of the Routine Works Amounts. According to the list, the Routine Works Amounts comprised various amounts and natures of services being provided/to be provided by Shandong Hi-Speed Group and its relevant Subordinated Companies to the Group.

According to the list, out of the Routine Works Amounts of RMB82.4 million for FY2024, approximately RMB51.2 million was anticipated to incur based on existing/previous signed contracts. In addition to the aforesaid anticipated amount, the Group also anticipated to incur Routine Works Amounts of approximately RMB31.2 million for FY2024.

Upon our further enquiry, we understood from the Directors that such estimation was made with reference to the Group’s demand of services for (a) routine maintenance works and repair works expected to be performed on the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway as part of the Group’s preventive maintenance measures upon consideration of the technical conditions of such expressways; and (b) the development, maintenance, upgrade and improvement of the information systems of the Deshang Expressway

LETTER FROM GRAM CAPITAL

(Liaocheng – Fan County section) and the Shennan Expressway. We also obtained detailed breakdown estimated amounts of each type of the aforesaid services and acknowledged the total estimated amounts of the aforesaid services were approximately RMB31.2 million for FY2024.

Based on the above factors, we consider the estimated amounts of approximately RMB82.4 million for General Highway Business Operation Services (other than preliminary works under the R&E Project on the Jihe Expressway) for FY2024 to be justifiable.

We further noted that the Routine Works Amounts for FY2025 and FY2026 were substantially lower than that for previous years. However, due to certain transactions for FY2024 are not expected to recur in a short period of time, the aforesaid amounts (i.e. approximately RMB21.5 million) were excluded from the Routine Works Amounts for FY2025 and FY2026.

Based on the Routine Works Amounts for FY2024 and excluding the estimated demands of non-recurrent transactions for FY2025 and FY2026, the remaining amounts are at similar level to the estimated Routine Works Amounts for FY2025 and FY2026. Accordingly, we consider the Routine Works Amounts for FY2025 and FY2026 to be justifiable.

R&E Project Works Amounts

After performing following analyses, we consider the R&E Project Works Amounts for the three years ending 31 December 2026 to be justifiable:

- We obtained from the Company a list showing the breakdowns for the R&E Project Works Amounts on a project basis, together with nature of projects, contract value/estimated contract value.
- We obtained from the Company services agreements/tendering documents/successful tender notice in respect of different works for all R&E Project on the Jihe Expressway as listed above with tender procedures being completed (i.e. construction of works for different road sections, supervision of works for different road sections, landscape engineering, etc.) and the expected amounts to be recorded for FY2023. Based on the contract values and the aforesaid figures as provided by the Company, the estimated R&E Project Works Amounts for the three years ending 31 December 2026 in total (i.e. RMB2,918 million) is close to the estimated unsettled amounts for such project as at 31 December 2023, representing approximately 95% to the estimated R&E Project Works Amounts for the three years ending 31 December 2026 in total.
- As advised by the Directors, they expected the completion of the R&E Project will take place in the first half of 2025. Therefore, majority of the R&E Project Works Amounts are expected to be recorded in FY2024. We noted from the list that the majority estimated demand of the aforesaid services will be recorded in FY2024,

LETTER FROM GRAM CAPITAL

which is in line with aforesaid matter. However, having considered that the possible settlement of final instalments is expected to take place after project settlement audit, which are expected to last for three to six months in general, the Company reserve approximately 1.3% of RMB2,918 million as possible amounts for FY2026.

Buffer

As mentioned above, buffers of approximately less than 10% were adopted in addition to the estimated amounts for Services Transactions for the three years ending 31 December 2026 (i.e. 5% to 6% for FY2024 and FY2025). As advised by the Directors, the aforesaid arrangement was determined after considering unexpected circumstances which may take place for the three years ending 31 December 2026 (e.g. any postponed or expedited completion of the works at any stage may cause changes to the actual demand of Services Transactions, etc.). Having considered that (i) unexpected circumstances may take place for the three years ending 31 December 2026; and (ii) we noted from other Hong Kong listed companies' circulars regarding continuing connected transactions that the incorporation of buffer of 10% in proposed annual caps are not uncommon among companies listed on the Stock Exchange, we consider that the buffers of less than 10% to be acceptable.

Taking into account our analyses as mentioned above, we are of the view that the Services Caps for the three years ending 31 December 2026 are fair and reasonable.

Shareholders should note that as the Services 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 2026, and they do not represent forecasts of cost to be incurred from the transactions contemplated under the 2024-2026 General Services Framework Agreement. Consequently, we express no opinion as to how closely the actual cost to be incurred from the transactions contemplated under the 2024-2026 General Services Framework Agreement will correspond with the Services Caps.

Our conclusion

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

B. DEPOSIT SERVICES AND CROSS-BORDER FUND RELATED SERVICES

Reasons for and benefit of the Deposit Services and the Cross-Border Fund Related Services

With reference to the Board Letter, the Shandong Hi-Speed Group's subordinated financial institution is regulated by the National Administration of Financial Regulation, and is authorised to provide various financial services to the Group. At the same time, the Group

LETTER FROM GRAM CAPITAL

has been actively developing its business on the procurement and trading of commodities such as industrial products, and building and metallic materials. The Group conducts the relevant business through Qilu Expressway Hong Kong, involving cross-border fund flows and payment arrangements.

As confirmed by the Directors, the Deposit Services pursuant to the 2024-2026 Financial Services Framework Agreement will mainly take place between the Group and Weihai City Commercial Bank.

The table below sets out the capital adequacy ratio requirements of the 《商業銀行資本管理辦法(試行)》 (the Administrative Measures for Capital of Commercial Banks (for Trial Implementation)*, the “**Administrative Measures for Capital**”) which took effect on 1 January 2013 (Note: the previous version of Administrative Measures for Capital was revoked on the same date) and the respective capital adequacy ratio of Weihai City Commercial Bank as at 31 December 2022 and 30 September 2020 as extracted from the quarterly report of Weihai City Commercial Bank for the nine months ended 30 September 2023:

		As at 30 September 2023	As at 31 December 2022
	Requirements	2023	2022
	%	%	%
Core tier one capital adequacy ratio	7.5	8.66	8.81
Tier one capital adequacy ratio	8.5	10.30	10.61
Capital adequacy ratio	10.5	13.26	13.83

The principal reasons for and the benefits of the Deposit Services and the Cross-Border Fund Related Services are set out in the section headed “Reasons for and Benefits of Entering into the 2024-2026 Financial Services Framework Agreement” of the Board Letter.

Pursuant to the 2024-2026 Financial Services Framework Agreement, the deposit interest rates applicable to the deposit services shall not be lower than any of the following: the interest rates offered by the Shandong Hi-Speed Group’s subordinated financial institution to other members of Shandong Hi-Speed Group for the same type of deposits on the same conditions; and the interest rates offered by other PRC commercial banks to the Company and its subsidiaries for the same type of deposits. In addition, no service fee was charged by Shandong Hi-Speed Group for the provision of cross-border centralized fund operation and management services to the Group.

In light of the above reasons, in particular, the pricing policy of the Deposit Services and the Cross-Border Fund Related Services, we consider that the Deposit Services and the Cross-Border Fund Related Services 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.

LETTER FROM GRAM CAPITAL

Principal terms of the Deposit Services and the Cross-Border Fund Related Services

Set out below are the key terms of the Deposit Services and the Cross-Border Fund Related Services, details of which are set out under the section headed “2. 2024-2026 Financial Services Framework Agreement” of the Board Letter.

Date:	23 November 2023
Parties:	(i) the Company (ii) Shandong Hi-Speed Group
Term of the agreement:	From 31 January 2024 to 31 December 2026
Nature of transactions:	Shandong Hi-Speed Group and its subsidiaries agreed to provide the Group with the certain financial services pursuant to the terms and conditions of the 2024-2026 Financial Services Framework Agreement, including the Deposit Services and Cross-Border Fund Related Services

Pricing policy:

Shandong Hi-Speed Group and its subsidiaries has undertaken to provide the Deposit Services in accordance with the following pricing policies: the deposit interest rate applicable to the deposit services shall not be lower than any of the following: the interest rates offered by the Shandong Hi-Speed Group’s subordinated financial institutions to other members of Shandong Hi-Speed Group for the same type of deposits on the same conditions; and the interest rates offered by other commercial banks in the PRC to the Company and its subsidiaries for the same type of deposits.

Upon our request, the Directors advised us the deposit interest rates offered by the Shandong Hi-Speed Group’s subordinated financial institution in 2022 and 2023. According to the deposit interest rates as promulgated by PBOC and published in the websites of three independent commercial banks, the deposit interest rates offered by the Shandong Hi-Speed Group’s subordinated financial institution were not lower than the deposit interest rates for the same type of deposits as promulgated by PBOC and published in the websites of three independent commercial banks for the same period.

No service fee was charged by Shandong Hi-Speed Group for the provision of cross-border fund centralised operation and management services to the Group.

To safeguard the interests of the shareholders as whole, the Company adopted internal control measures relating to the Deposit Services, details of which are set out under the section headed “III INTERNAL CONTROL MEASURES IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS” of the Board Letter. Having considered that before entering into any deposit arrangements with Shandong Hi-Speed Group, the Company will negotiate

LETTER FROM GRAM CAPITAL

with Shandong Hi-Speed Group’s subordinated financial institution on an arm’s length basis in respect of the deposit interest rates with reference to (i) benchmark interest rate then published by the PBOC; (ii) at least two other independent domestic commercial banks in the PRC for deposit services; and (iii) the Group will enquire Shandong Hi-Speed Group’s subordinated financial institution in respect of deposit rates for same type of deposits offered by them to other members of Shandong Hi-Speed Group, we consider that the effective implantation of the procedures would help to ensure fair determination of interest rates for the Deposit Services according to the pricing policies.

The historical amounts and the proposed annual caps

The Deposit Services

Set out below are (i) the historical daily maximum deposit balance (including accrued interests) of the Deposit Services for the period from 31 August 2021 (being the date of financial services framework agreement in respect of the existing Deposit Services, the “**2021 Financial Services Framework Agreement**”) to 31 December 2021, FY2022 and 10 months ended 31 October 2023, with existing daily maximum deposit balance (including accrued interests) in Weihai City Commercial Bank (the “**Deposit Cap(s)**”); and (ii) the Deposit Caps for the three years ending 31 December 2026:

	For the period from the date of 2021 Financial Services Framework Agreement to 31 December 2021 (RMB’000)	For the year ended 31 December 2022 (RMB’000)	For the year ending 31 December 2023 (RMB’000)
Historical daily maximum deposit balance (including accrued interests)	30,000	560,250	2,642 (Note)
Existing Deposit Caps	500,000	1,000,000	1,000,000
	For the year ending 31 December 2024 (RMB’000)	For the year ending 31 December 2025 (RMB’000)	For the year ending 31 December 2026 (RMB’000)
The Deposit Caps	1,000,000	1,000,000	1,000,000

Note: The figure was for the ten months ended 31 October 2023.

LETTER FROM GRAM CAPITAL

Details of the bases for determining the Proposed Deposit Caps are set out under the sub-section headed “Proposed Annual Caps, and Basis for Determining the Annual Caps” under the section headed “2. 2024-2026 Financial Services Framework Agreement” of the Board Letter.

According to the above table, the Deposit Caps for the three years ending 31 December 2026 are the same as that for the two years ending 31 December 2023. To assess the fairness and reasonableness of the Deposit Caps for the three years ending 31 December 2026, we performed the following analyses:

- We noted from the Company’s interim report for the six months ended 30 June 2023, the Group recorded (i) cash and cash equivalents of approximately RMB546.4 million; and (ii) trade and bills receivables (Note: trade and bills receivables may convert into cash when such receivables are settled) of approximately RMB513.6 million. The sum of aforesaid items was RMB1,060.0 million as at 30 June 2023. The sum of the aforesaid items is close to the Deposit Caps for the three years ending 31 December 2026.
- The Deposit Caps for the three years ending 31 December 2026 represented approximately RMB439.7 million more than the historical daily maximum deposit balance (including accrued interests) of approximately RMB560.3 million during the period from date of the 2021 Financial Services Framework Agreement to the date of 2024-2026 Financial Services Framework Agreement.

According to the Company’s interim report for the six months ended 30 June 2021, as at 30 June 2021 (being the latest published financial information of the Group before the 2021 Financial Services Framework Agreement), the Group recorded (i) cash and cash equivalents of approximately RMB205.3 million; (ii) trade and bills receivables of approximately RMB80.5 million; and (iii) structured bank deposits amounted to approximately RMB400.6 million. The sum of aforesaid items amounted to RMB686.4 million as at 30 June 2021. The sum of aforesaid items as at 30 June 2023 (being the latest published financial information of the Group before the 2024-2026 Financial Services Framework Agreement) represented an increase of approximately RMB373.6 million as compared to that as at 30 June 2021.

- as advised by the Directors, it is difficult to forecast the total cash level for the three years ending 31 December 2026. Nevertheless, should there be any substantial increase in total cash of the Company, the Company may opt to deposit portion of cash in other commercial banks or re-comply with the applicable provisions of the Listing Rules governing continuing connected transactions to revise the Deposit Caps for the three years ending 31 December 2026.

LETTER FROM GRAM CAPITAL

Having considered the above factors, including (i) that the sum of abovementioned items as at 30 June 2023 is close to the Deposit Caps for the three years ending 31 December 2026; (ii) the improvement in the cash and cash equivalents and trade and bills receivables of the Group as mentioned above, we consider the Deposit Caps, which are the same, for the three years ending 31 December 2026 to be fair and reasonable.

The Cross-border Fund Related Services

Set out below are (i) the historical daily fund balance in Shandong Hi-Speed Group's specified account for centralised cross-border fund operation and management for the period from 8 June 2023 (being the date of the 2023 cross-border fund centralised operation and management service agreement) to 31 December 2023, with existing daily fund balance in Shandong Hi-Speed Group's specified account for centralised cross-border fund operation and management (the "Annual Cap(s)"); and (ii) the proposed Annual Caps for the three years ending 31 December 2026:

	For the period from 8 June 2023 to 31 December 2023 (RMB'000)		
Historical daily fund balance	0 (Note)		
The existing Annual Cap	140,000		
	For the year ending 31 December 2024 (RMB'000)	For the year ending 31 December 2025 (RMB'000)	For the year ending 31 December 2026 (RMB'000)
The proposed Annual Caps	140,000	140,000	140,000

Note: The figure was for the ten months ended 31 October 2023.

Details of the bases for determining the proposed Annual Cap for the three years ending 31 December 2026 are set out under the sub-section headed "Proposed Annual Caps, and Basis for Determining the Annual Caps" under the section headed "2. 2024-2026 Financial Services Framework Agreement" of the Board Letter.

As advised by the Directors, the Group only conducted two transactions under the Cross-Border Fund Related Services from the period from 8 June 2023 to the date of 2024-2026 Financial Services Framework Agreement. For our due diligence purpose, we obtained the two copies of electronic bank advice of financial transactions (i.e. transaction records for Cross-border Fund Related Services) with the Shandong Hi-Speed Group's subordinated financial institution. Cross-border Fund Related Services as shown in the aforesaid two transaction records took place in June 2023 and August 2023 respectively. As advised by the Directors, due to the fact that the fund in connection with the Cross-Border Fund Related Services was transferred in and out intraday, the historical daily fund balances was nil.

LETTER FROM GRAM CAPITAL

According to the aforesaid bank advices, the proposed Annual Caps for the three years ending 31 December 2026 is at similar level to the transaction amount as shown in one of the bank advices (i.e. RMB120 million).

Having considered the above and that (i) reasons for the transaction amounts of nil as mentioned above; and (ii) the Group will record the utilisation of the Cross-border Fund Related Services should (a) the fund transfer from the Group to Shandong Hi-Speed Group's specified account; and (b) the transfer of aforesaid fund from Shandong Hi-Speed Group's specified account to the Group's overseas designated account which take place in different days from (a), we are of the view that the proposed Annual Caps for the three years ending 31 December 2026 are fair and reasonable.

Our conclusion

In light of the above, we are of the view that the terms of the Deposit Services and the Cross-border Fund Related Services are on normal commercial terms and are fair and reasonable.

C. THE PROCUREMENT TRANSACTIONS AND THE SALES TRANSACTIONS

Reasons for and benefit of the Procurement Transactions and the Sales Transactions

As advised by the Directors, whereas the products supplied by the Group under the 2024-2026 General Sales Framework Agreement comprises, among other things, those which have been processed by the Group, the mutual supply of various categories of goods under the 2024-2026 General Procurement Framework Agreement and the 2024-2026 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 Project.

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 of goods under the Procurement Transactions and sales of goods under the Sales Transactions 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 relevant 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

LETTER FROM GRAM CAPITAL

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 relevant 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 2024-2026 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 2024-2026 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 2024-2026 General Sales Framework Agreement are revenue in nature, the entering into the 2024-2026 General Sales Framework Agreement will enable the Group to expand its source of revenue.

As confirmed by the Directors, as the Procurement Transactions and the Sales 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.

Having considered the above, we are of the view that the Procurement Transactions and the Sales 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.

LETTER FROM GRAM CAPITAL

Principal terms of the Procurement Transactions and the Sales Transactions

Major terms of the Procurement Transactions and the Sales Transactions are set out as follows, details of which are set out under the section headed “3. 2024-2026 General Procurement Framework Agreement” and “4. 2024-2026 General Sales Framework Agreement” of the Board Letter:

Major terms	The Procurement Transactions	The Sales Transactions
Date	23 November 2023	
Parties	(i) the Company; and (ii) Shandong Hi-Speed Group	
Term	From 1 January 2024 to 31 December 2026 (both days inclusive)	
Subject matter	The goods procured by the Group from Shandong Hi-Speed Group and its Subordinated Companies include but not limited to 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 but not limited to asphalt, asphalt mixture, cement, concrete and other building materials, construction equipment and their accessories, plants as well as other goods permitted by law and permitted to be sold by the Group under the Group’s registered business scopes.
Principles of transactions	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.	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.

LETTER FROM GRAM CAPITAL

Major terms	The Procurement Transactions	The Sales Transactions
	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.	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.
Payment method	The payment time and method shall be determined in accordance with the tender documents and the written agreement signed by both parties in respect of the transaction.	

Pricing Policies

The pricing of each of goods procured or sold under the framework agreements shall be determined on the basis of the following 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; and
- (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.

LETTER FROM GRAM CAPITAL

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 2024-2026 General Procurement Framework Agreement and 2024-2026 General Sales Framework Agreement 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.

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 “III. 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 Procurement Transactions and Sales 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 Procurement Transactions and Sales Transactions.

LETTER FROM GRAM CAPITAL

The proposed annual caps

A. The Procurement Transactions

Set out below are (i) the historical transaction amounts of the existing Procurement Transactions for the period from the date of the Previous General Procurement Framework Agreement to 31 December 2022 and the 10 months ended 31 October 2023 with existing annual caps; and (ii) the proposed annual caps of the Procurement Transactions (the “**Procurement Cap(s)**”) for the three years ending 31 December 2026:

	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 historical transaction amounts	7,956		376,316
The existing Procurement Caps	150,000		1,100,000
	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The Procurement Caps	650,000	55,000	55,000

In determining the Procurement Caps, the Company has considered various factors as set out under the sub-section headed “Proposed Annual Caps, and Basis for Determining the Annual Caps” under the section headed “3. 2024-2026 General Procurement Framework Agreement” of the Board Letter.

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 (i) the estimated procurement amounts; and (ii) buffers of less than 10% on (i), for the three years ending 31 December 2026.

LETTER FROM GRAM CAPITAL

FY2024

The estimated procurement amounts for FY2024 was approximately RMB618 million. Based on our discussion with the Directors, the estimated procurement amounts from a subsidiary of the Company (the “**Subsidiary A**”) accounted for the majority proportion of the aforesaid total estimated amounts of RMB618 million for FY2024.

Upon our further request, we noticed that the estimated procurement amounts from Subsidiary A accounted for over 90% of the estimated procurement amounts for FY2024, which was determined with reference to the remaining amounts of agreements previously signed between Subsidiary A and Shandong Hi-Speed Group and its Subordinated Companies.

For our due diligence purpose, we (i) obtained all the abovementioned signed agreements between Subsidiary A and Shandong Hi-Speed Group and its Subordinated Companies; and (ii) were advised by the Company the amounts recorded pursuant to the aforesaid signed agreements as at 31 October 2023. We noted that the unsettled amounts pursuant to the aforesaid agreements as at 31 October 2023 in total were close to (with difference of less than 5%) the estimated procurement amounts from Subsidiary A for FY2024.

Accordingly, we consider the estimated procurement amounts for FY2024 to be fair and reasonable.

FY2025 and FY2026

The estimated procurement amounts for each FY2025 and FY2026 were approximately RMB55 million, of which over 80% of the aforesaid amounts were expected to be recorded by the Subsidiary A.

Based on our discussion with the Company, we understood that the products to be procured by Subsidiary A for FY2025 and FY2026 would be asphalt, which will be used for processing bituminous concrete. We further obtained the Subsidiary A’s annual procurement plan for asphalt, including the anticipated procurement volume and average procurement price. Based on the aforesaid figures, we are of the view that the estimated procurement amounts by Subsidiary A for FY2025 and FY2026 are justifiable.

Having considered the above factors, we are of the view that the estimated procurement amounts for FY2025 and FY2026 are fair and reasonable.

Buffers

As mentioned above, buffers of approximately less than 10% were adopted in addition to the estimated procurement amounts for the three years ending 31 December 2026. As advised by the Directors, the aforesaid arrangement was determined after considering unexpected circumstances which may take place for the three years ending 31 December 2026 (e.g. the Procurement Products (or products as processed by

LETTER FROM GRAM CAPITAL

Procurement Products) will be used for 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, the unexpected increase in procurement price, etc.). Having considered that (i) unexpected circumstances may take place for the three years ending 31 December 2026; and (ii) we noted from other Hong Kong listed companies' circulars regarding continuing connected transactions that the incorporation of buffer of 10% in proposed annual caps are not uncommon among companies listed on the Stock Exchange, we consider that the buffers of less than 10% to be acceptable.

Based on the above factors, we are of the view that the Procurement Caps for the three years ending 31 December 2026 to be fair and reasonable.

B. The Sales Transactions

Set out below are (i) the historical transaction amounts of the existing Sales Transactions for the period from the date of the Previous General Sales Framework Agreement to 31 December 2022 and the 10 months ended 31 October 2023 with existing annual caps; and (ii) the proposed annual caps of the Sales Transactions (the “Sales Cap(s)”) for the three years ending 31 December 2026:

	For the period from the date of the General Sales Framework Agreement to 31 December 2022 RMB'000	For the year ending 31 December 2023 RMB'000	
The historical transaction amounts	99,957	547,639 <i>(Note)</i>	
The existing Sales Caps	300,000	1,000,000	
	For the year ending 31 December 2024 RMB'000	For the year ending 31 December 2025 RMB'000	For the year ending 31 December 2026 RMB'000
The Sales Caps	700,000	150,000	180,000

Note: The figure was for the ten months ended 31 October 2023.

In determining the Sales Caps, the Company has considered various factors as set out under the sub-section headed “Proposed Annual Caps, and Basis for Determining the Annual Caps” under the section headed “4. 2024-2026 General Sales Framework Agreement” of the Board Letter.

LETTER FROM GRAM CAPITAL

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 Transactions for FY2024; and (b) buffers of less than 10% on the aforesaid estimated sales.

The Group estimated amounts of Sales Transactions for FY2024 to be approximately RMB674.5 million for FY2024. Upon our request, the Directors provided us with a list of goods to be supplied by the Group to Shandong Hi-Speed Group and its Subordinated Companies, the sum of which represented the total estimated amounts of Sales Transactions for FY2024.

Based on the historical transaction amounts of RMB547.6 million for the 10 months ended 31 October 2023, the annualized amounts would be approximately RMB657.2 million. As mentioned above, the completion of the R&E Project will take place in the first half of 2025, therefore the supply of the goods pursuant to the Sales Transactions are considered to be ongoing. As the estimated amounts of Sales Transactions for FY2024 of approximately RMB674.5 million is close to the annualized amounts of RMB657.2 million, we consider the estimated amounts of Sales Transactions for FY2024 to be justifiable.

In respect of the estimated amounts of Sales Transactions for FY2025 and FY2026, the Directors did not forecast any transaction amounts which are relating to the R&E Project as the completion of the R&E Project will take place in the first half of 2025. Based on the aforesaid list of goods to be supplied by the Group to Shandong Hi-Speed Group and its Subordinated Companies, the estimated amounts of Sales Transactions for FY2024 (excluding those in connection with the R&E Project) would be approximately RMB124.4 million. The estimated amounts of Sales Transactions for FY2025 and FY2026 represented increases of approximately 13% and 21% as compared to those for FY2024 and FY2025.

We noted that the Group only entered into one individual agreement with Shandong Hi-Speed Group and its Subordinated Companies under the Sales Transactions (excluding those in connection with the R&E Project) with contract amounts of less than RMB10 million in 2022. However, the Group entered into another individual agreement with Shandong Hi-Speed Group and its Subordinated Companies under the Sales Transactions (excluding those in connection with the R&E Project) with contract amounts of more than RMB50 million in 2023. The aforesaid significant increase was mainly due to the establishment of Subsidiary A in 2022 and commenced operation in 2023. The Subsidiary A is principally engaged in sales of materials for construction. Based on the aforesaid, we do not doubt the reasonableness of the increases in the estimated amounts of Sales Transactions for FY2025 and FY2026 (excluding those in connection with the R&E Project). Accordingly, we are of the view that the estimated amounts of Sales Transactions for FY2025 and FY2026 (excluding those in connection with the R&E Project) are justifiable.

LETTER FROM GRAM CAPITAL

As mentioned above, buffers of less than 10% were adopted in addition to the estimated sales amounts for the three years ending 31 December 2026. As advised by the Directors, the aforesaid arrangement was determined after considering unexpected circumstances which may take place for the three years ending 31 December 2026 (e.g. the sales products will be used for R&E Project, any postponed or expedited completion of the works at any stage may cause changes to the actual demand of sales products, the unexpected increase in sale price, etc.). Having considered that (i) unexpected circumstances may take place for the three years ending 31 December 2026; and (ii) we noted from other Hong Kong listed companies' circulars regarding continuing connected transactions that the incorporation of buffer of 10% in proposed annual caps are not uncommon among companies listed on the Stock Exchange, we consider buffers of less than 10% to be acceptable.

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 2026, and they do not represent forecasts of cost to be incurred or income to be generated from the transactions contemplated under the the Procurement Transactions and Sales Transactions. Consequently, we express no opinion as to how closely the actual cost to be incurred or income to be generated from the Procurement Transactions and Sales Transactions will correspond with the respective annual caps.

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

Our conclusion

In light of the above, we are of the view that the terms of the Procurement Transactions and Sales 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 2024-2026 Continuing Connected Transactions Framework Agreements; (ii) the terms of the 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.

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.

LETTER FROM GRAM CAPITAL

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 transactions.

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 2022 and the six months ended 30 June 2023 is set out in the 2020 annual report, the 2021 annual report, the 2022 annual report and the 2023 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.qlccl.com and HKExnews www.hkexnews.hk as follows:

- (i) The annual report of the Company for the year ended 31 December 2020 published on 23 April 2020 (page 143 to page 235). Please refer to the following link to the 2020 Annual Report published on the website of the Hong Kong Stock Exchange:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042300463.pdf>

- (ii) The annual report of the Company for the year ended 31 December 2021 published on 27 April 2021 (page 165 to page 258). Please refer to the following link to the 2021 Annual Report published on the website of the Hong Kong Stock Exchange:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042700736.pdf>

- (iii) The annual report of the Company for the year ended 31 December 2022 published on 19 April 2022 (page 188 to page 297). Please refer to the following link to the 2022 Annual Report published on the website of the Hong Kong Stock Exchange:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0419/2023041900716.pdf>

- (iv) The interim report of the Company for the six months ended 30 June 2023 published on 4 September 2023 (page 23 to page 48). Please refer to the following link to the 2023 Interim Report published on the website of the Hong Kong Stock Exchange:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0904/2023090401465.pdf>

2. INDEBTEDNESS

As at 31 October 2023, 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 RMB5,540.66 million, among which RMB893.53 million were guaranteed and RMB4,647.13 million 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 RMB66.93 million, 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 31 October 2023, 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's principal businesses comprise (i) the construction, maintenance, operation and management of the expressways (including the Jihe Expressway and the Deshang and Shennan Expressways); and (ii) highway engineering construction, expressway maintenance, municipal greening and other construction engineering, and sales of industrial products and other businesses.

As disclosed by the 2023 interim report issued by the Company on 4 September 2023, the revenue from operations of the Group for the six months ended 30 June 2022 was about RMB1,656,842,000, representing an increase of approximately 67.66% compared with that of approximately RMB988,210,000 in the corresponding period of last year. The Group recorded toll income from the Jihe Expressway of approximately RMB347,572,000, representing a decrease of approximately 38.12% compared with that of approximately RMB561,726,000 in the corresponding period of last year. Our toll income from the Deshang and Shennan Expressways was approximately RMB275,501,000, representing an increase of approximately 17.10% compared with that of approximately RMB235,261,000 in the corresponding period of last year. Traffic volume on the Jihe Expressway decreased from approximately 70,700 vehicles per day during the six months ended 30 June 2022 to approximately 48,300 vehicles per day during the Reporting Period. Traffic volume on the Deshang Expressway (Liaocheng – Fan County section) increased from approximately 46,300 vehicles per day during the six months ended 30 June 2022 to approximately 58,700 vehicles per day during the Reporting Period. Traffic volume on the Shennan Expressway increased from approximately 8,900 vehicles per day during the six months ended 30 June 2022 to approximately 11,600 vehicles per day during the Reporting Period. Such decreases in the toll income and total traffic volume were mainly attributable to the partial closure for construction of the R&E Project of the Jihe Expressway, whereas the implementation of the half-width traffic of the main line of the Jihe Expressway and the temporary closure of certain toll stations had led to the significant decrease in the traffic volume of the Jihe Expressway and a material impact on the toll income.

The Group recognised revenue from engineering construction business and sales of industrial products relating to construction activities of approximately RMB1,032,166,000, representing an increase of approximately 447.16% compared with that of approximately RMB188,641,000 in the corresponding period of last year, which was mainly due to the increase in the construction revenue recognised from the implementation of the R&E Project of the Jihe Expressway and the revenue generated from trading business of construction materials carried out by Shandong Shunguang Industrial and Shandong Gangtong Construction. Meanwhile, the Group recognised income from other service business of

approximately RMB299,000, representing a decrease of approximately 9.12% as compared with that of approximately RMB329,000 in the corresponding period of last year, mainly attributable to the reduction of service income from road clearance services for traffic accidents.

In the first half of 2023, facing the complex and severe international environment, the weak recovery of the world economy and the arduous tasks of domestic reform, development and stabilization, China's economy adhered to the general keynote of seeking progress in stability. Market demand gradually recovered, production and supply continued to increase, the quality of development continued to improve, and the overall economic performance picked up. The economy and society have fully restored its normal operation, laying a solid foundation for achieving the annual economic and social growth targets.

Under the momentum of economic recovery, the Company focused on production and operation and project construction, went all out to catch up with the schedule, took multiple measures to seize the first opportunities, successfully overcame many unfavorable factors, and showed a good situation of revenue increase, projects advancing, rapid transformation and stable development. In the future, the Company will effectively grasp the opportunity of economic recovery, enter the fast-forward mode, make every effort to overcome the difficulties, and strive to seize the initiative for the whole year and continue to expand the profit potential to create more value for shareholders.

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 IMPACTS OF THE TRANSACTIONS OF DEPOSIT SERVICES AND CROSS-BORDER FUND CENTRALISED OPERATION AND MANAGEMENT SERVICES UNDER THE 2024-2026 FINANCIAL SERVICES FRAMEWORK AGREEMENT ON THE GROUP

The Group has from time to time placed deposits with financial institutions subordinate to Shandong Hi-Speed Group. The deposits are short-term in nature and are conducive to fully utilizing the funds to support the development of the Group's business such as highway operation and highway engineering construction, and to obtaining additional funds through interest income to meet the occasional needs of its operations. To reduce the cost of funds and ensure the secure and effective utilization of funds, the Company considers that there is a practical need to continue to place deposits with Shandong Hi-Speed Group's subordinated financial institution to generate interest income in order to support its working capital, taking into account the transactions of the deposit business in the past and the actual needs of production and development in the future. The interest rates for deposits offered by Shandong Hi-Speed Group's subordinated financial institution are not lower than (i) the interest rates

offered by financial institutions subordinate to the Shandong Hi-Speed Group to other members of Shandong Hi-Speed Group for similar deposits under the same conditions; and (ii) the interest rates offered by other commercial banks in the PRC to the Group for similar deposits. The deposits are the funds of the Group and the consolidated assets of the Group will not change as a result of the deposits with the financial institutions subordinate to the Shandong Hi-Speed Group pursuant to the terms of the 2024-2026 Financial Services Framework Agreement. The deposit services will not have any impact on the Group's assets and liabilities. As the Group is able to earn interest from the deposits, the deposit transactions will increase the profits of the Group but it is expected that such interest income will not likely contribute significantly to the profits of the Group. Therefore, the Directors do not expect the deposit services to have any material financial impact on the profits, assets and liabilities of the Group.

Meanwhile, the Group utilizes the cross-border fund centralised operation and management services provided by Shandong Hi-Speed Group and its Subordinated Companies to provide the Group with cross-border fund centralised operation and management services for handling cross-border remittance-related matters such as the foreign debt and offshore lending, centralized collection and payment of recurring project funds and netting settlement, without any service charges charged. Accordingly, the use of the cross-border fund centralised operation and management services by the Group will not have any impact on the assets, liabilities, and profits of the Group.

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 of 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. Ma Xianghui, a non-executive Director, serves as the vice president of COSCO SHIPPING (Hong Kong) and the deputy general manager of COSCO SHIPPING International;
- 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. Su Xiaodong, a non-executive Director, serves as the investment director and general manager of the capital and investment department of COSCO SHIPPING (Hong Kong);
- Mr. Kang Jian, a non-executive Director, is a member of the party committee and deputy general manager of Shandong Hi-Speed Group, and a director of Shandong Hi-Speed Rail Transportation Group;
- Mr. Wang Gang, a non-executive Director, serves as the deputy general manager of Guoneng Power Technology & Engineering Co., Ltd.;

- 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);
- Mr. Wang Shenan, a Shareholder representative Supervisor, serves as the general manager of the audit and supervision department of COSCO SHIPPING (Hong Kong) and COSCO SHIPPING International;
- Mr. Zhang Yin, a Shareholder representative Supervisor, serves as the director of the project development and capital operation centre of Shandong Hi-Speed Group; and
- Mr. Wu Yongfu, a Shareholder representative Supervisor, serves as the secretary of the Party branch and executive deputy head of Shangdong Project Construction Center.

3. MATERIAL ADVERSE CHANGE

As of 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 2022, being the date to which the latest published audited financial statements of the Group were made up.

4. MATERIAL LITIGATION

As of 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
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
Kang Jian / Non-executive Director	A member of the party committee and deputy general manager of Shandong Hi-Speed Group, and a director of Shandong Hi-Speed Rail Transportation Group
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 announcements of the Company dated 20 May 2022 and 3 November 2023 and the circular of the Company dated 20 July 2022, respectively, in relation to, among others, the entering into of the Main Engineering Contracts for the R&E Project between the Company and Shandong Hi-Speed Group and its Subordinated Companies, the subject matter and consideration of the transactions contemplated thereunder are as follows:

(1) 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.

(2) 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.

(3) 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.

(4) 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.

(5) 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.

(6) Electrical and Mechanical Engineering Construction Contract

Parties : (i) the Company (as the principal); and
(ii) Shandong Aobang and Shandong Zhengchen Technology (in the form of a consortium as the contractor)

Subject matter : Shandong Aobang and Shandong Zhengchen Technology (as the contractor) undertake the construction of the JHJD-1 section under the main works of the R&E Project as follows:

Construction section – The total length of the JHJD-1 section is 153.6 km, and the implementation length is about 152.775 km. The project adopts the standard of two-way eight-lane highway, featuring a design speed of 120 km per hour. The width of the overall roadbed is 42 m and that of the new roadbed is 20.75 m, which is separated from the overall roadbed on one side. There are 2 hub interchanges, 11 general interchanges (3 new and 8 reconstructed and expanded), 3 service confirmed areas, 2 parking areas, 11 ramp toll stations (8 reconstructed and 3 new), 1 communication monitoring sub-centre (new), and 3 maintenance work areas.

Scope of the project – The project covers equipment procurement, system integration, joint design, supply, transportation, inspection, storage, installation, joint commissioning, opening, trial operation, handover, training, internal data and defects liability period for the electrical and mechanical engineering of the whole line (including the communication system, toll collection system, monitoring system, and the supporting power supply and control systems of the works, etc.).

Total amount : The total contract amount of this project is RMB265,163,198.38.

(7) Power Relocation and Modification Construction Contract

Parties	:	(i) The Company (as the principal); and (ii) Shandong Zhengchen Technology (as the contractor).
Subject matter	:	For the first section of the power relocation and modification construction (phase II) of the R&E project of Jinan to Heze section of the Jiguang Expressway, the contractor shall be responsible for the implementation, completion and defect repair of the project in accordance with the contract, meet the technical specifications, regulations and requirements of the power industry and the requirements of the property owner whilst ensuring the normal operation and safety of the transmission line, and pass the acceptance and handover.
Total amount	:	The total contract amount of this project is RMB350,430,910.21.

As (i) 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, and (ii) Mr. Kang Jian, a non-executive Director, is a member of the party committee and deputy general manager of Shandong Hi-Speed Group, and a director of Shandong Hi-Speed Rail Transportation Group, which is a subsidiary of Shandong Hi-Speed Group, and meanwhile, Shandong Hi-Speed Group is a controlling Shareholder and thus a connected person of the Company. Both Ms. Kong and Mr. Kang were deemed to have a material interest in the transactions contemplated under the main works of R&E Contracts entered into with Shandong Hi-Speed Group and its Subordinated Companies.

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, 2022, 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 of 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 are proposed to be acquired or disposed of by or leased to) any member of the Group since 31 December 2022, 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) Subscription agreements entered into between the Company and China Construction Bank Corporation Changqing Branch in Jinan City (中國建設銀行股份有限公司濟南長清支行) on 25 February 2022, 13 April 2022 and 27 May 2022, respectively, pursuant to which the Company subscribed for wealth management products issued by the latter in the principal amounts of RMB200,000,000, RMB200,000,000 and RMB300,000,000, respectively;

- (ii) 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 products issued by the latter in the principal amount of RMB400,000,000;
- (iii) 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
- (iv) 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 products issued by the latter in the principal amount of RMB600,000,000.
- (v) The Company entered into the SDP Agreements with Bank of Communications Co., Ltd. Shandong Branch (交通銀行股份有限公司山東分行) on 28 December 2022 in relation to the subscription of the SDPs issued by Bank of Communications Co., Ltd. Shandong Branch in the amount of RMB500 million in total;
- (vi) The Company (i) entered into the SDP Agreements with Bank of Communications Co., Ltd. Shandong Branch on 19 January 2023 in relation to the subscription of the SDPs issued by Bank of Communications Co., Ltd. in the amount of RMB250 million in total; and (ii) entered into the CMB SDP Agreement II with China Merchants Bank Co., Ltd. Jinan Branch on 19 January 2023 in relation to the subscription of the SDPs issued by China Merchants Bank Co., Ltd. Jinan Branch in the amount of RMB250 million;
- (vii) The Company entered into the SDP Agreements with Bank of Communications Co., Ltd. Shandong Branch on 31 March 2023 in relation to the subscription of the SDPs issued by Bank of Communications Co., Ltd. Shandong Branch in the amount of RMB240 million in total;
- (viii) The Company entered into the SDP Agreements with Bank of Communications Co., Ltd. Shandong Branch on 5 May 2023 in relation to the subscription of the SDPs issued by Bank of Communications Co., Ltd. Shandong Branch in the amount of RMB300 million in total; and
- (ix) People's Capital (as the general partner) entered into the Partnership Agreement with Qilu Expressway Investment (as the limited partner) on 19 May 2023 in order to establish a partnership, pursuant to which, the scale of the Partnership was RMB400.01 million, of which the proposed capital contribution by People's Capital and Qilu Expressway Investment was RMB10,000 and RMB400 million, respectively, and was used for investing in the comprehensive development project of Zhili Street Area, Zhili Town, Huzhou City, Zhejiang Province for urban renewal.

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. Shi Wenjiang and Ms. Zhang Xiao. Ms. Zhang was admitted as an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in 2019.
- (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 for a period of 14 days from the date of this circular:

- (i) the 2024-2026 General Services Framework Agreement;
- (ii) the 2024-2026 Financial Services Framework Agreement;
- (iii) the 2024-2026 General Procurement Framework Agreement;
- (iv) the 2024-2026 General Sales Framework Agreement;
- (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 Friday, 29 December 2023 at Video Conference Room, 24/F, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000 Jingshi East Road, High-tech Zone, Jinan City, Shandong Province, 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 14 December 2023.

ORDINARY RESOLUTIONS

“THAT

1. the 2024-2026 General Services Framework Agreement and the transaction contemplated thereunder (including its proposed annual caps) is hereby considered, approved, confirmed and ratified in all respects, and any Director 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 2024-2026 General Services Framework Agreement;
2. the 2024-2026 Financial Services Framework Agreement and the transaction contemplated thereunder (including its proposed annual caps) is hereby considered, approved, confirmed and ratified in all respects, and any Director 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 2024-2026 Financial Services Framework Agreement;
3. the 2024-2026 General Procurement Framework Agreement and the transaction contemplated hereunder (including its proposed annual caps) is hereby considered, approved, confirmed and ratified in all respects, and any Directors 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 2024-2026 General Procurement Framework Agreement; and

NOTICE OF THE EGM

4. the 2024-2026 General Sales Framework Agreement and the transaction contemplated hereunder (including its proposed annual caps) is hereby considered, approved, confirmed and ratified in all respects, and any Directors 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 2024-2026 General Sales Framework Agreement.”

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

Shandong, the PRC
14 December, 2023

NOTICE OF THE EGM

Notes:

1. The register of members of the Company has been closed from Thursday, 29 November, 2023 to Friday, 29 December, 2023 (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 not less than 24 hours before 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.qlccl.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. Ma Xianghui, Ms. Kong Xia, Mr. Su Xiaodong, Mr. Kang Jian, Mr. Wang Gang, Mr. Shi Jinglei and Mr. Du Zhongming; and the independent non-executive Directors are Mr. Liu Hongwei, Mr. He Jiale, Mr. Wang Lingfang, Mr. Leng Ping and Ms. Shen Chen.