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齐鲁高速公路股份有限公司
QILU EXPRESSWAY COMPANY LIMITED

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1576)

**CONTINUING CONNECTED TRANSACTIONS AND MAJOR
TRANSACTIONS
2024-2026 CONTINUING CONNECTED TRANSACTIONS FRAMEWORK
AGREEMENTS**

2024-2026 CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENTS

The Board is pleased to announce that the Company and Shandong Hi-Speed Group entered into the 2024-2026 Continuing Connected Transactions Framework Agreements on 23 November 2023, pursuant to which, among other things, the Group agreed to the provision of General Highway Business Operation Services and certain financial services (including deposit services, other financial services and cross-border fund centralised operation and management services) to the Group by Shandong Hi-Speed Group and its Subordinated Companies, as well as the provision of certain services and the procurement and sales of certain types of goods to Shandong Hi-Speed Group and its Subordinated Companies according to the terms and conditions of the agreements.

LISTING RULES IMPLICATIONS

As at the date of the announcement, 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 Transaction Framework Agreements constituted a continuing connected transaction 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.

In respect of the 2024-2026 Services Provision Framework Agreement, as all the applicable percentage ratios under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect of their respective highest proposed annual caps are more than 0.1% but less than 5%, the 2024-2026 Services Provision Framework Agreement (including the proposed annual caps thereunder) is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but exempt from the Independent Shareholders' approval requirement.

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.

EGM

The Company will convene an EGM at which resolutions will be proposed for, among other things, the Independent Shareholders to consider and, if thought fit, approve the 2024-2026 General Services Framework Agreement, the 2024-2026 Financial Services Framework Agreement, the 2024-2026 General Procurement Framework Agreement and the 2024-2026 General Sales Framework Agreement and the transactions contemplated thereunder (including their respective proposed annual caps) (other than the other financial services under the 2024-2026 Financial Services Framework Agreement). As the Shandong Hi-Speed Group has a material interest in the above transactions, Shandong Hi-Speed Group and its associates (including Shandong Hi-Speed) are required to abstain from voting on the relevant resolutions to be proposed at the EGM. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder other than Shandong Hi-Speed Group and its associates (including Shandong Hi-Speed) is required to abstain from voting on the aforesaid resolutions.

As the 2024-2026 General Services Framework Agreement, the 2024-2026 Financial Services Framework Agreement, the 2024-2026 General Procurement Framework Agreement and the 2024-2026 General Sales Framework Agreement and the transactions contemplated thereunder (including their respective proposed annual caps) (other than the other financial services under the 2024-2026 Financial Services Framework Agreement) are subject to the approval by the Independent Shareholders, an Independent Board Committee comprising all the independent non-executive Directors, i.e., Mr. Liu Hongwei, Mr. He Jiale, Mr. Wang Lingfang, Mr. Leng Ping and Ms. Shen Chen, has been established by the Company to advise the Independent Shareholders in respect of the above transactions. The Company will appoint an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the above transactions.

A circular containing, among other things, (i) details of the 2024-2026 General Services Framework Agreement, the 2024-2026 Financial Services Framework Agreement, the 2024-2026 General Procurement Framework Agreement and the 2024-2026 General Sales Framework Agreement and the transactions contemplated hereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) the recommendations from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the circular of the notice of the EGM will be dispatched to the Shareholders on or before 14 December 2023 (which is more than fifteen business days after the date of publication of this announcement) as more time is required for the Company to compile certain information to be included in this circular.

INTRODUCTION

References are made to (i) the announcement of the Company dated 18 June 2021 in relation to the entering into of the Previous General Services Framework Agreement; (ii) the announcements of the Company dated 26 August 2021 and 31 August 2021 and the circulars of the Company dated 15 November 2021 and 20 July 2022 respectively in relation to the proposed amendments to the Previous General Services Framework Agreement's annual caps and the entering into of the Previous Financial Services Framework Agreements; and (iii) the announcement of the Company dated 27 July 2022 and the circular dated 31 October 2022 in relation to the entering into of the Previous Services Provision Framework Agreement, the Previous General Procurement Framework Agreement and the Previous General Sales Framework Agreement.

The Board is pleased to announce that the Company and Shandong Hi-Speed Group entered into the 2024-2026 Continuing Connected Transactions Framework Agreements on 23 November 2023, pursuant to which, among other things, the Group agreed to the provision of General Highway Business Operation Services and certain financial services (including deposit services, other financial services and cross-border fund centralised operation and management services) to the Group by Shandong Hi-Speed Group and its Subordinated Companies, as well as the provision of certain services and the procurement and sales of certain types of goods to Shandong Hi-Speed Group and its Subordinated Companies according to the terms and conditions of the agreements.

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.

- 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 general 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:

- (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 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 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 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 31 December		Ten months ended 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 Agreements 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.

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 ended 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.

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 ended 31 December 2026:

	For the year ended 31 December		
	2024	2025	2026
	<i>RMB'000</i>		
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
- (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.

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, and the independent non-executive Directors, whose views are contained in the Letter from the Independent Board Committee in the circular to be despatched to the Shareholders) 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.

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.
- 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 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.

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.

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 ended 31 December 2026 shall be respectively as follows:

	For the year ended 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.

In respect of other financial services (annual caps of the total fees payable to Shandong High-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 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 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 RMB194.33 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 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 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;
- (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 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; for the deposit services and the cross-border fund centralised operation and management services under the 2024-2026 Financial Services Framework Agreement, also excluding the independent non-executive Directors, whose views are contained in the Letter from the Independent Board Committee in the circular to be despatched to the Shareholders, but for the other financial services under the 2024-2026 Financial Services Framework Agreement, including the independent non-executive Directors) 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 Services Provision Framework Agreement

The principal terms and conditions of the 2024-2026 Services Provision 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 services provided or may be provided by the Group to Shandong Hi-Speed Group and its Subordinated Companies include but not limited to labor subcontracting, consulting services, leasing services, warehousing and logistics services, installation services, trade services, entrusted construction services, import and export of goods services, engineering management services, landscaping services as well as other services which are permitted by law and can be performed by Shandong Hi-Speed Group and its Subordinated Companies within its registered business scope.

- Principles of transactions** : In respect of the service projects provided by Shandong Hi-Speed Group and its Subordinated Companies, Shandong Hi-Speed Group and its Subordinated Companies shall give priority to the Group's services when the service conditions are the same as or less favorable than those offered by third parties (except that the service projects subject to conditional bidding shall be determined through bidding in accordance with relevant laws and regulations). The Group will ensure that all service items provided by it and its Subordinated Companies are of good quality, at fair and reasonable prices, and the terms of service provided to Shandong Hi-Speed shall not be less favorable than those provided to third parties.
- Demand estimation** : Save for public tender, Shandong Hi-Speed Group shall submit a service demand plan for the next accounting year or an adjustment plan for the service items for 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 service demand plan of Shandong Hi-Speed Group for the next accounting year is substantially the same as the current accounting year, the Group shall satisfy such plan.
- Payment method** : The payment time and method of the 2024-2026 Services Provision 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 (if necessary) 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 services provided under the 2024-2026 Services Provision Framework Agreement shall be determined on the basis of the following principles and sequences:
- (i) **government-prescribed price**: where the pricing of the service fees is subject to price control by the state or local government, the price of the service fees will be determined in accordance with the prescribed price published by the government authority on its official website and the relevant official pricing documents;
- (ii) **government-guided price**: where a guided price standard imposed by the central or local government is available for the service and such guided price standard has been published on the website of relevant government authority or via authoritative price list, the price of such 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 the service 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 price of such services shall be determined with reference to the market price and the general principle for pricing shall be fair and reasonable. If the service falls within those subject to tender process pursuant to laws and regulations or the acceptance of service 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 providing similar services in the region to which such services are provided, and obtaining quotations from comparable service providers in the market with reference to 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 services provided by the parties and their relevant subordinate entities to any third party.

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

Both parties shall select the service providers 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 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 goods being the subject matters under the 2024-2026 Services Provision 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.

Annual Caps and Historical Transaction Amounts

The existing annual caps and the historical transaction amounts for the transactions contemplated under the Previous Services Provision 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 (Note 1) RMB'000	For the ten months ended 31 October 2023
Previous Services Provision Framework Agreement		
Previous annual caps	10,000	40,000
Historical transaction amounts	2,206	666

Note:

1. From the date of the Previous Services Provision Framework Agreement.

Proposed Annual Caps, and Basis for Determining the Annual Caps

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

	For the year ended 31 December		
	2024	2025	2026
	<i>RMB'000</i>		
2024-2026 Services Provision Framework Agreement			
Annual Caps	65,000	120,000	140,000

The annual caps under the 2024-2026 Services Provision 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) the current scale of operation and expansion plan of the Group's construction business segment, including the plan to increase the provision of peripheral services for the construction and operation of expressways during the three years ended 31 December 2026, increase the Group's manpower and resources to provide diversified services and improve service quality;
- (ii) the expected demand of Shandong Hi-Speed Group and its Subordinated Companies for the provision of services by the Group under the 2024-2026 Services Provision Framework Agreement, in particular taking into account the following:
 - (a) according to the Comprehensive Three-dimensional Transportation Network Planning Outline of Shandong Province (2023-2035) (《山東省綜合立體交通網規劃綱要(2023-2035)》) issued by the Shandong Provincial People's Government, Shandong Province shall plan the construction of transportation infrastructure in advance to an appropriate extent during the planning period to improve the overall efficiency of comprehensive transportation. The total scale of the physical network layout of the comprehensive three-dimensional transportation network in the province exceeded 50,600 km, including more than 35,000 km of the main highway network, more than 15,000 km of the expressway (including approximately 3,000 km of the research line) and more than 20,000 km of the general national and provincial highway. A modern and high-quality comprehensive three-dimensional transportation network has been built, with full capacity, wide coverage, reasonable structure, convenient and smooth, efficient connection, green and intensive, intelligent and advanced as well as safe and reliable;
 - (b) Shandong Hi-Speed Group, being a prominent state-owned entity for the investment, construction and operation of the road infrastructures in Shandong Province and the provision of expressway and urban and rural highway construction services, engineering support, is expected to become one of the entities to lead the initiatives of the traffic and transportation upgrade projects under the above-mentioned plan;
 - (c) based on its positioning and leading qualities in the industry, Shandong Hi-Speed Group and its Subordinated Companies are expected to become, and/or win the tender to become the construction unit of various expressway-related infrastructure construction and upgrade projects contemplated under the above-mentioned plan; and
 - (d) Shandong Gangtong Construction, a wholly-owned subsidiary of the Company, is a construction enterprise mainly engaged in highway and bridge construction, municipal engineering and highway maintenance. It possesses a grade two qualification for general contractor in terms of highway project construction, and can undertake construction projects of highways below the grade one standard, bridges within a single span of less than 150 metres, tunnels below 1,000 metres, culverts, highway maintenance, etc. The Group may provide Shandong Hi-Speed Group and its Subordinated Companies with labour subcontracting, installation services, entrusted construction services, engineering management services and landscaping services as well as all other services prescribed under the Group's registered business scopes and as permitted by applicable laws. With reference to the above expressway-related infrastructure project plans, the Group expects that most of the construction work will commence in 2023 and end in 2035, which will lead to a significant increase in the demand of Shandong Hi-Speed Group and its Subordinated Companies for the services under the 2024-2026 Services Provision Framework Agreement, resulting in a corresponding continuous and significant increase in the proposed annual caps for each of the three years ended 31 December 2026;

- (iii) the expected direct costs and project costs to be incurred by the Group in relation to the provision of services under the 2024-2026 Services Provision Framework Agreement, taking into consideration, for instance, the costs of the relevant human resources input; and
- (iv) certain buffer has been reserved for the transaction amount of the expected service provision under the Agreements in circumstances where the demand side of the services may become more successful in the subsequent tenders of the subject matters under the Agreements and encounter more business opportunities as a result of promulgation of government policies and guidance on road transport-related facilities development from time to time.

Reasons for and Benefits of Entering into the 2024-2026 Services Provision 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 labour subcontracting, warehousing and logistics services, entrusted construction services and project management services in relation to expressway construction.

The Directors consider that it is beneficial to the Group to enter into the 2024-2026 Services Provision 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 expressway 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 more beneficial to the operation of both parties;
- (ii) the Group has, over the years of operation, developed its expertise in the provision of peripheral expressway construction and operation services and processing of industrial and building materials. With reference to the scale of operation as well as the leading role of Shandong Hi-Speed Group and its Subordinated Companies in terms of Shandong expressway construction, operation and management as mentioned above, the entering into of the 2024-2026 Services Provision Framework Agreement would enable the Group to have access to a scaleable target customer group for a stable demand for its service, in respect of the projects undertaken by Shandong Hi-Speed Group and its Subordinated Companies, particularly in light of the increase in the number of road transport-related projects in Shandong Province pursuant to relevant plans; and
- (iii) the services provided by the Group to Shandong Hi-Speed Group and its Subordinated Companies were on terms no less favorable to the Group than those provided to independent third parties (as the case may be), taking into account the quality, price, understanding of business needs and operational requirements of Shandong Hi-Speed Group and its Subordinated Companies, familiarity with the construction projects undertaken by the parties and value-added contributions that could be offered, and those services are in compliance with the applicable industry requirements on expressway construction and operation 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 services under the 2024-2026 Services Provision Framework Agreement, the Board considers that the arrangements under the 2024-2026 Services Provision 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 by enhancing its services/goods supply and business scale, while ensuring stable and high-quality supply of required materials. This effectively controls the associated transactional risks and communication costs in the Group's usual course of business.

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) are of the view that the 2024-2026 Services Provision 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 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.

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

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

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 <i>(Note 1)</i> RMB'000	For the ten months ended 31 October 2023
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 ended 31 December 2026 shall be as follows:

	For the year ended 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 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 Procurement Framework Agreement for the year ended 31 December 2022 and the ten months ended 31 October 2023;

- (ii) the expected demand during the term of the Agreements 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;
- (iii) the historical market price trend of the major geomaterials and building materials and expected increase of those prices during the term of the Framework Agreements, taking into consideration of those of the various goods under the Framework Agreements to be charged by independent third party industry participants based on the Group's market research and quotations obtained by the Group from time to time, data from public channels as well as those information as obtained from the discussions and interviews with the market participants;
- (iv) the expected direct costs and project costs to be incurred by the Group in relation to the procurement of goods under the Agreements, 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 has been reserved in respect of the expected amount of procurement transaction under the Agreements in circumstances where Goods Purchasers may become more successful in the subsequent tenders of the subject matters under the Agreements and encounter more business opportunities as a result of promulgation of government policies and guidance on road transport-related facilities development from time to time.

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

Shandong Hi-Speed Group is one of the leading expressway operators and road transport-related infrastructure goods and services providers in Shandong Province, whereas the Group is the operator of three expressways in Shandong Province and leveraging on its experience in expressway operation and management as well as provision of 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 demonstrated themselves as contractual counterparties in terms of the quality expressway 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) 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. 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 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.

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 and the independent non-executive Directors, whose views are contained in the Letter from the Independent Board Committee in the circular to be despatched to the Shareholders) 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.

5. 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.

- 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;
- (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 subordinate entities to any third party.

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

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

- (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.

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 (Note 1) RMB'000	For the ten months ended 31 October 2023
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 ended 31 December 2026 shall be as follows:

	For the year ended 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 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 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 Sales Framework Agreement. In particular, some of the goods were sold to Shandong Hi-Speed Group and its Subordinated Companies as the construction unit of the R&E Project. And for the reason that the relevant goods will be used in the actual construction of R&E Project, the demand for the goods is shaped according to the progress of the project. The Group expects that most of the construction work will end in 2025 and therefore the proposed annual cap under the 2024-2026 General Sales Framework Agreement for the year ending 31 December, 2024 is higher than that 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 Framework Agreements, taking into consideration of the fees charged by independent third party industry participants in respect of certain goods under the Framework 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 Agreements, 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 has been reserved in respect of the expected sales of goods under the Agreements in circumstances where the demand side of the goods (i.e. the construction unit) may may achieve multiple successes in the subsequent tenders of the subject matters under the Agreements and encounter more business opportunities as a result of promulgation of government policies and guidance on the construction of road transport-related infrastructures from time to time.

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 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.

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, and the independent non-executive Directors whose views are contained in the Letter from the Independent Board Committee in the circular to be despatched to the Shareholders) 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.

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;
- (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 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 their 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.

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 (Liao Cheng – 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.

Shandong Hi-Speed Group

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

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 High-Speed Group, and a director of Shandong Hi-Speed Rail Transportation Group (a subsidiary of Shandong High-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.

LISTING RULES IMPLICATIONS

As at the date of the announcement, 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 a continuing connected transaction 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.

In respect of the 2024-2026 Services Provision Framework Agreement, as all the applicable percentage ratios under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect of their respective highest proposed annual caps are more than 0.1% but less than 5%, the 2024-2026 Services Provision Framework Agreement (including the proposed annual caps thereunder) is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but exempt from the Independent Shareholders' approval requirement.

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.

EGM

The Company will convene an EGM at which resolutions will be proposed for, among other things, the Independent Shareholders to consider and, if thought fit, approve the 2024-2026 General Services Framework Agreement, the 2024-2026 Financial Services Framework Agreement, the 2024-2026 General Procurement Framework Agreement and the 2024-2026 General Sales Framework Agreement and the transactions contemplated thereunder (including their respective proposed annual caps) (other than the other financial services under the 2024-2026 Financial Services Framework Agreement). As the Shandong Hi-Speed Group has a material interest in the above transactions, Shandong Hi-Speed Group and its associates (including Shandong Hi-Speed) are required to abstain from voting on the relevant resolutions to be proposed at the EGM. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder other than Shandong Hi-Speed Group and its associates (including Shandong Hi-Speed) is required to abstain from voting on the aforesaid resolutions.

As the 2024-2026 General Services Framework Agreement, the 2024-2026 Financial Services Framework Agreement, the 2024-2026 General Procurement Framework Agreement and the 2024-2026 General Sales Framework Agreement and the transactions contemplated thereunder (including their respective proposed annual caps) (other than the other financial services under the 2024-2026 Financial Services Framework Agreement) are subject to the approval by the Independent Shareholders, an Independent Board Committee comprising all the independent non-executive Directors, i.e., Mr. Liu Hongwei, Mr. He Jiale, Mr. Wang Lingfang, Mr. Leng Ping and Ms. Shen Chen, has been established by the Company to advise the Independent Shareholders in respect of the above transactions. The Company will appoint an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the above transactions.

A circular containing, among other things, (i) details of the 2024-2026 General Services Framework Agreement, the 2024-2026 Financial Services Framework Agreement, the 2024-2026 General Procurement Framework Agreement and the 2024-2026 General Sales Framework Agreement and the transactions contemplated hereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) the recommendations from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the circular of the notice of the EGM will be dispatched to the Shareholders on or before 14 December 2023 (which is more than fifteen business days after the date of publication of this announcement) as more time is required for the Company to compile certain information to be included in this circular.

DEFINITIONS

In this announcement, 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; (iv) the 2024-2026 General Services Framework Agreement; and (v) the 2024-2026 Services Provision 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 announcement
“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 announcement
“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 announcement
“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 announcement
“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
“Company”	Qilu Expressway Company Limited (齊魯高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability on 6 December 2016, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1576)
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules

“Deshang Expressway (Liaocheng – Fan County Section)”	an expressway running from West Ring Expressway of Liaocheng City, Shandong Province to the intersection of Gucheng Town of Shen County and Yancunpu Town of Fan County (Shandong-Henan boundary), and connecting to the Fan County section of the Deshang Expressway in Henan Province, with a total length of approximately 68.942 km
“Director(s)”	the director(s)
“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)
“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
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary Share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which was listed and traded on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors 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

“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)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“PRC” or “State”	the People’s Republic of China (excluding, for the purpose of this announcement, 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
“Previous Services Provision Framework Agreement”	the agreement entered into between the Company and Shandong Hi-Speed Group dated 27 July 2022 in relation to, among other things, the provision of specific services from the Group to Shandong Hi-Speed Group and its Subordinated Companies from the date of this agreement up to 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
“R&E Project”	the reconstruction and expansion project of the Jihe Expressway
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Shandong Gangtong Construction”	Shandong Gangtong Construction Co., Ltd.* (山東港通建設有限公司), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company as at the date of the announcement
“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 date of the announcement, 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 date of the announcement, and an existing controlling shareholder
“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
“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
“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 date of the announcement, 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

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

Shandong, the PRC
23 November 2023

As at the date of this announcement, 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.