



14 August 2025

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

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of transactions contemplated under the Supplemental Agreement of the 2024-2026 General Services Framework Agreement and the Supplemental Agreement of the 2024-2026 General Sales Framework Agreement (the “**Annual Caps Revision**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 14 August 2025 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 23 November 2023, the Company and Shandong Hi-Speed Group entered into, among other things, (i) the Existing 2024-2026 General Services Framework Agreement, pursuant to which, Shandong Hi-Speed Group and its relevant Subordinated Companies will provide the Group with General Highway Business Operation Services (the “**General Services Transactions**”); and (ii) the Existing 2024-2026 General Sales Framework Agreement, pursuant to which, the Company agreed to sell certain types of goods to Shandong Hi-Speed Group (the “**Sales Transactions**”, together with the General Services Transactions, the “**Transactions**”).

In response to the requirements of the Group’s production bases and construction projects, and the increase in business of reconstruction and expansion works and sales of industrial products, the expected transaction amounts made by the Group in respect of the services and product purchases under the Existing 2024-2026 Continuing Connected Transactions Framework Agreements and the provision of services and products to Shandong

Hi-Speed Group and its Subordinated Companies under the Existing 2024-2026 Continuing Connected Transactions Framework Agreements will further increase. On 24 July 2025, the Company entered into the Supplemental Agreements of the 2024-2026 Continuing Connected Transactions Framework Agreements with Shandong Hi-Speed Group to revise the annual caps under such agreements.

The Independent Board Committee comprising Mr. Liu Hongwei, Mr. He Jiale, Mr. Wang Lingfang, Mr. Leng Ping and Ms. Shen Chen (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Annual Caps Revision are on normal commercial terms and are fair and reasonable; (ii) whether the Annual Caps Revision is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Annual Caps Revision at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as an independent financial adviser in relation to the Company's continuing connected transactions, details of which are set out in the Company's circular dated 14 December 2023. Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company relating to any announced transaction of the Company with executed agreement during the past two years immediately preceding the Latest Practicable Date.

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

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

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

BASIS OF OUR OPINION

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

The Circular, for which the Directors collectively and individually accept full responsibility, includes the particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

Business overview of the Company

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

Information on Shandong Hi-Speed Group

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

Reasons for and benefits of the Annual Caps Revision

General Services Transactions

As advised by the Directors,

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

- as the General Services Transactions will be entered into in the ordinary and usual course of business of the Group and on a frequent basis, it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Listing Rules, if necessary. In addition, Shandong Hi-Speed Group was selected as service provider for certain works under the R&E Project on the Jihe Expressway and the transactions thereunder is ongoing.

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

Sales Transactions

As advised by the Directors, whereas the products supplied by the Group under the Existing 2024-2026 General Sales Framework Agreement comprises, among other things, those which have been processed by the Group, the mutual supply of various categories of goods under the Existing 2024-2026 General Procurement Framework Agreement and the Existing 2024-2026 General Sales Framework Agreement is beneficial to both the Group and the Shandong Hi-Speed Group and its Subordinated Companies, particularly in light of the fact that both parties envisage that there will be a relatively significant demand for a diverse range of construction materials to support the R&E Project.

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

The procurement of goods under the Existing 2024-2026 General Procurement Framework Agreement and sales of goods under the Sales Transactions enable stable access of different kinds of construction materials to the R&E Project, as well as to meet the demands of the construction units for the purpose of carrying out relevant reconstruction and expansion works. In light of the ongoing business relationship between Shandong Hi-Speed Group and its Subordinated Companies and the Group, the parties have been able to adequately understand and satisfy each other's business and operating requirements. In particular, given the leading role of Shandong Hi-Speed Group and its Subordinated Companies in terms of the reputation and the scale of operations in Shandong Province, their operation facilities and projects sites are widely spread over a number of locations within the province, thus the Group will be able to have easier access to its potential customers as well as the raw materials required and with a stronger bargaining power. The Board considers that the shortened supplier-customer distance as a result can further increase the Group's ability to procure the materials in a convenient and timely matter and at lower delivery costs on one hand, and to better satisfy the timely needs of the construction units under the relevant R&E Contracts on the other, thereby achieving an overall enhancement in the Group's expressway construction and sales capacity.

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

As confirmed by the Directors, as the Sales Transactions will be entered into in the ordinary and usual course of business of the Group and on a frequent basis, it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Listing Rules, if necessary.

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

Annual Caps Revision

With reference to the Board Letter, in response to the requirements of the Group's production bases and construction projects, and the increase in business of reconstruction and expansion works and sales of industrial products, the transaction to be entered into by the Group in respect of the services and product purchases under the Existing 2024-2026 Continuing Connected Transactions Framework Agreements and the provision of services and products to Shandong Hi-Speed Group and its Subordinated Companies under the Existing 2024-2026 Continuing Connected Transactions Framework Agreements are expected to further increase.

Having considered that (i) the General Services Transactions and the Sales Transactions are in the interest of the Company and Shareholders as a whole and conducted in the ordinary and usual course of business of the Group; and (ii) the provision of services and products to Shandong Hi-Speed Group and its Subordinated Companies under the Existing 2024-2026 Continuing Connected Transactions Framework Agreements will further increase, we are of the view that the Annual Caps Revision is in the interest of the Company and Shareholders as a whole and conducted in the ordinary and usual course of business of the Group.

A. GENERAL SERVICES TRANSACTIONS

Principal terms of the General Services Transactions

Major terms of the General Services Transactions are set out as follows, details of which are set out under the section headed "I. The Existing 2024-2026 General Services Framework Agreement" of the Board Letter:

Date

23 November 2023 (as supplemented by the Supplemental Agreement of the 2024-2026 General Services Framework Agreement on 24 July 2025)

Parties

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

Effective period

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

Subject matter

Pursuant to the Existing 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 accounting year or any adjustment plan on service projects for the current accounting 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 accounting year. In the event that the service demand plan of the Group for the next accounting year is agreed upon between the parties, Shandong Hi-Speed Group shall fulfill the plan.

Pricing Policies

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

- (i) **government-prescribed price:** where the central or local government imposes price control on services fees, 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 do 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 fall within those subject to tender process pursuant to laws and regulations or the party receiving the procurement must apply the tender process 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 a similar service in the region where the service is provided by one of the parties, the quotation from other service suppliers providing the same service and a minimum of two comparable transactions carried out with Independent Third Parties during the same period; and (ii) the same or similar service provided by Shandong Hi-Speed Group and its relevant Subordinated Companies to any third party, and the minimum quotation for such service.

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 providers and determine the final price through the way of public tender process in accordance with the requirements under applicable laws and regulations as well as the provisions of relevant internal codes.

As stated in the Board Letter, 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 Existing 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.

Based on our independent research on continuing connected transactions conducted by other companies listed on the Stock Exchange involving purchase or sale of materials/products/services from/to their connected persons, we noted that comparing prices with those offered by/to independent third parties for the same/similar product/service is one of the commonly adopted pricing policies. As the service fees of the General Services Transactions will be made reference to government-prescribed price/government-guided price (if any, both being official prices published on the website of relevant government authority or via authoritative price list) or market price (according to market and general principle for pricing, or through tender process and being one of the commonly adopted pricing policies), we are of the view that the pricing policy under the General Services Transactions is fair and reasonable.

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

Upon our request, the Company provided us a list of contracts, which were entered into among the Group and Shandong Hi-Speed Group or its Subordinated Companies in respect of the General Services Transactions in 2024 and first four months of 2025. We randomly selected two individual contracts in 2024 and two individual contracts in 2025. The Company provided us with the aforesaid four individual contracts and other relevant documents (e.g. successful tender notice, relevant tendering and bidding documents, bidding assessment report). Given that the aggregate contract value of the selected individual contracts for 2024 and 2025 represented approximately 50% or more of the total contract value of signed individual contracts under the General Services Transactions for each respective period, we consider the sample size to be fair and representative for our analysis. After reviewing the aforesaid documents, we noted that (i) there were at least three bidders participating in the bidding procedures for the selection of service provider (including a member of Shandong Hi-Speed Group and at least two independent third parties); (ii) an evaluation committee was formed to assess background of each bidder and technical proposal and quotations provided by the bidder; and (iii) the selected service providers (i.e. members of Shandong Hi-Speed Group) were graded the highest total score according to the bidding evaluations.

Based on the above, we consider the internal control procedure for fair pricing of the General Services Transactions is in place.

In addition, we also noted that prior to the entering into of the individual transactions, the management team of the Group will, together with the financial management department, review the actual transaction amounts of the General Services Transactions to ensure that the relevant annual caps will not be exceeded. We consider that there is sufficient procedure to monitor the utilisation of proposed annual caps under the General Services Transactions.

Revised annual caps

Set out below are (i) the historical amounts of the General Services Transactions for the year ended 31 December 2024 and six months ended 30 June 2025 with original annual caps; and (ii) the revised annual cap of the General Services Transactions for the year ending 31 December 2026:

	For the year ended 31 December 2024 ("FY2024") RMB'000	For the year ending 31 December 2025 ("FY2025") RMB'000	For the year ending 31 December 2026 ("FY2026") RMB'000
Historical transaction amounts	2,515,032	109,731 (Note)	N/A
Original annual caps	2,600,000	600,000	100,000
			For the year ending 31 December 2026 RMB'000
Revised annual caps			400,000

Note: the figure is for the six months ended 30 June 2025.

In determining the revised annual caps, the Company has considered various factors as set out under the sub-section headed “Basis of the Proposed Revised Annual Caps” under the section headed “II. The Existing 2024-2026 General Services Framework Agreement” of the Board Letter.

To assess the fairness and reasonableness of the revised annual cap for FY2026, we obtained a supporting calculation (the “**Supporting Calculation**”) and noted that the revised annual cap was calculated based on (i) the estimated demand of General Services Transactions for FY2026; and (ii) a buffer of 10% in addition to (i), after rounding up.

The revised estimated demand of General Services Transactions for FY2026 comprised (i) the Routine Works Amounts contemplated under the General Highway Business Operation Services (other than preliminary and main works under the R&E Project (the “**R&E Project Works Amounts**”)); (ii) the R&E Project Works Amounts; and (iii) additional demand of General Services Transactions. Details are as follows:

	FY2026 (original estimated amounts) RMB'000	FY2026 (revised estimated amounts) RMB'000
Routine Works Amounts	59,333	73,514
R&E Project Works Amounts	40,353	94,500
Additional demand of General Services Transactions	N/A	191,500
Total	99,685	359,514

According to the above table, the change of original estimated amounts for FY2026 was mainly due to (i) the additional demand of General Services Transaction (original of which was nil); and (ii) the anticipated increase in R&E Project Works Amounts.

A. The additional demand of General Services Transactions

To assess the fairness and reasonableness of the additional demand of General Services Transactions of RMB191.5 million, we conducted the following works:

(i) Finding out the components

After reviewing the Supporting Calculation, we noted that the additional demand of General Services Transactions of RMB191.5 million mainly included estimated demand of General Services Transactions (i) of approximately RMB160 million for production base (phase III) in Shandong Province by a non-wholly owned subsidiary of the Company (the “**Subsidiary A**”); and (ii) of RMB20 million for digital construction project (phase II) of the Group.

(ii) *Assessment on the major components*

Upon our enquiry with the Directors, we understood that the aforesaid estimated demand was mainly made with reference to the contract value of production base (phase II) of Subsidiary A and digital construction project (phase I) of the Group.

Based on the background information of production base project of Subsidiary A and digital construction project as provided by the Company, we listed out details of the production base (phase III) of Subsidiary A and digital construction project (phase II) of the Group as follows for Shareholders' reference:

Production base (phase III)

- Construction site of the production base project of Subsidiary A covers an area of approximately 499.08 mu, with a total floor area of approximately 174,500 square meters. The project is divided into three phases according to construction plan.
- Construction of phase I of the production base was completed in 2023. The production base (phase I) occupies 87.9 mu, with floor area of factory building of 35,683 square metres.
- The production base (phase II) is currently under construction, with total floor area of approximately 52,000 square meters, the completion of which is expected to take place in second half of 2025.
- The production base (phase III) is for prefabricated component production, including one factory building, one workshop, and one comprehensive warehouse, with total floor area of approximately 57,000 square metres.

Digital construction project (phase II)

- The Company proposed digital transformation and construction project to implement the digital transformation requirements for state-owned enterprises and optimize the Company's management and production operations. The proposed project included construction of the intelligent toll collection system, AI monitoring and sensing system, big data traffic service system, etc.
- Completion of the digital construction project (phase I) was expected to take place in late 2025 and commencement of the digital construction project (phase II) was expected to take place in 2026.

Given that (i) the total floor area of phase II and phase III of production base are similar; and (ii) the Directors expected there would be no material difference on the work load of digital construction project (phase I) and digital construction project (phase II), we consider that it is reasonable to make reference to the contract values of construction production base (phase II) project and digital construction project (phase I) for determination of estimated demand of General Services Transactions for production base (phase III) of Subsidiary A and for digital construction project (phase II) of the Group.

Upon our further request, we obtained signed contracts for construction production base (phase II) project and digital construction project (phase I). We noted that (i) the contract value for construction production base (phase II) was approximately RMB171 million in aggregate; and (ii) the contract value for digital construction project (phase I) was approximately RMB20.0 million.

Given that it is reasonable to make reference to the contract values of construction production base (phase II) project and digital construction project (phase I) for determination of estimated demand of General Services Transactions for production base (phase III) of Subsidiary A and for digital construction project (phase II) of the Group as concluded above, we are of the view that the estimated demand of General Services Transactions (i) of approximately RMB160 million for production base (phase III) of Subsidiary A, which is close to the contract value for construction production base (phase II) of approximately RMB171 million in aggregate; and (ii) of RMB20 million for digital construction project (phase II) of the Group, which is the same as to the contract value for digital construction project (phase I) of approximately RMB20.0 million are fair and reasonable.

B. The anticipated increase in R&E Project Works Amounts

As advised by the Directors, the R&E Project Works Amounts was anticipated to increase by approximately RMB54.1 million, mainly due to a construction contracting agreement entered into between the Company and a member of Shandong Hi-Speed Group in November 2024, which was not considered and not included in the original estimation of R&E Project Works Amounts when determining the original annual cap for FY2026.

Upon our request, we obtained the signed contract of the construction contracting agreement and noted that (i) the contract value of the construction contracting agreement was approximately RMB120.7 million; and (ii) construction period was 365 days from the commencement of work.

Upon our further enquiry, the Directors advised that (i) the Company expected to pay RMB70 million to the member of Shandong Hi-Speed Group in 2025; and (ii) the commencement of work took place in January 2025.

Given that above, in particular, the expected remaining amounts of construction contracting agreement would be RMB50.7 million in 2026, we consider that the anticipated increase in R&E Project Works Amounts of approximately RMB54.1 million is fair and reasonable.

Buffer

As mentioned above, a buffer of 10% was adopted in addition to the estimated amounts for General Services Transactions for FY2026. As advised by the Directors, the aforesaid arrangement was determined after considering unexpected circumstances which may take place for FY2026 (e.g. any postponed the works at any stage in 2025 may cause changes to the actual demand of General Services Transactions, unexpected increase in provisional sum of cost (暫列費用金額), etc.). Having considered that (i) unexpected circumstances may take place for FY2026; and (ii) the incorporation of buffer of 10% in proposed annual caps are not uncommon among companies listed on the Stock Exchange based on our findings, we consider that the buffer of 10% to be acceptable.

Taking into account our analyses as mentioned above, including our analyses on main factors of the change of original estimated amounts for FY2026 (i.e. the additional demand of General Services Transaction and the anticipated increase in R&E Project Works Amounts) and buffer as analysed above, we are of the view that the revised annual cap for FY2026 is fair and reasonable.

Shareholders should note that as the revised annual cap are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts of cost to be incurred from the transactions contemplated under the Existing 2024-2026 General Services Framework Agreement. Consequently, we express no opinion as to how closely the actual cost to be incurred from the transactions contemplated under the Existing 2024-2026 General Services Framework Agreement will correspond with the revised annual cap.

Our conclusion on the terms of the General Services transactions

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

B. SALES TRANSACTIONS

Principal terms of the Sales Transactions

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

Date	23 November 2023 (as supplemented by the Supplemental Agreement of the 2024-2026 General Sales Framework Agreement on 24 July 2025)
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	<p>In respect of the goods supplied by the Group, Shandong Hi-Speed Group and its Subordinated Companies shall give priority to the goods supplied by the Group so long as those supplied by third parties are on the same price and quality as the Group’s, except when the transaction counterparty of such goods available for bidding must be determined through bidding in accordance with the relevant laws and regulations.</p> <p>The Group will ensure the goods supplied are of high quality and the prices of which are fair and reasonable, whereas the prices of the goods sold to Shandong Hi-Speed Group and its Subordinated Companies shall not be higher than those sold to third parties.</p>
Payment method	The payment time and method of the Existing 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.

Pricing Policies

The pricing of each of the goods sold under the Existing 2024-2026 General Sales Framework Agreement shall be determined on the basis of the following principles and sequences:

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

As advised by the Directors, there is no government-prescribed price or government-guided price provided for the goods being the subject matters under the Existing 2024-2026 General Sales Framework Agreement under the relevant PRC laws and regulations currently, thus the market price is applicable to all such goods, and the prices of which are determined by way of negotiations between parties or through tender process.

We noted that the prices to be determined through mutual negotiation or through tender process are further governed by the Existing 2024-2026 General Sales Framework Agreement. Having considered that (A) (i) prevailing market price, quotation from other independent suppliers for at least two comparable transactions and minimum quotation for same or similar product will be considered (which indicates that the price will be determined according to market); or (ii) relevant laws and regulations will be in compliance with and public tender process (including a comprehensive assessment on bid price, terms set by bidders, background, qualification, historical record will be considered) will be followed; and (B) determination of pricing based on prevailing market price, comparison with quotations from independent third parties, tendering process are generally adopted as pricing policy of continuing connected transactions, we are of the view that the pricing policy of the Existing 2024-2026 General Sales Framework Agreement are fair and reasonable.

To safeguard the interests of the Company and the Shareholders as whole, the Company adopted internal control measures relating to the Sales Transactions, details of which are set out under the section headed “III. Internal Control Measures in Relation to the Continuing Connected Transactions” of the Board Letter. Having considered that the Company will monitor the subject matter of the continuing connected transactions under the Existing 2024-2026 General Sales Framework Agreement prior to the entering into of the individual transactions, we consider that the effective implementation of the procedures would help to ensure fair pricing of the Procurement Transactions and Sales Transactions according to the pricing policies.

Upon our request, the Company provided us a list of contracts, which were entered into among the Group and Shandong Hi-Speed Group or its Subordinated Companies in respect of the Sales Transactions in 2024 and first four months of 2025. We randomly selected two individual contracts in 2024 and two individual contracts in 2025. The Company provided us with the aforesaid four individual contracts with quotations/prices offered by the Group/independent third party to independent third parties. Given that the aggregate contract value of the selected individual contracts for 2024 and the number of selected individual contracts for 2025 represented approximately 50% or more of the total contract value/number of signed individual contracts under the Sales Transactions for each respective period, we consider the sample size to be fair and representative for our analysis. After reviewing the aforesaid documents, we noted that the unit prices of comparable products offered by the Group to members of Shandong Hi-Speed Group or its Subordinated Companies were not lower than those offered to independent third parties.

Based on the above, we consider the internal control procedure for fair pricing of the Sales Transactions is in place.

In addition, we also noted that prior to the entering into of the individual transactions, the management team of the Group will, together with the financial management department, review the actual transaction amount of the Sales Transactions to ensure that the relevant annual caps will not be exceeded. We consider that there are sufficient procedures to monitor the utilisation of proposed annual caps under the Sales Transactions.

Revised annual caps

Set out below are (i) the historical transaction amounts of the Sales Transactions for FY2024 and for the six months ended 30 June 2025 with original annual caps; and (ii) the revised annual caps of the Sales Transactions (the “Revised Sales Cap(s)”) for FY2025 and FY2026:

	For the year ended 31 December 2024 RMB'000	For the year ending 31 December 2025 RMB'000	For the year ending 31 December 2026 RMB'000
Historical transaction amounts	353,035	68,654 (Note)	N/A
Original annual caps	700,000	150,000	180,000
		For the year ending 31 December 2025 RMB'000	For the year ending 31 December 2026 RMB'000
Revised annual caps		500,000	500,000

Note: the figure was for the six months ended 30 June 2025.

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

To assess the fairness and reasonableness of the Sales Caps, we obtained a supporting calculation for the Revised Sales Cap for FY2025 and noted that the Revised Sales Cap for FY2025 were determined based on (a) estimated Sales Transactions for FY2025; and (b) a buffer of less than 10% on the aforesaid estimated sales.

We noted from the aforesaid calculation that the Sales Transaction for FY2025 is expected to increase from RMB140 million (under the original annual cap) to approximately RMB461.1 million (under the Revised Sales Cap). The revised estimated amount of Sales Transactions is approximately RMB321.1 million more than the original estimated amount of Sales Transactions for FY2025. As advised by the Directors, the aforesaid estimated increase was mainly due to the potential sales of wind power tower by a connected subsidiary of the Company (the “Subsidiary B”) of approximately RMB183.8 million to a member of Shandong Hi-Speed and the potential demand of raw materials of approximately RMB146.5 million by Shandong Hi-Speed and its Subordinated Company.

In respect of the estimated amounts of sales of wind power tower by the Subsidiary B to a member of Shandong Hi-Speed, we further discuss the basis for determination of such estimated demands and requested for supporting documents. The sales of wind power towers by the Subsidiary B are for two projects (project A and B) of members of Shandong Hi-Speed. We further performed the following works:

- Upon our further enquiry, we understood that the Subsidiary B was (i) established in January 2025; (ii) owned as to 51% by the Company and 49% by a member of Shandong Hi-Speed; (iii) principally engaged in to the research and development, design, manufacturing, sales and installation, as well as operation and maintenance inspection of high-performance wind power hybrid towers. The estimated amounts of Sales Transactions of the Subsidiary B mainly included sales of wind power towers by the Subsidiary B to members of Shandong Hi-Speed (i.e. RMB183.8 million).
- For project A, we obtained a notice issued by the member of Shandong Hi-Speed to the Subsidiary B in April 2025 in respect of purchase wind power towers from Subsidiary B and quotations obtained by the member of Shandong Hi-Speed from three potential suppliers (including the Subsidiary B) for the purchase of wind power towers.
- For project B, we obtained a summary of nature of project B and noted that the size of project B (in terms of installed capacity of wind power generating units) is larger than that of project A. The Directors further advised that they anticipated 60% of wind power towers will be delivered by the Subsidiary B to a member of Shandong Hi-Speed.
- The estimated amounts of Sales Transactions of the Subsidiary B for project A were the same as the quotation offered by the Subsidiary B; whereas for project B was made in accordance with the quotation for project A being adjusted according to installed capacity of wind power generating units of project B as compared to project A. The estimated amounts of Sales Transactions of the Subsidiary B for project A and project B (which will be delivered in 2025) were approximately RMB183.8 million in aggregate.

Given that above, we consider that the estimated amounts of Sales Transactions of the Subsidiary B in respect of sales of wind power towers by the Subsidiary B to a member of Shandong Hi-Speed of RMB183.8 million for FY2025 is fair and reasonable.

In respect of the potential demand of raw materials by Shandong Hi-Speed and its Subordinated Company, we further discuss the basis for determination of such estimated demands and requested for supporting documents. The supply of materials by the Subsidiary A is to (i) a member of Shandong Hi-Speed; and (ii) the Subsidiary B. Upon our request, we obtained relevant agreements between the Subsidiary A and the member of Shandong Hi-Speed, the contract value of which was approximately RMB96.5 million in aggregate. As further advised by the Directors, the materials supplied by the Subsidiary A to the Subsidiary B (as a connected person) would be used for the Subsidiary B's production of wind power towers. Based on the designed production capacity of the Subsidiary B and estimated consumption of the materials for each wind power tower, the estimated demands of such materials were approximately RMB50 million. As the aforesaid estimated amounts was RMB146.5 million in aggregate, which is same as the potential demand of raw materials by the members of Shandong Hi-Speed of RMB146.5 million, we are of the view that the potential demand of raw materials by the members of Shandong Hi-Speed of RMB146.5 million for FY2025 is fair and reasonable.

Given that above, including the estimated increase was mainly due to the potential sales by the Subsidiary B and the potential demand of raw materials by the members of Shandong Hi-Speed (both of which being fair and reasonable as analysed above), we are of the view that the estimated amounts of the Sales Transactions for FY2025 are fair and reasonable.

As mentioned above, a buffer of less than 10% were adopted in addition to the estimated sales amounts for FY2025. As advised by the Directors, the aforesaid arrangement was determined after considering unexpected circumstances which may take place for FY2025 (e.g. the sales products will be used for R&E Project or other construction works, any postponed or expedited completion of the works at any stage may cause changes to the actual demand of sales products, unexpected increase in selling price, etc.). Having considered that (i) unexpected circumstances may take place for FY2025; and (ii) the incorporation of buffer of 10% in proposed annual caps are not uncommon among companies listed on the Stock Exchange based on our findings, we consider the buffer of less than 10% to be acceptable.

Taking into account our analyses as mentioned above, including our analyses on main factors of the estimated increase amounts for FY2025 and buffer as analysed above, we are of the view that the Revised Sales Cap for FY2025 is fair and reasonable.

We noted that the Revised Sales Cap for FY2026 is the same as that for FY2025. Having considered that (i) the Sales Transactions are recurrent in nature, evidenced by that the Group recorded transaction amounts for 2022 (the year which the Sales Transactions commenced), 2023, 2024 and first half of 2025; (ii) among the three years ending 31 December 2025, the historical/estimated amounts for 2023 and 2025 were at similar level; and (iii) it is not uncommon for listed companies to set same annual caps for a three-year period, we are of the view that the Revised Sales Cap for FY2026, being the same as the Revised Sales Cap for FY2025, is fair and reasonable.

Shareholders should note that as the revised annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts of income to be generated from the Sales Transactions. Consequently, we express no opinion as to how closely the income to be generated from the Sales Transactions will correspond with the respective revised annual caps.

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

Our conclusion on the terms of the Sales Transactions

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

Listing Rules Implication

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

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

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

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

RECOMMENDATION

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

Yours faithfully,
For and on behalf of
Gram Capital Limited



Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 30 years of experience in investment banking industry.