
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Rizhao Port Jurong Co., Ltd., you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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

(Stock Code: 6117)

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO CONSTRUCTION CONTRACT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A letter from the Board is set out on pages 1 to 12 of this circular.

A notice convening the EGM to be held at 10:00 a.m. on Thursday, 8 June 2023 at the Office Building of Rizhao Port Jurong Co., Ltd. is set out on pages 36 to 37 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon. For holders of the H Shares, the form of proxy should be returned to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish and in such event, the form of proxy shall be deemed to be revoked.

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DEFINITIONS

In this circular, the following terms and expressions shall have the following respective meanings unless the context otherwise requires:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Rizhao Port Jurong Co., Ltd. (日照港裕廊股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6117)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Contract”	the construction contract dated 31 March 2023 entered into between the Company and Shandong Gangwan with regard to the Rizhao Port Grain Base Project (Technology Part)
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Domestic Share(s)”	ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB by PRC natural persons or entities established under PRC laws
“EGM”	an extraordinary general meeting or any adjournment thereof of the Company to be convened at 10:00 a.m. on Thursday, 8 June 2023 at the Office Building of Rizhao Port Jurong Co., Ltd. to consider and, if thought fit, approve the Construction Contract and the transactions contemplated thereunder
“H Share(s)”	overseas listed shares in the share capital of the Company with a nominal value of RMB1.00 each in the share capital of the Company, listed and traded on the Main Board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Zhang Zixue, Mr. Lee Man Tai and Mr. Wu Xibin, established to advise the Independent Shareholders in respect of the Construction Contract and the transactions contemplated thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Construction Contract and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM to approve the Construction Contract and the transactions contemplated thereunder
“Independent Third Party(ies)”	an individual or a company which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
“Jurong Port”	Jurong Port Pte Ltd, a private company limited by shares established in Singapore, holding 100% interest in Jurong Port Holding as at the Latest Practicable Date
“Jurong Port Holding”	Jurong Port Rizhao Holding Pte Ltd, a private company limited by shares established in Singapore and holding approximately 21.69% of the total issued share capital of the Company as at the Latest Practicable Date
“Latest Practicable Date”	5 May 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Notice of EGM”	a notice convening the EGM set out on pages 36 to 37 of this circular

DEFINITIONS

“PRC”	the People’s Republic of China (excluding, for the purposes of this circular, Hong Kong, the Macau Special Administrative Region and Taiwan)
“Rizhao Port”	Rizhao Port Co., Ltd. (日照港股份有限公司), a joint stock company established in the PRC with limited liability whose shares are listed and traded on the Shanghai Stock Exchange (stock code: 600017), and a controlling shareholder of the Company
“Rizhao Port Grain Base Project”	the construction project of building 41 grain silos, reconstructing the pier and building ancillary infrastructure at Shijiu port area in Rizhao port
“Rizhao Port Grain Base Project (Technology Part)”	the technological aspect of the Rizhao Port Grain Base Project, which involves, among other things, the design, manufacturing, delivery, inspection and test run of equipment and systems
“Rizhao Port Group”	Shandong Port Rizhao Port Group Co., Ltd. (山東港口日照港集團有限公司), a company established in the PRC with limited liability, and a controlling shareholder of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Gangwan”	Shandong Gangwan Construction Group Co., Ltd.* (山東港灣建設集團有限公司), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of Shandong Port Group
“Shandong Port Group”	Shandong Port Group Co., Ltd.* (山東省港口集團有限公司), a company incorporated in the PRC with limited liability, a controlling shareholder of the Company and a state-owned enterprise ultimately controlled by Shandong SASAC
“Shandong SASAC”	Shandong Provincial State-owned Assets Supervision and Administration Commission

DEFINITIONS

“Share(s)”	share(s) of RMB1.00 each in the share capital of the Company, comprising the Domestic Shares and the H Shares
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	supervisor(s) of the Company
“%”	per cent

* *Translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purpose only and should not be regarded as the official English translation of the Chinese names.*

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

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

LETTER FROM THE BOARD



日照港裕廊股份有限公司
RIZHAO PORT JURONG CO., LTD.

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

(Stock Code: 6117)

Non-executive Directors:

Mr. CUI Liang (*Chairman*)
Mr. SEOW Kok Leong Terence
Mr. NYAN Ming Ren Francis
Mr. FANG Lei
Mr. CHEN Lei

Executive Director:

Mr. QIN Yuning

Independent Non-executive Directors:

Mr. ZHANG Zixue
Mr. WU Xibin
Mr. LEE Man Tai

Registered office:

South End
Haibin 5th Road
Rizhao City, Shandong Province
PRC

Principal place of business in Hong Kong:

40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai
Hong Kong

11 May 2023

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO CONSTRUCTION CONTRACT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 31 March 2023 in relation to, among other things, the entering into of the Construction Contract and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among others, (i) details of the Construction Contract; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Construction Contract and the transactions contemplated thereunder; (iii) the recommendation of the Independent Board Committee regarding the Construction Contract and the transactions contemplated thereunder; (iv) financial information of the Company; (v) general information of the Company; and (vi) a notice for convening the EGM.

LETTER FROM THE BOARD

2. CONSTRUCTION CONTRACT

On 31 March 2023 (after trading hours), the Company entered into the Construction Contract with Shandong Gangwan, pursuant to which the Company agreed to engage Shandong Gangwan as the contractor for the Rizhao Port Grain Base Project (Technology Part). The principal terms of the Construction Contract are set out as follows:

Date: 31 March 2023

Parties:

- (a) the Company, as the principal; and
- (b) Shandong Gangwan, as the contractor.

Scope of service: Shandong Gangwan is responsible for:

- (a) the detailed design, manufacturing, transportation, delivery, storage, installation, inspection, single no-load test run, no-load combined test run, heavy load test run, combined test and other works of all process equipment and systems;
- (b) the manufacturing, transportation, delivery, storage, installation, coating, inspection acceptance and other works of all steel structures required for normal operation of all system equipment, facilities and supporting equipment of the project and personnel's daily safety in production, inspection and maintenance;
- (c) the power supply, lighting, control and monitoring of silos, towers, receiving and dispatching stations, daily warehouses, power transformation and distribution room, transfer towers, corridors, etc.;
- (d) the operator training, on-site services, after-sales services and other technical services deemed necessary by the Company; and
- (e) handling all procedures and submission of materials relating to the verification, identification and testing of facilities and equipment by local testing institutions for quality inspection, security check and national professional testing for grain machinery and other relevant departments.

LETTER FROM THE BOARD

Construction period: The construction period is expected to end on or about 31 December 2023.

Defects liability period: 2 years after completion acceptance of the Rizhao Port Grain Base Project (Technology Part)

Contract price: The contract price is RMB536,209,668.98, subject to (i) adjustments on the raw materials price in the event that the price of reinforcement steel, steel and concrete to be used at the construction works fluctuates from the benchmark price published by the local authorities or benchmark price stated in the website of an industry data service provider; and (ii) completion and settlement audit report issued by an independent third party audit institution appointed by the Company.

Upon the issuance of invoice by Shandong Gangwan, the Company will appoint an independent third party audit institution to conduct audit on the contract amount and make adjustments on the raw materials price (if required) in order to determine the project settlement price and issue the completion and settlement audit report. The adjustment will not be made during the construction period. Adjustments to the contract price shall be made when (i) the raw materials unit price increases for more than 5% above the unit price of raw materials in Shandong Gangwan's tender offer (the "**Tender Offer Unit Price**") or the Benchmark Unit Price (as defined below) (whichever is higher); or (ii) the raw materials unit price decreases for more than 5% below the Tender Offer Unit Price or the Benchmark Unit Price (whichever is lower). The adjustments will be made in accordance with the following formula:

$$\text{Price difference} = \sum Q * (M - N * P)$$

- (a) Q represents the amount of the construction works completed after the monthly approval.
- (b) M represents the lowest unit price of the information price of Rizhao Engineering Economic Information* (《日照市工程經濟信息》) during the relevant month of the construction.

LETTER FROM THE BOARD

- (c) If the Tender Offer Unit Price is lower than the Benchmark Unit Price, (i) when there is a price increase of more than 5% during the construction period, N represents the Benchmark Unit Price, P represents 105% and the price difference is positive; and (ii) when there is a price decrease of more than 5% during the construction period, N represents the Tender Offer Unit Price, P represents 95% and the price difference is negative.

- (d) If the Tender Offer Unit Price is higher than the Benchmark Unit Price, (i) when there is a price increase of more than 5% during the construction period, N represents the Tender Offer Unit Price, P represents 105% and the price difference is positive; and (ii) when there is a price decrease of more than 5% during the construction period, N represents the Benchmark Unit Price, P represents 95% and the price difference is negative.

The Benchmark Unit Price is the lowest price of the information price of Rizhao Engineering Economic Information* (《日照市工程經濟信息》) obtained 28 days prior to the closing date for the tender. Provided that Rizhao Engineering Economic Information* (《日照市工程經濟信息》) is published monthly on the website of the relevant department of Rizhao Municipal Government and the information price therein provides guidance on pricing within the industry, the Company is of the view that it is fair and reasonable to refer to such information price.

The contract price will not be adjusted if the price increase or decrease is no more than 5%.

The contract price was the successful tender price offered by Shandong Gangwan in the public tender. In accordance with the Bidding Law of the PRC, bidding was required to be carried out for the Rizhao Port Grain Base Project (Technology Part). The Company engaged Shandong Port Group Tender and Procurement Center for the tender of the Construction Contract under the Rizhao Port Grain Base Project (Technology Part) because:

LETTER FROM THE BOARD

- (a) the Company does not possess the capability to prepare tender documents and organise bid evaluation and other qualifications required under the Trial Measures for Self-Tender of Construction Projects (《工程建設項目自行招標試行辦法》) published by the PRC State Development and Planning Committee so the Company is required to engage a tender agent with requisite qualifications to organise the tender of the Rizhao Port Grain Base Project (Technology Part);
- (b) Shandong Port Group Tender and Procurement Center is a level one centralised procurement implementation and management organisation with the qualification of professional tender agent. It was set up by Shandong Port Group on 30 June 2020 to centralise the organisation of tenders for procurement projects of companies under Shandong Port Group (including the Company), unify the tender process and standards within Shandong Port Group and reduce administrative costs and manpower for organising tenders. Shandong Port Group Tender and Procurement Center has a great influence in the port industry in China by having an open network service platform called Shandong Port Yangguang Huicai e-platform which has more than 23,000 registered users and hence bidding information can be reached to a wide coverage of potential tenderers, facilitating their participation in the tender and the smooth development of tender projects; and
- (c) no fees would be charged by Shandong Port Group Tender and Procurement Center for the use of the Shandong Port Yangguang Huicai e-platform while two-way fees would be charged to both the Company and also the winning tenderer by Independent Third Party tender agents.

LETTER FROM THE BOARD

At the time of bid opening, Shandong Port Group Tender and Procurement Center randomly selected five persons, who were not aware of any information of the tender under evaluation, from the bid evaluation expert database to set up a bid evaluation committee to evaluate the bid proposals submitted by the tenderers, in accordance with the Bidding Law of the PRC. In order to ensure the fairness and impartiality of the bid evaluation process, members of the bid evaluation committee are required to abstain from evaluating the tender of the Construction Contract if there is any potential conflict of interest. At the time of bid opening after the establishment of the bid evaluation committee, all of the members of the bid evaluation committee signed a personal declaration and undertaking that they are independent from the tenderers and do not have interest in the tender of the Construction Contract. One of the members of the bid evaluation committee is independent from Shandong Port Group and the tenderers including Shandong Gangwan. Other members of the bid evaluation committee hold positions (which are not directorships) in subsidiaries of Shandong Port Group but have not held any positions in the tenderers, including Shandong Gangwan, in the past three years. And such members do not have interests in and no benefits have been conferred upon them from the bid evaluation of the Construction Contract. Accordingly, none of the members of the bid evaluation committee was required to abstain from evaluation of the tender of the Construction Contract. Further, the members of the bid evaluation committee all have relevant experience in China's port construction industry and strictly abide by the relevant provisions of the Bidding Law of the PRC. Considering the tender of the Construction Contract under the Rizhao Port Grain Base Project (Technology Part) belongs to the category of port construction which requires the experts to be selected as members of the bid evaluation committee to possess relevant port construction experience; and all port resources in the Shandong Province are integrated under Shandong Port Group such that the proportion of experts in the bid evaluation expert database who have port construction experience and are independent from Shandong Port Group as a whole is low, and on the basis of the foregoing, the Company considers the bid evaluation process is fair and reasonable.

LETTER FROM THE BOARD

Shandong Port Group Tender and Procurement Center received bids from Shandong Gangwan and two Independent Third Parties from the tender process. After a comprehensive assessment of the tenders taking into account various factors including the quotation, qualification, financial conditions, reputation and performance of each bidder, the Construction Contract was awarded to Shandong Gangwan since out of the three tenders with the highest scores, Shandong Gangwan attained the highest total score of the bid evaluation and the contract price offered by Shandong Gangwan represented the lowest bid as compared to the other two tenderers.

Payment terms:

The contract price shall be paid in the following manner:

- (a) up to 80% of the contract price to be paid before the 20th day of every month based on the monthly project progress and actual amount of the construction work completed;

if Shandong Gangwan provides quality assurance,

- (b) up to 100% of the contract price to be paid after completion acceptance of the Rizhao Port Grain Base Project (Technology Part) and Shandong Gangwan handing over the project documents and within 180 days after the Company receives the value-added tax invoice issued by Shandong Gangwan and receives the letter of guarantee as quality assurance from Shandong Gangwan of 3% of the project settlement price determined by an independent third party audit institution;

if Shandong Gangwan does not provide a letter of guarantee as quality assurance,

- (c) up to 97% of the contract price to be paid after completion acceptance of the Rizhao Port Grain Base Project (Technology Part) and Shandong Gangwan handing over the project documents and within 180 days of the issuance of the value-added tax invoice; and

LETTER FROM THE BOARD

- (d) the remaining 3% of the contract price as the quality assurance deposit to be paid after the expiry of defects liability period with no quality defects of the Rizhao Port Grain Base Project (Technology Part).

The contract price will be financed by internal resources of the Company, bank facilities or a combination of both.

Performance guarantee:

After issuing the successful tender notice and before signing the Construction Contract, Shandong Gangwan shall submit to the Company a bank performance guarantee in an aggregate amount equivalent to 5% of the contract price. The performance guarantee is valid for the period from the date of the approval of the Construction Contract by the Independent Shareholders at the EGM to the date when the construction works pass the completion acceptance (excluding the defects liability period).

3. INFORMATION OF THE PARTIES

The Company, a joint stock company incorporated in the PRC with limited liability, is principally engaged in comprehensive port-related services, including stevedoring, berth leasing, port management, storage, and logistics agency services.

Shandong Gangwan, a company incorporated in the PRC with limited liability, is principally engaged in earthwork blasting, underwater reef blasting and demolition works; installation of pressure pipelines; installation and maintenance of lifting machineries; maintenance and operation of port facilities; contracting foreign engineering projects commensurate with its strength, scale and performance; dispatching labor required for the implementation of the abovementioned overseas projects; port and waterway engineering construction; construction of housing construction engineering, steel structure engineering, ground and foundation engineering, highway subgrade engineering and municipal utility engineering; production of ready-mixed commercial concrete and prefabricated components; manufacture of material conveying equipment; installation of construction equipment; installation of mechanical and electrical equipment; leasing of machineries and equipment; asphalt (excluding hazardous chemicals) sales; other auxiliary activities of water transportation; loading, unloading and handling; and design and survey (geotechnical engineering, engineering survey) of water transportation engineering, industrial and civil construction engineering within the scope of qualifications.

As at the Latest Practicable Date, Shandong Gangwan is a non-wholly owned subsidiary of Shandong Port Group, which is a state-owned enterprise ultimately controlled by Shandong SASAC.

LETTER FROM THE BOARD

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION CONTRACT

In order to consolidate and improve the Company's position as the grain transfer, collection and distribution center among the national coastal ports in the PRC, the Company implements the Rizhao Port Grain Base Project expected to be completed and put into use in June 2024.

Drawing from the competitive advantage of its close proximity to the port, the Company has served the grain and edible oil industry well through effective port logistics from rail and road network and connectivity, which enabled record growth in grains handled by the Company against the backdrop of decline experienced by the industry in the PRC. The grain throughput amounted to 10.92 million tonnes representing a year-on-year increase of 4.7%. In 2023, driven by China's large demographic, the import demand for grains, oilseeds and proteins is expected to grow in tandem with China's imports demand from the global food market and grain transportation demand is expected to grow. The construction of 41 grain silos and reconstruction of pier under the Rizhao Port Grain Base Project will enable the Company to improve its grain storage and stevedoring capacity and berth unloading efficiency, such that the increasing demand for grain stevedoring arising from the increase in grain throughput of the Company can be satisfied. And the entering into of the Construction Contract under the Rizhao Port Grain Base Project (Technology Part) is an ancillary project to support the technological aspect of the construction under the Rizhao Port Grain Base Project.

The terms of the Construction Contract have been arrived at after arm's length negotiations between the parties. The Directors (excluding all the independent non-executive Directors who will give their opinion based on the recommendations from the Independent Financial Adviser) are of the view that the terms of the Construction Contract and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the Construction Contract and the transactions contemplated thereunder, and none of the Directors was required to abstain from voting on the board resolutions approving the Construction Contract and the transactions contemplated thereunder.

5. FINANCIAL EFFECTS OF ENTERING INTO THE CONSTRUCTION CONTRACT

When the construction costs under the Construction Contract (being the contract price) are incurred, the relevant portion of the contract price will be capitalised to "construction in progress" in the balance sheet of the Company. Upon completion of the construction works under the Rizhao Port Grain Base Project (Technology Part), the amount under "construction in progress" will be transferred to "property, plant and equipment". The payment of the contract price, and the payments and expenses incurred and to be incurred in connection with the Rizhao Port Grain Base Project (Technology Part) would result in a decrease in "cash and cash equivalents" and/or an increase in "bank borrowings". It is expected that completion of the Rizhao Port Grain Base Project (Technology Part) will have no impact on the net assets of the Company as the contract price will be settled by internal resources and/or bank borrowings of the Company.

LETTER FROM THE BOARD

The Company considers that there will not be any material effect on the earnings of the Company immediately due to the execution of the Construction Contract. Since the contract price is expected to be funded by internal resources and/or bank borrowings of the Company, the cash and cash equivalents of the Company will decrease and/or the Company's bank borrowings will increase, and as a result, the bank interest income of the Company will be reduced and/or the finance costs from interest-bearing loans will increase. The finance costs from interest-bearing loans that are directly attributable to the Rizhao Port Grain Base Project (Technology Part) will be capitalised in the construction cost of the plant during the construction period.

6. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, (i) Shandong Gangwan is a non-wholly owned subsidiary of and is held as to 95.6% by Shandong Port Group; and (ii) Shandong Port Group is a controlling shareholder of the Company. Accordingly, Shandong Gangwan is an associate of Shandong Port Group pursuant to Rule 14A.13(1) of the Listing Rules, and therefore a connected person of the Company under the Listing Rules.

As the highest of all applicable percentage ratios in respect of the transactions contemplated under the Construction Contract exceed 25% and all applicable percentage ratios are less than 100%, the entering into of the Construction Contract and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction of the Company under Chapter 14A of the Listing Rules, subject to reporting, announcement and independent shareholders' approval requirements.

7. EGM

The EGM will be held at 10:00 a.m. on Thursday, 8 June 2023 at the Office Building of Rizhao Port Jurong Co., Ltd. for the purpose of allowing Shareholders to consider and, if thought fit, approve the resolutions as set out in the Notice of EGM on pages 36 to 37 of this circular.

A form of proxy for use at the EGM has been enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon. For holders of the H Shares, the form of proxy should be returned to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish and in such event, the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Construction Contract and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and its Shareholders a whole, and to advise the Independent Shareholders as to how to vote at the EGM.

The Independent Financial Adviser, Gram Capital, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

As at the Latest Practicable Date, Shandong Port Group and its associates are interested in 840,000,000 Domestic Shares, representing approximately 50.6% of the total issued share capital of the Company, and are required to abstain from voting on the relevant resolutions approving the Construction Contract and the transactions contemplated thereunder at the EGM.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders will be required to abstain from voting on the relevant resolutions approving the Construction Contract and the transactions contemplated thereunder at the EGM.

8. CLOSURE OF REGISTER OF MEMBERS

In order to determine the holders of H Shares who will be entitled to attend the EGM, the register of members of the Company will be closed from Monday, 5 June 2023 to Thursday, 8 June 2023 (both days inclusive), during which period no transfer of H Shares will be registered. In order for the holders of H Shares to qualify for attending the EGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Friday, 2 June 2023.

LETTER FROM THE BOARD

9. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions put forward at the EGM will be voted on by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Poll results will be announced by the Company in accordance with Rule 13.39(5) of the Listing Rules after the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it/he/she has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its/his/her Shares to a third party, either generally or on a case-by-case basis.

10. RECOMMENDATIONS

The Board (including the independent non-executive Directors whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser) is of the view that the Construction Contract and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Board (including the independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the resolutions for approving the Construction Contract and the transactions contemplated thereunder.

11. FURTHER INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 13 to 14 of this circular, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 15 to 26 of this circular, the additional information as set out in the appendices to this circular and the Notice of EGM.

Yours faithfully,
By Order of the Board
Rizhao Port Jurong Co., Ltd.
Cui Liang
Chairman



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

(Stock Code: 6117)

11 May 2023

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO CONSTRUCTION CONTRACT**

We refer to the circular dated 11 May 2023 (the “**Circular**”) issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider and to advise the Independent Shareholders on the terms of the Construction Contract and the transactions contemplated thereunder as set out in the Circular as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve the Construction Contract and the transactions contemplated thereunder as set out in the Circular. Gram Capital Limited has been appointed as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out in pages 15 to 26 of the Circular.

We wish to draw your attention to the Letter from the Board and the Letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Construction Contract and the transactions contemplated thereunder. Your attention is also drawn to the additional information set out in the appendices to the Circular.

Having considered the terms of the Construction Contract and the transactions contemplated thereunder, the advice and recommendation of the Independent Financial Adviser and the relevant information contained in the Letter from the Board, we are of the view that the Construction Contract and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution at the EGM so as to approve the Construction Contract and the transactions contemplated thereunder.

Yours faithfully,

The Independent Board Committee of

Rizhao Port Jurong Co., Ltd.

Mr. ZHANG Zixue, *Independent non-executive Director*

Mr. WU Xibin, *Independent non-executive Director*

Mr. LEE Man Tai, *Independent non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



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

11 May 2023

*To: The independent board committee and the independent shareholders
of Rizhao Port Jurong Co., Ltd.*

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO CONSTRUCTION CONTRACT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Construction Contract and the transactions contemplated thereunder (the “**Transaction**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 11 May 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 31 March 2023 (after trading hours), the Company entered into the Construction Contract with Shandong Gangwan, pursuant to which the Company agreed to engage Shandong Gangwan as the contractor for the Rizhao Port Grain Base Project (Technology Part).

With reference to the Board Letter, the Transaction constitutes a major and connected transaction of the Company and is subject to the reporting, announcement and independent shareholders’ approval requirements for under Chapters 14 and 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Zhang Zixue, Mr. Lee Man Tai and Mr. Wu Xibin (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transaction are on normal commercial terms and are fair and reasonable; (ii) whether the Transaction 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 Company; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Transaction 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 the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to (i) continuing connected transactions (details of which are set out in the Company's circular dated 15 January 2022); (ii) major and continuing connected transactions (details of which are set out in the Company's circular dated 5 December 2022); (iii) continuing connected transactions, a discloseable and connected transaction (details of which are set out in the Company's circular dated 12 December 2022); (iv) continuing connected transactions (details of which are set out in the Company's circular dated 20 January 2023); and (v) a discloseable and connected transaction (details of which are set out in the Company's circular dated 27 April 2023). Save for the aforesaid engagements, there was no other service provided by Gram Capital to the Company with executed agreement during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence as defined under Rule 13.84 of the Listing Rules 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 Hong Kong Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid engagements will not affect our independence to act as the Independent Financial Adviser due to the fact that (a) we were appointed as independent financial adviser to advise the Independent Board Committee and the then independent Shareholders and the aforesaid engagements did not fall into any circumstances as set out under the Rule 13.84 of the Listing Rules, therefore we maintained our independence from the Company during the aforesaid engagements; and (b) the advisory fee of the aforesaid engagements paid by the Company to us accounted for an insignificant portion of our revenue for the relevant period, we are of the view that we are independent to act as the Independent Financial Adviser.

LETTER FROM 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 are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Transaction. 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 particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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 as contained in the Circular 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 Gangwan and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Company or the Shareholders as a result of the Transaction. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

Information on the Company

With reference to the Board Letter, the Company, a joint stock company incorporated in the PRC with limited liability, is principally engaged in comprehensive port-related services, including stevedoring, berth leasing, port management, storage, and logistics agency services.

Information on Shandong Gangwan

With reference to the Board Letter, Shandong Gangwan, a company incorporated in the PRC with limited liability, is principally engaged in earthwork blasting, underwater reef blasting and demolition works; installation of pressure pipelines; installation and maintenance of lifting machineries; maintenance and operation of port facilities; contracting foreign engineering projects commensurate with its strength, scale and performance; dispatching labor required for the implementation of the abovementioned overseas projects; port and waterway engineering construction; construction of housing construction engineering, steel structure engineering, ground and foundation engineering, highway subgrade engineering and municipal utility engineering; production of ready-mixed commercial concrete and prefabricated components; manufacture of material conveying equipment; installation of construction equipment; installation of mechanical and electrical equipment; leasing of machineries and equipment; asphalt (excluding hazardous chemicals) sales; other auxiliary activities of water transportation; loading, unloading and handling; and design and survey (geotechnical engineering, engineering survey) of water transportation engineering, industrial and civil construction engineering within the scope of qualifications.

Shandong Gangwan formally assigned 6 staffs as members of project management team (i.e. project manager, technique officer, safety responsible officer, etc.) for the Rizhao Port Grain Base Project (Technology Part). Almost all of the members of project management team are senior engineers (高級工程師) or engineers (工程師).

Reasons for and benefit of the Transaction

With reference to the Board Letter, in order to consolidate and improve the Company's position as the grain transfer, collection and distribution center among the national coastal ports in the PRC, the Company implements the Rizhao Port Grain Base Project which is expected to be completed and put into use in June 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We further understood from the Directors that the Group is not qualified to complete the construction of the Rizhao Port Grain Base Project (Technology Part) by itself, therefore the Group is necessary to seek a qualified supplier to provide the construction services. Furthermore, as advised by the Directors, as per requirement under the 《中華人民共和國招標投標法實施條例》(Tender and Bidding Law of the People's Republic of China*) and 《必須招標的工程項目規定(國家發展改革委2018年第16號令)》(Provisions on Projects Requiring Bid Invitation (Order No. 16 of the National Development and Reform Commission in 2018)*), the Company is required to proceed the open tender procedure according to 《中華人民共和國招標投標法實施條例》(Tender and Bidding Law of the People's Republic of China*). Shandong Gangwan was awarded as the service provider on a successful tendering basis.

As advised by the Directors, the Company believes that the Company primarily competes with its competitors on the basis of berthing and storage capacity, ability to handle different types of cargo, location, transportation network, operational efficiency, reputation and service quality. With reference to the Board Letter, the construction of 41 silos and reconstruction of pier under the Rizhao Port Grain Base Project will enable the Company to improve its grain storage and stevedoring capacity and berth unloading efficiency, such that the increasing demand for grain stevedoring arising from the increase in grain throughput of the Company can be satisfied. The entering into of the Construction Contract is an ancillary project to support the construction under the Rizhao Port Grain Base Project.

In addition, we also obtained a score document under the tender (the “**Score Document**”) showing scores of three aspects, namely business aspects, quotation aspects and technical aspects under the bidding documents as graded by each member of an evaluation committee (“**Evaluation Committee**”). We noted from the Score Document that Shandong Gangwan was graded the highest total score and the highest score in each individual aspect among all other two participants. As Shandong Gangwan was graded the highest scores in business aspects and technical aspects in respect of the Rizhao Port Grain Base Project (Technology Part), it indicated that (i) Shandong Gangwan has good reputation and experience; and (ii) Shandong Gangwan's development and construction plan was better than those of other two participants.

Pursuant to the 《工程建設項目自行招標試行辦法》(Trail Measures for Self-tendering of Engineering Construction Projects*), should the Company intend to organize the tender for the Rizhao Port Grain Base Project (Technology Part), the Company shall have the ability to prepare tender documents and organize the bid evaluation, including but not limited to, (i) possesses technical experts and professionals in engineering technique, budgeting, financial and engineering management; (ii) has experiences in organizing of tenders for similar engineering construction projects; and (iii) established bidding agency or has more than three personnel specialized in tendering. As advised by the Directors, the Company (A) did not have any expert, professional or personnel or did not establish bidding agency as mentioned in (i) and (iii), and (B) did not have experiences in organizing tenders for similar engineering construction projects, the Company itself is not qualified to organize tenders pursuant to the 《工程建設項目自行招標試行辦法》(Trail Measures for Self-tendering of Engineering Construction Projects*). Therefore, the Company engaged Shandong Port Group Tender and Procurement Center for the tender of the Rizhao Port Grain Base Project (Technology Part). Despite that Shandong Port Group Tender and Procurement Center is a

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

level one centralised procurement implementation and management organisation set up by Shandong Port Group on 30 June 2020, having considered that (i) the responsibility of Shandong Port Group Tender and Procurement Center is to organize tender of the Rizhao Port Grain Base Project (Technology Part); (ii) the bidding results was evaluated by the Evaluation Committee but not by Shandong Port Group Tender and Procurement Center; and (iii) the bidding and tendering process of the Rizhao Port Grain Base Project (Technology Part) is also governed by Tender and Bidding Law of the PRC, we do not doubt the fairness of the tendering process. Furthermore, the engagement of Shandong Port Group Tender and Procurement Center to organize tender of the Rizhao Port Grain Base Project (Technology Part) is free of charge and therefore will save the Group's administrative and time cost. Accordingly, we consider that it is appropriate to engage Shandong Port Group Tender and Procurement Center for the tender of the Rizhao Port Grain Base Project (Technology Part).

Having considered the above factors, we are of the view that the Transaction is in the interest of the Company and Shareholders as a whole and conducted in the ordinary and usual course of business of the Company.

Principal terms of the Transaction

Set out below are the key terms of Transaction, details of which are set out under the section headed "2. CONSTRUCTION CONTRACT" of the Board Letter.

Date:

31 March 2023

Parties:

- (a) the Company, as the principal; and
- (b) Shandong Gangwan, as the contractor.

Scope of service:

Shandong Gangwan is responsible for:

- (a) the detailed design, manufacturing, transportation, delivery, storage, installation, inspection, single no-load test run, no-load combined test run, heavy load test run, combined test and other works of all process equipment and systems;

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- (b) the manufacturing, transportation, delivery, storage, installation, coating, inspection acceptance and other works of all steel structures required for normal operation of all system equipment, facilities and supporting equipment of the project and personnel's daily safety in production, inspection and maintenance;
- (c) the power supply, lighting, control and monitoring of silos, towers, receiving and dispatching stations, daily warehouses, power transformation and distribution room, transfer towers, corridors, etc.;
- (d) the operator training, on-site services, after-sales services and other technical services deemed necessary by the Company; and
- (e) handling all procedures and submission of materials relating to the verification, identification and testing of facilities and equipment by local testing institutions for quality inspection, security check and national professional testing for grain machinery and other relevant departments.

Construction period:

The construction period is expected to end on or about 31 December 2023.

According to tender documents for the Rizhao Port Grain Base Project (Technology Part) (the “**Project Tender Document**”), construction period of the Rizhao Port Grain Base Project (Technology Part) under the Construction Contract is in line with the construction period requirement as set out in the Project Tender Document, which applied to all participants (i.e. possible service providers).

Defects liability period:

2 years after completion acceptance of the Rizhao Port Grain Base Project (Technology Part).

According to Project Tender Document, defects liability period for the Rizhao Port Grain Base Project (Technology Part) under the Construction Contract is in line with the defects liability period requirement as set out in the Project Tender Document, which applied to all participants (i.e. possible service providers).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Contract price:

The contract price is RMB536,209,668.98, subject to (i) adjustments on the raw materials price in the event that the price of reinforcement steel, steel and concrete to be used at the construction works fluctuates from the benchmark price published by the local authorities or benchmark price stated in the website of an industry data service provider; and (ii) completion and settlement audit report issued by an independent third party audit institution appointed by the Company. Please refer to the subsection headed “Contract Price” under the section headed “2. CONSTRUCTION CONTRACT” of the Board Letter for details.

According to 《建設工程工程量清單計價標準》(Code of Bills of Quantities and Valuation for Construction Works, the “**Code of Bills**”) as jointly published by Ministry of Housing and Urban-Rural Development of the PRC and State Administration for Market Regulation of the PRC:

- range of the price change of major materials and engineering equipment should be stipulated in the contract should the contractor (as a party to the contract) is responsible for procurement of materials and engineering equipment. If there is no such stipulation and the price change exceed 5%, the exceed 5% portion shall be adjusted according to the Code of Bills.
- If the change of unit price of raw materials offered by contractor according to its bidding exceed base price, the exceed portion shall be adjusted according to the actual amount.

We noted that the adjustment formula as set out in the Board Letter is in line with the abovementioned methodology.

Based on the above and that the adjustment mechanism were set in the Project Tender Document, which applied to all participants (i.e. possible service providers), we consider the adjustments mechanism is fair and reasonable.

With reference to the Board Letter, the contract price was the successful tender price offered by Shandong Gangwan in the public tender. In accordance with the Bidding Law of the PRC, bidding was required to be carried out for the Rizhao Port Grain Base Project (Technology Part). The Company engaged Shandong Port Group Tender and Procurement Center for the tender of the Construction Contract under the Rizhao Port Grain Base Project (Technology Part).

With reference to the Board Letter, at the time of bid opening, Shandong Port Group Tender and Procurement Center randomly selected five persons, who were not aware of any information of the tender under evaluation, from the bid evaluation expert database to set up a bid evaluation committee (i.e. the Evaluation Committee) to evaluate the bid proposals submitted by the tenderers, in accordance with the Bidding Law of the PRC. In order to ensure the fairness and impartiality of the bid evaluation process, members of the Evaluation Committee are required to abstain from evaluating the tender of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Construction Contract if there is any potential conflict of interest. All members of the Evaluation Committee have relevant experience in China's port construction industry, and have not held any positions in the tenderers in the past three years. The members of the Evaluation Committee strictly abide by the relevant provisions of the Bidding Law of the PRC, and signed personal declaration and undertaking at the time of bid opening that they are independent from the tenderers and do not have interest in the tender of the Construction Contract, in order to ensure the fairness and impartiality of the bid evaluation process. Shandong Port Group Tender and Procurement Center received bids from Shandong Gangwan and two independent third parties from the tender process. After a comprehensive assessment of the tenders taking into account various factors including the quotation, qualification, financial conditions, reputation and performance of each bidder, the Construction Contract was awarded to Shandong Gangwan out of the three tenders with the highest scores.

To further assess the fairness and reasonableness of the consideration, we performed the following analyses:

As mentioned above, Shandong Gangwan was graded the highest score among all other two participants. Therefore, Shandong Gangwan was awarded as the contractor on a successful tendering basis.

Upon our request, we obtained the Project Tender Document and reviewed bidding documents (the "**Bidding Document(s)**") as submitted by Shandong Gangwan.

According to the Project Tender Document, the Company set maximum contract value as RMB536,316,500. The contract value of the Construction Contract was lower than the maximum contract value.

According to the Bidding Document, the Bidding Documents comprised three sections, i.e. the business proposal, technical proposal and quotations proposal for the Rizhao Port Grain Base Project (Technology Part). In addition, the contract price is the same as the quotation stated in the Bidding Document submitted by Shandong Gangwan.

As mentioned above, we obtained the Score Document showing scores of three aspects for all participants (i.e. business aspects, quotation aspects and technical aspects). We further noted from the Project Tender Document that (i) the weight of each evaluation criteria and basis was disclosed in the Project Tender Document; and (ii) the evaluation aspects (including further details evaluation criteria) which the Evaluation Committee graded for were the same as evaluation aspects (including further details evaluation factors) as stated in the Project Tender Documents. Accordingly, we do not doubt the appropriateness of the Evaluation Committee's scope of work when performing bid evaluation.

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Based on the information provided by the Company, most members of the Evaluation Committee have not less than 20 years' experience in engineering construction. According to documents (showing scores of the proposals), Shandong Gangwan obtained highest scores in all aspects (i.e. business proposal, technical proposal and quotation proposal) among the scores of all three participants (including two independent third parties).

Despite that certain members of the Evaluation Committee hold positions in members of Shandong Port Group (other than Shandong Gangwan), we conducted the following analyses:

- According to Tender and Bidding Law of the PRC, (i) the Evaluation Committee should evaluate bidding documents in compliance with the selection criteria and their respective weights as set out in the tendering documents; and (ii) members of the Evaluation Committee shall perform their duties objectively and fairly as well as in compliance with their professional code of conduct. Each member of the Evaluation Committee should take responsibility for their conclusions individually. According to the Project Tender Documents, the weight of each evaluation criteria and basis was disclosed in the Project Tender Documents and the same was applicable to all participants.
- As stated in the Project Tender Documents, in the event that any member of the Evaluation Committee, among other things, (i) are close relatives of the bidder or responsible staff of the bidder; (ii) are personnel of the competent project department (項目主管部門) or administrative supervision department (行政監督部門); (iii) have any economic interest relationship with the bidder, which may affect the fairness of the evaluation; or (iv) conducted illegal acts and received administrative punishment or criminal punishment in previous tender, evaluation of previous tender and other activities relating to previous tender, the members should abstain from evaluation of bidding.

We obtained an undertaking jointly signed by each member of the Evaluation Committee, pursuant to which, among other things, (i) the evaluation will be in compliance with relevant laws and regulations and be objective and fair; and (ii) they will abstain from evaluation of bidding should there be any conflict of interests. According to the Score Document, none of the members of the Evaluation Committee abstained from evaluation of bidding in respect of the Rizhao Port Grain Base Project (Technology Part).

- As also confirmed by the Directors, none of the members of the Evaluation Committee held any position in any participant (including Shandong Gangwan) to the open tender for the Rizhao Port Grain Base Project (Technology Part) from three years immediately prior to establishment of the relevant Evaluation Committee and to the closing of the tendering of the Rizhao Port Grain Base Project (Technology Part).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that (i) members of the Evaluation Committee shall evaluate the tender in compliance with the Tendering and Bidding Law of the PRC; (ii) the members of Evaluation Committee are required to abstain from evaluating the bidding in case any potential conflict of interest exists; (iii) all members of the Evaluation Committee signed the undertaking as stated above; (iv) none of members of the Evaluation Committee abstained from evaluation of bidding in respect of the Rizhao Port Grain Base Project (Technology Part); and (v) none of members of the Evaluation Committee held any position in any participants (including Shandong Gangwan) to the open tender for the Rizhao Port Grain Base Project (Technology Part) from three years immediately prior to establishment of the relevant Evaluation Committee and to the closing of the tendering of the Rizhao Port Grain Base Project (Technology Part), we do not doubt the evaluation result even certain members of the Evaluation Committee hold positions in companies under Shandong Port Group (save for Shandong Gangwan).

In light of the above factors, we are of the view that the contract price of the Transaction is fair and reasonable.

Payment terms:

The contract price shall be paid in the following manner:

- (a) up to 80% of the contract price to be paid before the 20th day of every month based on the monthly project progress and actual amount of the construction work completed;

if Shandong Gangwan provides quality assurance,
- (b) up to 100% of the contract price to be paid after completion acceptance of the Rizhao Port Grain Base Project (Technology Part) and Shandong Gangwan handing over the project documents and within 180 days after the Company receives the value-added tax invoice issued by Shandong Gangwan and receives the letter of guarantee as quality assurance from Shandong Gangwan of 3% of the project settlement price determined by an independent third party audit institution;

if Shandong Gangwan does not provide a letter of guarantee as quality assurance,
- (c) up to 97% of the contract price to be paid after completion acceptance of the Rizhao Port Grain Base Project (Technology Part) and Shandong Gangwan handing over the project documents and within 180 days of the issuance of the value-added tax invoice; and
- (d) the remaining 3% of the contract price as the quality assurance deposit to be paid after the expiry of defects liability period with no quality defects of the Rizhao Port Grain Base Project (Technology Part).

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The contract price will be financed by internal resources of the Company, bank facilities or a combination of both.

According to Project Tender Document, payment terms above under the Construction Contract is in line with the payment terms requirement as set out in the Project Tender Document, which applied to all participants (i.e. possible service providers).

Having considered that (i) contract price of the Construction Contract is fair and reasonable; and (ii) save for the contract price, which was the bidding price offered by the successful bidder for the open tender for the Rizhao Port Grain Base Project (Technology Part), other key terms of the Rizhao Port Grain Base Project (Technology Part) (i.e. completion settlement (竣工結算), insurance, and dispute resolution (爭議解決)) were substantially the same as those set out in the Project Tender Document and applied to all participants (i.e. possible service providers), we are of the view that terms of the Transaction are on normal and commercial terms and are fair and reasonable.

RECOMMENDATION

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

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

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

* *For the identification purposes only*

1. FINANCIAL RESULTS OF THE COMPANY

Details of the audited financial results of the Company for each of the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 are available on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.rzportjurong.com>) in the following documents:

- (a) for the year ended 31 December 2020, on pages 61 to 135 of the annual report of the Company for the year ended 31 December 2020 released on 30 March 2021 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0330/2021033000925.pdf>;
- (b) for the year ended 31 December 2021, on pages 69 to 139 of the annual report of the Company for the year ended 31 December 2021 released on 26 April 2021 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042600950.pdf>; and
- (c) for the year ended 31 December 2022, on pages 125 to 197 of the annual report of the Company for the year ended 31 December 2022 released on 27 April 2023 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042704158.pdf>.

There was no qualified opinion issued for the audited financial results of the Company for the last three financial years.

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2023, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Company's indebtedness are as follows:

- (a) the amount of unaudited outstanding interest-bearing bank loan and other borrowings was RMB0; and
- (b) the amount of unaudited outstanding lease liabilities was approximately RMB698,536,029.92.

Save as disclosed in this circular and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 March 2023, the Company did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any mortgages or charges or any other contingent liabilities or guarantees.

3. WORKING CAPITAL

Taking into account the effect of the transactions contemplated under the Construction Contract and the present internal financial resources available to the Company, including cash and cash equivalents as well as the internal resources, the Directors are of the opinion that, the Company has sufficient working capital for its requirements for at least 12 months from the date of publication of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there had been no material adverse change in the financial or trading position of the Company since 31 December 2022, the date to which the latest published audited financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE COMPANY

Based on the analysis of the Company's cargo type, the Company expects that its main cargo business will maintain a continuous growth trend, and the Company's market share will still have a large room to grow under the overall planning of berths, storage yards and storage resources. Therefore, the Company will prioritise on the following tasks:

To anchor soybean cargo species over 10 million with scientific planning

The Company will continuously improve the comprehensive service capacity of the port by paying close attention to the opportunities brought by the new production capacity in the hinterland, following up on the progress of the new plants and raw material procurement plan, consolidation of the strategic cooperation relationship with the core customers accompanied with acceleration of the construction progress of the port infrastructure projects, as well as striving to attract soybean cargo, stabilizing the increase of maize cargo, strive that the annual soybean cargo exceeds 10 million tonnes.

To concentrate on maximum effectiveness in operation with accurate policies

The Company will ensure maximum efficiency of ship unloading by improvement in communication and cooperation with port units and agents, implementation of system efficiency improvement campaign, coordination of human and mechanical resources, scientific production plans, contraction of non-production downtime and smooth planning. The Company will strengthen internal and external cooperation, enhance cost control and implement the “one ship, one policy” plan in order to ensure the continuity of production operations, and focus on improving the efficiency of loading and unloading and transportation.

To build a smart green port with technological empowerment

With application of new-generation information technology, implementation of projects such as shore-side equipment automation transformation, fully automatic unloading of woodchip yard, unmanned precision loading of silo/hopper, and construction of unmanned yard, the Company will commit to one-click safe unmanned warehouse cleaning and dust control grain system, to accelerate the implementation of projects such as remote monitoring, personnel positioning, and centralized control of firefighting, accomplishing to be a smart green port.

To achieve new improvements in customer experience by robust service

The Company’s employees will carry out customer service improvement activities, namely “Spring Service”, to strengthen service awareness, change service concepts, innovate service methods and elevate service capabilities resulting from the fact that service is the core competitiveness of the port. The Company will lift its comprehensive competitiveness and service, enhance customer adhesion, and win customer reputation with the fundamental starting point of “unloading fast, smooth, good management, low cost”.

1. RESPONSIBILITY STATEMENT

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

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

As at the Latest Practicable Date, none of the Directors, Supervisors and chief executive of the Company and their respective associates had any interests and/or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they have taken or which they are deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules.

3. DIRECTORS' AND SUPERVISORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, each of the following Directors and Supervisors is a director, supervisor or employee of the following companies, which have interests or short positions in the Shares and underlying Shares of equity derivatives or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

- (a) Mr. Cui Liang, a non-executive Director and the chairman of the Board, is a member of the Party Committee of Rizhao Port.
- (b) Mr. Chen Lei, a non-executive Director, is the deputy minister of the financial management department of Rizhao Port Group.
- (c) Mr. Fang Lei, a non-executive Director, is the party secretary of the Party Committee and the executive vice president of the Party School of Rizhao Port.

- (d) Mr. Seow Kok Leong Terence, a non-executive Director, is the chief executive officer of Jurong Port.
- (e) Mr. Nyan Ming Ren Francis, a non-executive Director, is the chief financial officer of Jurong Port.
- (f) Mr. Li Weiqing, a Supervisor, is the audit specialist of legal audit department of Rizhao Port Group.
- (g) Mr. Tham Wai Kong, a Supervisor, is the vice chairman of the legal and company secretariat of Jurong Port.

As at the Latest Practicable Date, none of the other Directors, Supervisors and chief executive was a director, supervisor or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or controlling shareholders (as defined in the Listing Rules) and their respective close associates was interested in any business apart from the Company's business which competes or is likely to compete, either directly or indirectly, with the Company's businesses.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors had any existing or proposed service contract with the Company (excluding contracts expiring or terminable by the employer within a year without payment of any compensation (other than statutory compensation)).

6. INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE COMPANY

As at the Latest Practicable Date, none of the Directors or Supervisors had any interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to the Company, or are proposed to be acquired or disposed of by or leased to the Company.

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting at the date of this circular, which is significant in relation to the business of the Company.

7. EXPERT'S QUALIFICATION AND CONSENT

- (a) The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualifications
Gram Capital Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

- (b) As at the Latest Practicable Date, Gram Capital did not have any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and opinion dated 11 May 2023 and reference to its name in the form and context in which they appear.
- (d) The letter and recommendation given by Gram Capital are given as at the date of this circular for incorporation herein.
- (e) As at the Latest Practicable Date, Gram Capital has no direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up.

8. LITIGATION

As at the Latest Practicable Date, the Company was not engaged in any litigation or claim of material importance, and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company.

9. GENERAL

- (a) The English text of this circular shall prevail over the Chinese text.
- (b) The joint company secretaries of the Company are Mr. Zheng Shiqiang (“**Mr. Zheng**”) and Ms. Ho Yin Kwan (“**Ms. Ho**”). Mr. Zheng obtained his bachelor’s degree in economics from China University of Mining and Technology (中國礦業大學) in July 1992 and after graduation, he participated in a Postgraduate training course of Shandong University on industrial economics. Mr. Zheng was recognized as accountant in 1998 and senior economist by Human Resources and Social Security Department of Shandong Province in 2006. Ms. Ho is a vice president of SWCS Corporate Services Group (Hong Kong) Limited. She has over 20 years of professional experience in corporate secretarial field and has been providing corporate secretarial services to both listed and private companies incorporated in Hong Kong and overseas. Ms. Ho holds a bachelor’s degree in business and finance from the University of Portsmouth and a master’s degree in corporate governance from the Open University of Hong Kong (currently known as Hong Kong Metropolitan University). Ms. Ho is a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (c) The registered office of the Company is situated at South End, Haibin 5th Road, Rizhao City, Shandong Province, the PRC. The principal place of business of the Company is at 40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong.
- (d) The H Share registrar of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Company) have been entered into by the Company within two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) the Construction Contract;
- (b) the construction contract dated 18 October 2022 entered into between the Company and Shandong Gangwan, pursuant to which the Company agreed to engage Shandong Gangwan as the contractor for the construction of silos for storing grains, reconstruction of the pier and construction of ancillary infrastructure at Shijiu port area in Rizhao port (the “**Rizhao Port Grain Base Project (Construction Part)**”), at the contract price of RMB499,980,953;
- (c) the equipment procurement contract dated 18 October 2022 entered into between the Company and Qingdao Port Equipment Manufacturing Co., Ltd. (青島港口裝備製造有限公司) (“**Qingdao Port Equipment**”), pursuant to which the Company agreed to engage Qingdao Port Equipment to supply three gantry cranes for the Rizhao Port Grain Base Project (Construction Part) and provide relevant service to the Company, at the contract price of RMB50,580,000;
- (d) the financial service framework agreement dated 28 October 2022 entered into between the Company and Qingdao Port Finance Co., Ltd. (青島港財務有限責任公司) (“**QDP Finance**”), pursuant to which QDP Finance agreed to provide deposit and settlement services to the Company for the term commencing on the effective date and ending on 31 December 2024; and
- (e) the financial service supplemental framework agreement dated 1 April 2021 entered into between the Company and Rizhao Port Group Finance Co., Ltd (日照港集團財務有限公司) (“**RPG Finance**”), pursuant to which the parties agreed to revise the annual caps for the transactions of the provision of deposit and settlement services for the years ending 31 December 2021 and 2022 under the financial service framework agreement dated 27 March 2020 entered into between the Company and RPG Finance.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (www.rzportjurong.com) for a period of 14 days from the date of this circular (both days inclusive):

- (a) the Construction Contract;
- (b) the letter from the Independent Financial Adviser dated 11 May 2023, the text of which is set out on pages 15 to 26 of this circular; and
- (c) the letter of consent from the Independent Financial Adviser dated 11 May 2023 referred to in the above paragraph headed “7. Expert’s Qualification and Consent” in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



日照港裕廊股份有限公司
RIZHAO PORT JURONG CO., LTD.

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

(Stock Code: 6117)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“EGM”) of Rizhao Port Jurong Co., Ltd. (the “**Company**”) will be held at 10:00 a.m. on Thursday, 8 June 2023 at the Office Building of Rizhao Port Jurong Co., Ltd. for the purpose of considering and, if thought fit, passing the following resolution. Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 11 May 2023 in relation to the EGM:

ORDINARY RESOLUTION

1. To consider and approve the Construction Contract and the transactions contemplated thereunder.

By Order of the Board
Rizhao Port Jurong Co., Ltd.
Cui Liang
Chairman

Rizhao, PRC, 11 May 2023

As at the date of this notice, the board of directors of the Company comprises Mr. Cui Liang as Chairman and non-executive Director; Mr. Qin Yuning as the executive Director; Mr. Seow Kok Leong Terence, Mr. Nyan Ming Ren Francis, Mr. Fang Lei and Mr. Chen Lei as non-executive Directors; and Mr. Zhang Zixue, Mr. Wu Xibin and Mr. Lee Man Tai as the independent non-executive Directors.

Notes:

1. All votes of resolutions at the EGM will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rzportjurong.com) in accordance with the Listing Rules.
2. In order to determine the holders of H Shares who will be entitled to attend the EGM, the register of members of the Company will be closed from Monday, 5 June 2023 to Thursday, 8 June 2023 (both days inclusive), during which period no transfer of H Shares will be registered. In order for the holders of H Shares to qualify for attending the EGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Friday, 2 June 2023.

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. Any shareholders entitled to attend and vote at the EGM can appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a shareholder.
4. The instrument appointing a proxy shall be in writing under the hand of the shareholder or of his/her attorney duly authorised in writing or, if the shareholder is a corporation, either under its common seal or under the hand of its directors or an attorney duly authorised in writing to sign the same. If that instrument is signed by an attorney of the shareholder, the power of attorney authorising the attorney to sign, or other authorisation documents shall be notarised. The aforementioned documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or the office of the Board at South End, Haibin 5th Road, Rizhao City, Shandong Province, the PRC (for holders of Domestic Shares) not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof in order for such documents to be valid. Completion and delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. If a proxy attends the EGM on behalf of a Shareholder, he/she should produce his/her identification document and the power of attorney or other documents signed by the appointer or his/her legal representative, which specifies the date of its issuance. If a representative of a corporate Shareholder attends the EGM, such representative shall produce his/her identification document and the notarised copy of the resolution passed by the board of directors or other authority or other notarised copy of any authorisation documents issued by such corporate Shareholder.
6. The contact of the Company:

Address: South End, Haibin 5th Road, Rizhao City, Shandong Province, the PRC
Telephone: +86 0633 7381 569
Fax: +86 0633 7381 530
7. The EGM is expected to last for no more than half a day. Shareholders who attend the EGM (in person or by proxy) shall bear their own travelling and accommodation expenses.