山東省國際信託股份有限公司
SHANDONG INTERNATIONAL TRUST CO., LTD.

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

(Stock code: 1697)

Terms of Reference for the Audit Committee under the Board of Directors

Chapter 1 General Provisions

Article 1 In order to standardise the decision-making mechanism of the board of directors (hereinafter referred to as the "Board") of Shandong International Trust Co., Ltd. (hereinafter referred to as the "Company"), prevent operational risks and ensure stable operation of the Company, the Company has established the audit committee under the Board and formulated these terms of reference in accordance with the relevant laws, regulations, normative documents and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Hong Kong Listing Rules"), as well as the provisions under the Articles of Association of Shandong International Trust Co., Ltd. (hereinafter referred to as the "Articles") and the Procedural Rules for the Board of Directors of Shandong International Trust Co., Ltd. (hereinafter referred to as the "Procedural Rules for the Board").

Article 2 The audit committee is a special committee established under the Board, exercising the functions and powers of the board of supervisors as stipulated in the Company Law, and it is responsible for reviewing the Company's financial information and its disclosure, and supervising and evaluating internal and external audit work, internal control and other matters.

Article 3 The audit committee shall be accountable to and report its work to the Board.

Chapter 2 Composition

Article 4 The audit committee shall consist of no less than three directors, all of whom shall be non-executive directors and the majority of whom shall be independent directors. At least one committee member shall be an independent director being an accounting professional with appropriate professional qualifications or appropriate accounting or relevant financial management expertise as required under the Hong Kong Listing Rules.

Article 5 Former partners of the auditor of the Company shall be prohibited from acting as a member of the audit committee of the Company for a period of two year from the date of his ceasing to be a partner of the auditor or to have any financial interest in the auditor (whichever is the later).

Article 6 The members of the audit committee shall be elected by the Board.

Article 7 A member of the audit committee shall serve for a term of three years, and may be re-appointed. Replacement of the members of the audit committee shall be subject to approval of the Board by way of resolution.

Article 8 The audit committee shall have one chairman, who shall be an independent director with appropriate professional qualifications or appropriate accounting or relevant financial management expertise, and shall be appointed by the Board. The director who acts as the chairman of the audit committee shall perform his duties in the Company for not less than 25 working days annually.

Article 9 The term of office for a member of the audit committee shall be the same as his term of office in the Board, and may be re-elected and re-appointed upon expiration of his term of office. A member shall be automatically disqualified if he ceases to be a director of the Company during his term of office.

Article 10 The secretary to the audit committee shall be the company secretary or any person otherwise appointed by the audit committee from time to time.

Chapter 3 Major Duties

Article 11 The major duties and authority of the audit committee are:

(1) to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any issues of their resignation or dismissal;

(2) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit committee shall discuss with the auditors the nature and scope of the audit and the reporting obligations before the audit commences;

(3) to formulate and implement policy on the provision of non-audit services by the external auditors. For this purpose, "external auditor" includes any institution that is under common control, ownership or management with the auditor or any institution that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the domestic or international business of such auditor. The audit committee shall report to the Board and advise on any matters where action or improvement is needed;

(4) to monitor the integrity, accuracy and fairness of the Company's financial statements, annual reports and accounts, interim reports and, if prepared for publication, quarterly reports, and to review significant opinions on financial reporting as set out therein. In reviewing the Company's financial statements, annual reports and accounts, interim reports and, if prepared for publication, quarterly reports before submission to the Board, the audit committee shall focus particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgmental issues;

(iii) significant adjustments resulting from audit;

(iv) the assumption of going concern of the Company and any qualifications;

(v) whether compliance with accounting standards; and

(vi) whether compliance with the Hong Kong Listing Rules and other legal requirements in relation to financial reporting.

(5) regarding paragraph (4) above:

(i) members of the audit committee shall liaise with the Board and the senior management members of the Company. The audit committee shall meet at least twice a year with the Company's external auditors; and

(ii) the audit committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts, and shall give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors.

(6) to review the Company's financial control, and unless expressly addressed by a separate risk control audit committee under the Board, or by the Board itself, to review the Company's risk management and internal control system;

(7) to discuss the risk management and internal control system with management to ensure that management has performed its duty to establish and maintain an effective system. Such discussion shall consider the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;

(8) to examine major investigation findings on risk management and internal control matters and the management's response to these findings on its own initiative or as authorised by the Board;

(9) to ensure coordination between the internal and external auditing bodies and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to examine and monitor the effectiveness of the internal audit function;

(10) to review the Group's financial and accounting policies and practices;

(11) to review the external auditors' letters to the management on audit results, any material queries raised by the auditors to the management about accounting records, financial accounts or control system and the management's response;

(12) to ensure that the Board will provide a timely response to the issues raised in the external auditors' letter to the management on audit results;

(13) to report to the Board on the matters included under the heading "D.3 Audit Committee" in Appendix C1 to the Hong Kong Listing Rules;

(14) the audit committee shall handle the following issues:

    (i) to review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action taken by the Company;

(ii) the audit committee shall establish a whistleblowing policy and system for employees and other persons who deal with the Company to raise concerns, in confidence, with the audit committee about possible improprieties in any matter related to the Company.

(15) to act as the key representative body for overseeing the relationship between the Company and the external auditors;

(16) to supervise and guide internal audit body of the Company; and

(17) any other matters as stipulated in the laws, regulations, and the Articles, and as authorised by the Board.

Article 12 The audit committee shall be accountable to the Board and the proposal of the audit committee shall submit to the Board for consideration.

Article 13 The major duties and authority of the chairman of the audit committee are:

(1) to convene and preside over the meeting of the audit committee;

(2) to take charge of day-to-day work of the audit committee;

(3) to examine, approve and sign the reports and other important documents of the audit committee;

(4) to examine the implementation of resolutions and suggestions made by the audit committee;

(5) to report to the Board on the audit committee's work on behalf of the audit committee; and

(6) other duties the chairman of the audit committee shall perform.

When the chairman of the audit committee is unable to perform his duties for any reason, a member of the audit committee designated by the chairman shall perform the duties of the chairman on his behalf.

Article 14 The audit committee is authorised by the Board to investigate any activity within the scope of its duties and functions. The audit committee shall be entitled to seek any information from any employee and all employees shall cooperate with any request raised by the audit committee.

Article 15 The audit committee is authorised by the Board to obtain external legal advice or other independent professional advice at the Company's expense and to secure the attendance of any person with relevant experience or expertise at the meetings of the audit committee as appropriate.

Chapter 4 Working System

Article 16 The meetings of the audit committee shall be divided into regular meetings and interim meetings.

Article 17 The audit committee shall convene regular meetings at least twice each year, or at such frequency as required under the Hong Kong Listing Rules or other regulatory requirements applicable to the Company from time to time. The chairman of the audit committee shall be responsible for convening the meetings. When the chairman of the audit committee is unable to perform his duties for any reason, a member of the audit committee designated by the chairman shall convene the meeting, and when the chairman of the audit committee fails to make the designation, one of the members of the audit committee shall convene the meeting.

An interim meeting of the audit committee shall be held where one of the following situations occurs:

(1) When the Board proposes to convene such meeting;

(2) When the chairman of the audit committee proposes to convene such meeting;

(3) When two or more members of the audit committee propose to convene such meeting;

(4) When the chairman of the Board proposes to convene such meeting; and

(5) When the external auditors propose to convene such meeting.

Article 18 The meetings of the audit committee shall only be held when two-thirds or more of members are present. Members of the audit committee shall attend the meetings of the audit committee in person. If a member is unable to attend the meeting for any reason, he may appoint another member as his proxy to attend the meeting and vote on his behalf in writing. In such case, he shall issue a written power of attorney and specify the scope of authorisation for the proxy. Members who do not attend such meeting and do not appoint another member as his proxy to attend such meeting on his behalf will be deemed to have abstained from voting on such meeting.

Article 19 The Company shall give notice to all members and other attendees at least three days before convening of the meeting and deliver the agenda to all members in time.

Article 20 Each member of the audit committee shall have one vote when voting at the meeting of the audit committee.

A member may cast affirmative votes or abstain from voting or cast dissenting votes. Those who cast dissenting votes shall express their opinion.

Resolutions made at the meeting shall be passed by more than half of all members.

Those members who have connected relationship in the voting matters shall abstain from voting when members expressing their opinions.

Article 21 The audit committee shall convene meeting at least once each year solely with the external auditors. Chief financial officer of the Company and a representative of the Company's external auditors shall generally attend the meetings of the audit committee. However, the audit committee shall meet with the external and internal auditors without the presence of executive directors at least once each year.

Article 22 An administrative office of the audit committee of the Company is established in the audit department, mainly responsible for the following functions:

(1) to prepare the subject matter and the agenda of the meeting based on the topics submitted by the Company, and to notify all members and other attendees;

(2) to prepare minutes of the meeting;

(3) to draft the resolutions of the meeting;

(4) to maintain documents including minutes and resolutions of the meeting and file them in time;

(5) other matters as assigned by the audit committee.

Article 23 The minutes of the meeting of the audit committee shall include the following information:

(1) the date and venue of the meeting and the convener's name;

(2) the names of the members present, the members absent, the proxies and the observers;

(3) the subject matter of the meeting;

(4) the summary of speech given by the members and observers;

(5) the matters voted on and the voting results.

The minutes shall be signed by the members present at the meeting.

Article 24 The resolutions of the meeting of the audit committee shall include the following information:

(1) the method by which the meeting is convened, date and venue of the meeting and the convener's name;

(2) the names of the members present, the members absent, the proxies and the observers;

(3) the matters voted on and the voting results;

(4) other matters that shall be explained and recorded in the resolutions.

Article 25 Minutes of meetings of the audit committee shall be maintained by the secretary to the audit committee and shall be open for inspection at any reasonable time on reasonable notice by any director. Draft and final versions of minutes of the meetings shall be circulated to all members of the audit committee within a reasonable time after the meeting, with the draft for members to provide comments and the final version for their records.

Article 26 The recommendations, proposals and voting results at the meeting of the audit committee shall be reported to the Board of the Company in writing, unless restricted by laws or regulations from doing so.

Article 27 Members who attend the meetings shall not disclose any unpublished resolutions and confidential information of such meetings.

Chapter 5 Miscellaneous

Article 28 In these terms of reference, the terms "not less than" and "at least" include the figure itself, while "more than" does not include the figure itself.

Article 29 These terms of reference shall come into effect from the date of the resolution of the Board.

Article 30 Matters which are not provided for in these terms of reference shall be governed by the requirements of the relevant laws and regulations in the People's Republic of China, the Articles, the Hong Kong Listing Rules and other applicable laws and regulations in Hong Kong. If these terms of reference conflict with any applicable laws, regulations promulgated in the future or the Articles as amended through lawful procedures or the Hong Kong Listing Rules as amended from time to time, the requirements of relevant laws, regulations and the Articles as well as the Hong Kong Listing Rules shall prevail and these terms of reference shall be amended forthwith and submitted to the Board for consideration and approval.

Article 31 The Board of the Company shall have the right to interpret these terms of reference.