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

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

(Stock Code: 1576)

TERMS OF REFERENCE OF THE REMUNERATION AND APPRAISAL COMMITTEE OF THE BOARD OF DIRECTORS

CHAPTER 1 GENERAL

Article 1 In order to further establish a comprehensive appraisal and remuneration system of directors and senior management of Qilu Expressway Company Limited (the "**Company**") and improve the corporate governance of the Company, the Company has established the remuneration and appraisal committee of the board (the "**Board**") of directors of the Company and formulated these terms of reference in accordance with local and overseas regulations for listed companies, including the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") and the Articles of Association of Qilu Expressway Company Limited (the "**Articles of Association**").

Article 2 The remuneration and appraisal committee is a specialised working organisation established by the Board pursuant to the Articles of Association. The main duties of the committee are to establish the appraisal criteria and conduct assessments and to formulate and review the remuneration policies and plans of the directors and senior management of the Company. The remuneration and appraisal committee shall be accountable to the Board.

Article 3 The senior management referred to in these terms of reference are general manager, deputy general manager, chief financial officer, secretary of the Board, chief economist, chief engineer, safety director and other senior management members appointed by the Board.

CHAPTER 2 COMPOSITION

Article 4 The remuneration and appraisal committee shall comprise three directors, the majority of whom shall be independent non-executive directors.

Article 5 The members and chairman of the remuneration and appraisal committee shall be nominated by the chairman of the Board, not less than half of the independent non-executive directors or not less than one-third of all directors for election by the Board.

Article 6 The remuneration and appraisal committee shall have a chairman who shall be an independent non-executive director and shall be in charge of the work of the remuneration and appraisal committee.

Article 7 The term of office of the members of the remuneration and appraisal committee shall be the same as that of the directors. A member of the committee may serve consecutive terms if re-elected upon the expiry of his/her term of office. If any member ceases to be a director of the Company or any member who shall be an independent non-executive director ceases to have the independence as set out in the Hong Kong Listing Rules and the Articles of Association during his/her term of office, he/she shall automatically be disqualified as a member of the committee. The vacancy shall be filled up by the Board in accordance with the Article 3 to Article 5 above.

Article 8 The remuneration and appraisal committee shall have a working team to provide the operation information of the Company and the relevant information of personnel being appraised, and to prepare for meetings of and implement the resolutions passed by the remuneration and appraisal committee.

CHAPTER 3 DUTIES

Article 9 The principle duties of the members of the remuneration and appraisal committee are as follows:

(1) to assess the remuneration system and policies for all directors and senior management of the Company, and to set up standardised and transparent procedures to formulate remuneration policies and make recommendations to the Board;

(2) to study the remuneration policies and structure of directors and senior management (including non-monetary income, pension and compensation) and the procedure of formulating remuneration policies and make recommendations to the Board. The procedure for remuneration policies shall be standardised and transparent;

(3) to make recommendations on non-executive directors' remuneration to the Board;

(4) to review and approve the compensation arrangement in relation to the dismissal or removal of directors due to misconduct and ensure that such arrangement is in line with the terms of the related contract; and ensure the compensation is reasonable and appropriate if there is inconsistency between such arrangement and the terms of contract; and

(5) to oversee the implementation of remuneration system for directors and senior management of the Company.

Article 10 Other duties of the remuneration and appraisal committee are as follows:

(1) to study and make recommendation on the appraisal of the directors and senior management of the Company;

(2) to review and approve the performance-based remuneration proposals of the management with reference to the corporate mission and targets formulated by the Board;

The management referred to in these terms of reference are directors, senior management of the Company and other management members recognized by the Board.

(3) to approve, pursuant to the authority delegated by the Board, or to make recommendation to the Board on, the remuneration of individual executive directors and senior management;

(4) to propose the remuneration package for directors and senior management with reference to the level of remuneration payable by comparable companies, time contribution and responsibilities of and other position held within the Company by the relevant employees and other factors;

(5) to review and approve the compensation arrangement for directors and senior management for the loss or termination of office and to ensure it is in line with the contractual terms and is otherwise fair and reasonable;

(6) to ensure that no director or his/her associate is involved in the determination of his/her own remuneration;

(7) to review and/or approve matters relating to share schemes as described in Chapter 17 of the Hong Kong Listing Rules; and

(8) any other matters as authorised by the Board.

Article 11 The remuneration and appraisal committee shall be accountable to the Board and proposals of the remuneration and appraisal committee shall be submitted to the Board for approval.

The remuneration and appraisal committee shall provide the Board with its discussion, material and information in the form of reports, proposals and conclusions and others for the Board's study and consideration.

Article 12 The remuneration plans or packages for directors of the Company proposed by the remuneration and appraisal committee shall be subject to endorsement of the Board and approval of the general meeting. The remuneration plans for senior management of the Company shall be subject to approval of the Board. The Board shall be entitled to overrule any remuneration plans or packages that may prejudice the interest of the shareholders.

Article 13 The remuneration and appraisal committee shall consult the chairman of the Board and/or the general manager in connection with the remuneration proposals of other executive directors. The remuneration and appraisal committee may seek for professional advice when necessary.

CHAPTER 4 WORKING PROCEDURES

Article 14 The working team under the remuneration and appraisal committee shall be responsible for the preparatory works for the decision-making of the committee and preparing the following information of the Company:

(1) major financial indicators and fulfillment of operation objectives of the Company;

(2) scope of responsibility and performance of main duties of the senior management of the Company;

(3) fulfillment of indicators under the performance evaluation system for the directors and senior management of the Company;

(4) business development and profit-making capability of directors and senior management of the Company;

(5) the relevant calculation basis of the remuneration plans and allocation methods formulated according to the results of the Company; and

(6) other documents or information required by the remuneration and appraisal committee for the performance of its duties.

Article 15 The remuneration and appraisal committee shall conduct the following appraisal of directors and senior management based on the following procedures:

(1) the directors and senior management of the Company shall report his/her work and self – evaluation to the remuneration and appraisal committee;

(2) the remuneration and appraisal committee shall evaluate the performance of directors and senior management in accordance with the evaluation criteria and procedures; and

(3) the amount of remuneration and forms of incentive of the directors and senior management shall be proposed based on performance appraisal results and remuneration policies, and shall be submitted to the Board after resolving by voting.

CHAPTER 5 RULES OF PROCEDURES

Article 16 The remuneration and appraisal committee shall convene at least two meetings each year. All members shall be given not less than 7 days' prior notice before the convening of the meeting and the agenda and other meeting documents shall be sent to all members at least three days prior to the meeting (or within any other period agreed upon). In case of special circumstances, a notice of less than 7 days may be served to the extent that more than two-thirds of the remuneration and appraisal committee raises no disagreement. The meeting shall be convened and chaired by the chairman of the committee. In the event that the chairman of the committee fails to attend the meeting, he or she may appoint another committee member who shall be an independent non-executive director to convene and chair the meeting.

Article 17 A quorum of a meeting of the remuneration and appraisal committee shall be not less than two-thirds of the members (including members appointing other members to attend the meeting in written form). Each member shall have one vote. A resolution of the meeting shall be passed by more than half of all the committee members.

Article 18 Voting at the meeting of the remuneration and appraisal committee shall be taken by a show of hands or by poll. An extraordinary meeting may be convened in the form of vote by correspondence.

Article 19 The remuneration and appraisal committee may invite other directors and senior management of the Company to sit in its meetings when necessary.

Article 20 The remuneration and appraisal committee may retain an intermediary institution to provide professional advice on its decision when necessary. Any reasonable costs so incurred shall be borne by the Company.

Article 21 In the event that the discussion at a meeting of the remuneration and appraisal committee is related to a member of the committee, such member shall withdraw from discussion.

Article 22 The procedures of a meeting convening, the method of voting and the remuneration policies and allocation plans passed at a meeting of the remuneration and appraisal committee shall comply with the requirement of relevant laws, regulations, the Articles of Association and these terms of reference.

Article 23 The remuneration and appraisal committee shall keep minutes of its meetings. The minutes shall be signed by committee members attended the meeting. The minutes shall be kept by the secretary of the Company.

Article 24 The resolutions passed and voting results of a meeting of the remuneration and appraisal committee shall be submitted to the Board in written form.

Article 25 All members of the committee present at the meeting shall keep confidential all matters discussed at the meeting and shall not disclose the relevant without approval.

CHAPTER 6 SUPPLEMENTARY PROVISIONS

Article 26 These terms of reference shall become effective after being approved by the Board.

Article 27 For any matters not covered by these terms of reference, the relevant laws and regulations of the People's Republic of China and the Articles of Association shall apply. In the event that these terms of reference contravene any future laws and regulations of the People's Republic of China or the Articles of Association as legally amended, the relevant laws and regulations of the People's Republic of China and the Articles of Association shall prevail. In such event, these terms of reference shall be amended immediately and submitted to the Board for approval.

Article 28 Such terms as "no less than" as mentioned herein shall include in the amount the figures listed; such terms as "more than" shall not include the figures listed.

Article 29 These terms of reference shall be formulated, amended and interpreted by the Board.

Note: In case of any inconsistency between the English and Chinese version of these terms of reference, the Chinese version shall prevail.