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 AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

CHAPTER 1 GENERAL

Article 1 In order to enhance the decision-making function of the board (the "**Board**") of directors of Qilu Expressway Company Limited (the "**Company**"), strengthen the effective supervision of the Board on the management level, and improve the corporate governance structure of the Company, the Company has established the audit committee of the Board 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 Peoples' Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**"), A Guide for Effective Audit Committees published by Hong Kong Institute of Certified Public Accountants and the Articles of Association of Qilu Expressway Company Limited (the "**Articles of Association**").

Article 2 The audit committee is a specialised working organisation established by the Board pursuant to the Articles of Association. The main duties of the committee are to supervise, review and evaluate the internal control, financial information and internal audit of the Company in accordance with the Articles of Association and laws, administrative regulations and the Hong Kong Listing Rules and to maintain an appropriate relationship with the external auditors of the Company. The audit committee shall be accountable to the Board.

CHAPTER 2 COMPOSITION

Article 3 The audit committee shall comprise three non-executive directors, more than a half of whom shall be independent non-executive directors. At least one of the members of the committee shall be an independent non-executive director with appropriate professional qualifications recognized by the listing rules of the stock exchange where the shares of the Company are listed or appropriate accounting or relevant financial management expertise.

Article 4 The members and chairman of the audit 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 5 The audit committee shall have a chairman who shall be an independent non-executive director and shall be in charge of the work of the audit committee.

Article 6 The term of office of the members of the audit 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 7 The audit committee of the Board shall have a working team, as an office for the routine work of the audit committee, responsible for dealing with daily matters, liaison and organization of committee meetings. The audit committee shall officially appoint a secretary for its meetings.

CHAPTER 3 DUTIES

Article 8 The members of the audit committee shall have the professional knowledge, experience and skills necessary for the performance of duties of the committee. The principle duties of the committee are as follows:

(1) to inspect the financial conditions of the Company;

(2) to supervise the directors and senior management in their performance of duties, and to propose the removal of directors and senior management who have contravened any law, administrative regulations, the Articles of Association or resolutions at the general meetings;

(3) to demand any director and senior management of the Company who acts in such a manner that is detrimental to the interest of the Company to rectify such behavior;

(4) to propose to convene an extraordinary general meeting, and to convene and preside over general meetings when the board of directors fails to perform the duty of convening and presiding over such general meetings required herein;

(5) to propose resolutions at a general meeting;

(6) to institute proceedings against the directors or senior management pursuant to Article 189 of the Company Law;

(7) to propose the appointment, reappointment or removal of an external auditor;

(8) to review and supervise the independence and objectivity of the external auditor and the effectiveness of the auditing procedure in accordance with applicable standards;

(9) to review the financial information of the Company and its disclosure;

(10) to supervise the financial reporting system, risks management and internal control procedures of the Company; and

(11) to improve the communication between the internal auditor and the external auditor.

Article 9 Other duties of the audit committee are as follows:

(1) to review disclosure of the accounting information and significant matters of the Company, as well as the significant accounting policies of the Company along with their implementation; to oversee the implementation of significant financial decisions and annual budget of the Company, as well as the truthfulness, accuracy and integrity of financial reports of the Company along with the effectiveness of the financial reporting procedures conducted by the management; to oversee the completeness of the financial statements, annual report, accounts, interim reports and quarterly reports (if any) of the Company and to review the significant opinions regarding the financial reporting as set out in financial statements and reports;

Before submitting the relevant statements and reports to the Board, the committee shall particularly review the following matters:

1. any changes in accounting policies and practices;

2. material judgments;

3. material audit adjustments;

4. the going concern assumptions and any qualified opinions;

5. the compliance with accounting standards; and

6. the compliance with the Hong Kong Listing Rules and legal requirements in relation to financial reporting.

The committee shall communicate with the Board and the senior management for the above matters. The committee shall meet the external audit firm at least twice a year. The committee shall consider any significant or unusual matters that are, or shall be, reflected in the relevant financial reports and accounts and shall also consider any matters brought up by financial officers and person in charge of internal audit department of the Company and external audit firm;

(2) to oversee the annual audit work so that judgement can be made as to the truthfulness, accuracy and completeness of the audited financial reports before being submitted to the Board for consideration;

(3) to monitor the financial reporting system of the Company and to review and evaluate the internal control of the Company, including:

1. to review and evaluate the thoroughness and effectiveness of the financial control, internal control and risk management systems, rules and practices of the Company;

2. to review and evaluate the implementation of internal control and their regulations and rules in all departments of the Company, holding subsidiaries and branches, the findings of which will be the important contents and references for the Company to assess its annual results;

3. to discuss the internal control systems with the management to ensure that the management has established effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training and budget of the Company's accounting and financial reporting function;

4. to study the important findings of the investigation in relation to risks management and internal control and feedbacks of the management on the findings on its own initiative or under the instruction of the Board;

5. to review the financial and accounting policies and practices of the Company (including its holding subsidiaries);

6. to review the explanation letter in respect of the audit provided by external auditors to the management, any material enquiry raised by auditors on accounting records, financial statements or control system and feedbacks of the management;

7. to ensure the prompt reply by the Board on issues raised in the explanation letter in respect of the audit of the external auditors;

8. to review and carry out work related to the audit committee as required under the Corporate Governance Code contained in Appendix C1 of the Hong Kong Listing Rules and report the same to the Board;

9. to review the system and arrangement for employees to anonymously report any potential irregularities in financial reporting, internal control and other aspects of the Company. The committee shall ensure appropriate arrangements are in place to allow the Company to carry out fair and independent investigations and appropriate actions on such matters; and

10. to coordinate the relationship between the Company and external audit firm.

(4) to coordinate the works of internal audit and external audit firm; to ensure the internal audit department have the sufficient resources and appropriate standing within the Company; to discuss about the internal audit plan and to consider the work report of audit department; and to examine and supervise the effectiveness of internal audit;

(5) to make recommendations to the Board on the appointment, reappointment and removal of external audit firm, approving the remuneration and terms of appointment of the external audit firm, and dealing with any relevant issues regarding to the resignation or removal of the external audit firm;

(6) to oversee the performance of the external audit firm, and inspecting and supervising the independency and objectiveness of the external audit firm with applicable standards; the Committee shall discuss on the nature and scope of audit as well as the reporting responsibilities with the auditor before the auditing work commence;

(7) to formulate and implement the policy on engaging external audit firm to provide non-audit services. The external audit firm includes any entity that is under the same control, ownership or management with the audit firm responsible for the Company's auditing work, or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm which responsible for the Company's auditing work nationally or internationally. The audit committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(8) to oversee the implementation of the rectifying measures by the management in response to the audit opinion and to monitor the implementation of the audit opinion by the management;

(9) to lead the internal audit department in collection, summarization and investigation of materials related to the responsibility of material mistakes in the disclosure of the annual reports and to investigate and provide solutions proposals for implementation after the Board's review and approval; and

(10) any other matters as authorized by the Board.

The committee may make proposals to the Board within the scope of its duties.

Article 10 The audit committee shall be accountable to the Board and proposals of the committee shall be submitted to the Board for approval. The audit committee shall conduct investigations upon discovery of abnormality in the business operation and engage professional firms such as accounting firms to assist its work where necessary. The cost shall be borne by the Company.

The audit committee shall provide the Board with its discussion, material and information in the form of reports, proposals and conclusions for consideration.

CHAPTER 4 WORKING PROCEDURES

Article 11 The working team under the audit committee shall facilitate the decision-making of the audit committee and preparing the following information of the Company in written form:

(1) the financial reports of the Company;

(2) the work reports of internal audit department and external audit firm;

(3) the internal control system of the Company;

(4) disclosure of information by the Company;

(5) connected transactions of the Company;

(6) other relevant matters.

Article 12 The audit committee shall provide written recommendations on the following matters of the Company to the Board for discussion:

(1) the objectiveness and truthfulness of the financial reports of the Company;

(2) the performance of external audit firm and the appointment and removal of external audit firm;

(3) report on whether the information publicly disclosed by the Company, including financial reports, is objective and accurate, and whether the Company's connected transactions are in compliance with relevant laws and regulations;

(4) the effectiveness of the internal audit system of the Company;

(5) other relevant matters.

CHAPTER 5 RULES OF PROCEDURES

Article 13 The audit 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 audit committee members raise 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 may appoint another committee member who shall be an independent non-executive director to convene and chair the meeting.

Article 14 The quorum of a meeting of the audit committee shall be not less than two-thirds of the members (including members being appointed in writing as proxy of other members to attend the meeting). Each member shall have one vote. A resolution of the meeting shall be passed by more than half of all the committee members.

Article 15 Voting at the meeting of the audit 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 16 The audit committee may invite other directors, senior management members and other relevant persons to sit in its meetings when necessary.

Article 17 The audit 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 18 The convening, voting and passing of resolutions of a meeting of the audit committee shall comply with the applicable laws, regulations, the Articles of Association and these terms of reference.

Article 19 The audit committee shall keep minutes of its meetings. The draft and final versions of the minutes shall be delivered to all committee members within a reasonable period of time after the meeting for comments and records respectively. The final version of the minutes shall be signed by committee members attended the meeting. The minutes shall be kept by the secretary of the Company.

Article 20 In the event that the member attending the meeting or his direct family members have stake in the issues discussed at the meeting of the audit committee that member shall abstain from voting.

Article 21 The resolutions passed or comments given at the meetings of the audit committee shall be submitted to the Board in written form for consideration.

Article 22 All members of the committee present at the meeting shall keep confidential all matters discussed at the meeting and shall not disclose the relevant information without approval.

CHAPTER 6 SUPPLEMENTARY PROVISIONS

Article 23 Unless otherwise specified, the terms used herein shall have the same meaning ascribed thereto under the Articles of Association.

Article 24 These terms of reference shall become effective after being approved by the Board.

Article 25 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 26 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 27 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.