

ZOOMLION HEAVY INDUSTRY SCIENCE AND TECHNOLOGY CO., LTD.* REMUNERATION AND ASSESSMENT COMMITTEE OF THE BOARD OF DIRECTORS

TERMS OF REFERENCE

CHAPTER 1 GENERAL

Article 1 Zoomlion Heavy Industry Science and Technology Co., Ltd. (the “Company”) has established the remuneration and assessment committee of the board of directors and formulated these terms of reference in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Securities Law of the People’s Republic of China, the Articles of Association of the Company (the “Articles of Association”), the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”) and other applicable laws, regulations and regulatory documents to refine the remuneration and appraisal management system of the directors and senior management of the Company, improve the internal corporate governance structure of the Company and safeguard the interests of the Company and its shareholders.

The Company will from time to time amend these terms of reference in accordance with the modifications of the relevant laws, regulations and regulatory documents as well as the Articles of Association. In the event that the provisions under these terms of reference conflict with the relevant laws, regulations and regulatory documents as well as the Articles of Association, the latter shall prevail.

Article 2 The remuneration and assessment committee is a discussion and operation unit of the board of directors and shall be accountable to the board of directors. It is mainly responsible for formulating the appraisal standards of and conducting assessment on the directors and senior management of the Company. It researches, reviews, analyses and formulates the remuneration policies and packages for the directors and senior management of the Company and submits relevant proposals to the board of directors. It is also responsible for supervising and implementing the resolutions adopted by the board of directors regarding the remuneration or assessment of the directors and senior management of the Company and performing the duties and tasks in respect of the remuneration or assessment of the directors and senior management pursuant to the Articles of Association or the authorisation by the board of directors.

Article 3 Unless otherwise stated, for the purpose of these terms of reference, any reference to “director” when referring to any target or applicable person regarding the remuneration policy and assessment system represents the member of the board of directors of the Company, and any reference to “senior management” represents the chief executive officer, senior president, vice president, chief financial officer, secretary to the board of directors and other senior management staff of the Company nominated by the chief executive officer and approved by the board of directors.

CHAPTER 2 COMPOSITION

Article 4 The remuneration and assessment committee shall comprise three to five directors, a simple majority of whom shall be independent non-executive directors.

Article 5 The members of the remuneration and assessment committee shall be nominated by the chairman of the board of directors, more than half of the independent non-executive directors or one-third of all directors, and shall be elected by the board of directors.

Article 6 The remuneration and assessment committee shall have a chairman (the convener), who shall be an independent non-executive director and shall be in charge of the work of the committee. The chairman of the committee shall be nominated by the chairman of the board of directors among the elected committee members, and shall be elected by the board of directors.

Article 7 The terms of office of the members of remuneration and assessment committee shall be the same. A member of the remuneration and assessment committee may serve consecutive terms if re-elected upon the expiration of his term. If any member ceases to serve as a director of the Company during his term of office, he shall ipso facto cease to hold the position of committee member. The vacancy shall be filled by the committee in accordance with Articles 4 to 6 above. If the chairman ceases to serve as an independent non-executive director of the Company, he shall ipso facto cease to hold the position of the chairman of the committee.

Article 8 The remuneration and assessment committee shall establish a permanent unit in the human resources department. The permanent unit is responsible for collecting and organising information related to the operation of the Company and relevant information related to the personnel under appraisal and providing such information to the remuneration and assessment committee. It is also responsible for preparing and organising the meetings of the remuneration and assessment committee and performing the relevant tasks assigned by the remuneration and assessment committee.

CHAPTER 3 DUTIES AND AUTHORITY

Article 9 The remuneration and assessment committee is responsible for formulating the assessment criteria for directors and senior management and conducting assessments, and formulating and reviewing the remuneration policies and proposals related to directors and senior management, such as the remuneration determination mechanism and decision-making process, and arrangements for making, suspending and recovering payments. The major duties and authority of the remuneration and assessment committee are:

- (1) making recommendations to the board of directors on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (2) determining, with delegated responsibility from the board of directors, the remuneration packages of individual executive directors and senior management, including their benefits in kind, benefits for pension and compensation payments (including any compensation payable for loss or termination of their office or appointment);
- (3) making recommendations to the board of directors on the remuneration of non-executive directors;

- (4) considering the salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Company and its subsidiaries;
- (5) formulating remuneration plans or proposals, which mainly include, but not limited to, standards and procedures for performance appraisal and the principal appraisal system as well as the major plan and system of rewards and punishments;
- (6) conducting due diligence assessment and annual performance appraisal of the directors and senior management of the Company;
- (7) reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives approved by the board of directors;
- (8) formulating or revising the share option incentive schemes and employee stock ownership plans, assisting participants in realising vested benefits and meeting the conditions for exercising their rights and interests, and making recommendations to the board of directors; reviewing and/or approving matters relating to share schemes under Chapter 17 of the Hong Kong Listing Rules;
- (9) supervising the implementation of remuneration system of the Company, and reviewing and approving the following matters:
 - (a) compensation payable to the executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
 - (b) compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- (10) ensuring that no director or any of his associates (as defined under the Hong Kong Listing Rules) is involved in deciding his own remuneration;
- (11) formulating shareholding plans for directors and senior management in any subsidiaries proposed to be spun-off, and making recommendations to the board of directors; and
- (12) other duties as authorised by the board of directors within its scope of authority.

If the board of directors does not accept or fully accept the remuneration and assessment committee's recommendations, the opinions of the remuneration and assessment committee and the specific reasons for such non-acceptance shall be documented in the board resolution(s) and disclosed.

Article 10 The board of directors shall have the right to reject any remuneration plan or proposal which prejudices the interests of the shareholders.

Article 11 The remuneration plan for the directors of the Company proposed by the remuneration and assessment committee shall be approved by the board of directors and submitted to the shareholders' meeting for approval before implementation. The remuneration plan for senior management of the Company shall be submitted to the board of directors for approval.

CHAPTER 4 PROCEDURES OF DECISION-MAKING

Article 12 The working group of the remuneration and assessment committee shall be responsible for handling the initial preparatory works for the decisions of the remuneration and assessment committee and providing the following information of the Company:

- (1) achievement of the main financial targets and business objectives of the Company;
- (2) division of labour of the senior management of the Company and their major duties;
- (3) achievement of targets being involved in the work performance appraisal of directors and senior management;
- (4) the directors' and senior management's contribution to business innovations and profitability of the business operations of the Company;
- (5) the relevant estimates used for formulating the remuneration plans and distribution methods based on the results performance of the Company.

Article 13 Appraisal procedures of the remuneration and assessment committee for directors and senior management are as follows:

- (1) The directors and senior management shall report their work and make self-appraisals to the remuneration and assessment committee of the board of directors;
- (2) The remuneration and assessment committee shall carry out performance appraisal of the directors and senior management according to the performance appraisal standards and procedures;
- (3) A proposal on the amount of remuneration and method of reward for the directors and senior management based on the results of work performance appraisals and under the remuneration distribution policy shall be made and, after the same being voted and passed, shall be reported to the board of directors.

CHAPTER 5 RULES OF PROCEEDINGS

Article 14 The remuneration and assessment committee shall meet at least twice annually and a notice shall be given to all members five days prior to the meetings. The chairman of the committee (or in his absence, a member who is an independent non-executive director designated by the chairman) shall chair the meetings.

Article 15 The quorum of the meetings of remuneration and assessment committee shall be more than two thirds of the members. Each member shall be entitled to one vote. A resolution shall be passed by a simple majority of all members (excluding those being required to abstain from voting).

Article 16 Voting at the meetings of the remuneration and assessment committee shall be conducted by a show of hands or by a poll. Ad-hoc meetings may be convened at a physical venue or in a form of written resolutions.

Article 17 A member of the remuneration and assessment committee who appoints another member to attend and exercise the voting rights at the meeting on his behalf shall submit the power of attorney to the chairman of the meeting no later than the voting at the meeting.

Article 18 The working group may attend the meetings of the remuneration and assessment committee. Directors and senior management of the Company may also be invited to attend the meetings when necessary.

Article 19 If necessary, the remuneration and assessment committee may engage intermediaries to provide professional advices on its decision, and the reasonable costs so incurred shall be borne by the Company.

Article 20 When the remuneration and assessment committee discusses any matter relating to a member of the committee at a meeting, such member shall be absent from such meeting.

Article 21 The procedures for convening a meeting, the method of voting and the resolutions passed at the meetings of the remuneration and assessment committee must comply with the provisions of the relevant laws and regulations, the Articles of Association and these terms of reference.

Article 22 The remuneration committee shall keep minutes of the meetings. Members present at the meetings shall sign the minutes of the meetings, which shall be kept by the secretary to the board of directors of the Company.

Article 23 The resolutions passed and the results of voting at the meetings of the remuneration and assessment committee shall be reported in writing to the board of directors of the Company for approval.

Article 24 Members present at the meeting shall have obligation to keep all matters discussed in such meeting confidential, and shall not disclose the relevant information without authorisation unless otherwise provided by the relevant laws and regulations and/or regulatory authorities.

CHAPTER 6 MISCELLANEOUS

Article 25 These terms of reference have been considered and approved at the 4th meeting of the 7th session of the board of directors of the Company and shall be implemented on the date when the relevant resolution is passed by the board of directors.

Article 26 Any matters not covered by these terms of reference shall be implemented in accordance with the provisions of the relevant laws and regulations of the PRC, the Articles of Association, the Hong Kong Listing Rules and the Rules of Proceedings of Board Meetings. If these terms of reference contravene any future laws and regulations promulgated by the PRC government or the Articles of Association, the Hong Kong Listing Rules or the Rules of Proceedings of Board Meetings as amended under legal procedures, then the provisions of the relevant laws and regulations of the PRC, the Articles of Association, the Hong Kong Listing Rules and the Rules of Proceedings of Board Meetings shall prevail, and these terms of reference shall be amended immediately and submitted to the board of directors for review and approval.

Article 27 The remuneration and assessment committee shall publicly disclose these terms of reference. The rights to amend and interpret these terms of reference shall be vested in the board of directors of the Company.

Note: These Terms of Reference were originally drafted in Chinese and the English translation is for your reference only. In case of any inconsistencies between the Chinese and the English version, the Chinese version shall prevail.

* *For identification purpose only*