SANY HEAVY INDUSTRY CO., LTD.
TERMS OF REFERENCE OF
THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

CHAPTER 1 GENERAL PROVISIONS

Article 1 To enhance the decision-making function of the Board of Directors, perform pre-audit and professional audit, ensure effective supervision over the management by the Board of Directors, the Company hereby establishes the Audit Committee of the Board of Directors (hereinafter the "Audit Committee") and formulates these terms of reference (hereinafter the "Terms of Reference"), in accordance with the Company Law of the People's Republic of China (hereinafter the "Company Law"), the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Work Guidelines for the Audit Committee of Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter the "Hong Kong Listing Rules"), the Articles of Association of SANY Heavy Industry Co., Ltd. (hereinafter the "Articles of Association"), and other relevant laws and regulation, and normative documents.

Article 2 The Audit Committee of the Board of Directors is a specialized working committee established by the Board of Directors in accordance with the resolutions of the Board of Directors, shall be accountable to and report to the Board of Directors.

Article 3 The Company shall provide the Audit Committee with necessary working conditions and sufficient resources and support, and appoint dedicated personnel or institutions to undertake the day-to-day work of the Audit Committee such as work liaison, meeting organization, materials preparation and archive management.

The management and relevant departments of the Company shall cooperate with the Audit Committee in performing its duties. Directors and senior management shall truthfully provide the Audit Committee with relevant information and materials, without obstructing the Audit Committee from exercising its powers, so as to ensure that the Audit Committee performs its duties without interference.

The expenses necessary for the Audit Committee to perform its duties shall be borne by the Company.

CHAPTER 2 COMPOSITION

Article 4 The Audit Committee shall consist of no fewer than three director members, all of whom are non-executive directors not serving as senior management members of the Company, with independent non-executive directors forming the majority. More than half of the Audit Committee members shall not hold any positions in the Company other than director and shall have no relationships with the Company that could affect their independent and objective judgment. At least one independent non-executive director shall be an accounting professional and meet the requirements under the Hong Kong Listing Rules for an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The convener of the Audit Committee shall be an accounting professional from among the independent non-executive directors.

Employee representatives among the members of the Board of Directors may also serve as members of the Audit Committee.

Article 5 Members of the Audit Committee shall be nominated by the chairperson of the Board of Directors, half or more of the independent non-executive directors or one-third of all directors and elected by the Board of Directors. The term of office of the members of the Audit Committee shall be subject to the securities regulatory rules of the place where the shares of the Company are listed. The former partner of an external audit firm(s) currently responsible for auditing the accounts of the Company shall not be a member of the Audit Committee of the Company within two years from the following dates (whichever is later): (i) the date on which he/she ceased to be a partner of the external audit firm; or (ii) the date on which he/she ceased to enjoy the financial benefits of the external audit firm.

Article 6 The Audit Committee shall have one chairperson, who shall be an accounting professional among the independent non-executive directors and shall be responsible for presiding over the work of the Committee. The chairperson shall be elected among the members and reported to the Board of Directors for approval.

Article 7 The term of office of the Audit Committee shall be identical to that of the Board of Directors. A member may be re-elected upon the expiration of his/her term of office, provided that the consecutive term of office of independent non-executive directors shall not exceed six years. If a member ceases to be a director of the Company during the term of office, he/she shall automatically resign from the Audit Committee as of the date he/she ceases to be a director, and the position so vacated shall be filled by the Committee according to the provisions of Article 3 to 5 above.

If the members of the Audit Committee fall below the statutory minimum number or lack an accounting professional due to the resignation of a member of the Audit Committee, the original member shall continue to perform the relevant duties until a new member takes office.

CHAPTER 3 DUTIES AND AUTHORITIES

Article 8 The Audit Committee shall be responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating internal and external audits, and internal controls. The duties and authorities of the Audit Committee include:

(1) review financial accounting reports and financial information in periodic reports, as well as internal control evaluation reports, including monitoring the completeness of the Company's financial statements, annual reports and accounts, half-year reports and quarterly reports, and reviewing significant judgements contained therein in respect of relevant financial reporting. The Committee shall focus on the following matters before submitting such statements and reports to the Board of Directors:

1. any changes in accounting policies and practices;

2. major judgmental areas;

3. major adjustments arising from audits;

4. the going concern assumptions and any qualifications;

5. compliance with accounting standards;

6. compliance with other securities regulatory rules of the place where the shares of the Company are listed and legal requirements in relation to financial reporting.

Regarding the above, members of the Committee shall liaise with the Board of Directors and senior management of the Company. The Committee shall convene meetings with external auditors of the Company at least twice a year. The Committee shall consider any significant or unusual items that are, or shall be, reflected in such reports and accounts, and shall give due consideration to any matters raised by the staff responsible for accounting and financial reporting, compliance department or external auditors of the Company.

The Audit Committee shall review the Company's financial and accounting reports, provide opinions on the truthfulness, accuracy and completeness of the financial and accounting reports, with a focus on major accounting and auditing issues in the financial and accounting reports, pay special attention to the possibility of fraud, malpractices and major misstatements related to the financial and accounting reports, and supervise the rectification of issues in financial and accounting reports.

In case of financial fraud, material accounting errors and other issues, the Audit Committee shall require the listed company to correct the relevant financial data when passing a prior resolution, in which case the Audit Committee shall not approve the reports until the correction is completed.

If a member of the Audit Committee cannot guarantee the truthfulness, accuracy and completeness of the financial information in the periodic reports or has any objections, he/she shall vote against or abstain from voting when the Audit Committee reviews the periodic reports;

(2) supervise and evaluate the external audit work:

1. formulate policies, procedures and relevant internal control systems for the selection and engagement of external auditors in accordance with the authorization of the Board of Directors;

2. propose to initiate relevant work for the selection and engagement of external auditors;

3. propose to the Board of Directors the Company's engagement and dismissal of the accounting firms engaged in the audit work of the Company, approve the remuneration and terms of engagement of the external auditors, and to handle any issues relating to the resignation or removal of the external auditors;

4. review the selection and engagement documents, determine the evaluation factors and specific scoring criteria, and supervise the selection and engagement process; review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

5. the Committee shall discuss with the external auditors on the nature and scope of the audit and related reporting obligations before the audit commences; develop and implement policies on the provision of non-audit services by the external auditors;

6. The Audit Committee shall supervise and evaluate the audit work of the external auditors, urge the external auditors to be honest, trustworthy, diligent and responsible, who shall also strictly abide by business rules and industry self-regulation norms, strictly implement the internal control system, verify and validate the Company's financial and accounting reports, perform special due diligence, and express professional opinions with caution. The Audit Committee shall regularly (at least annually) submit to the Board of Directors an assessment report on the performance of the engaged external auditors and a report on the supervision of the external auditors by the Audit Committee.

Regarding the article, the "external auditors" shall include any entity under common control, ownership or management with the auditors and any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the auditor nationally or internationally.

The Committee shall report to the Board of Directors and make recommendations on any matters where action or improvement is needed, perform the role as a major representative of the Company to liaise with external auditors and supervise their relationship.

The Audit Committee shall make their recommendation to the Board of Directors on the engagement or change of external auditors, approve the audit fees and terms of engagement of the external auditors, and shall not be unduly influenced by the Company's major shareholders, actual controllers, or directors and senior management;

(3) make recommendations to the Board of Directors on the appointment or dismissal of financial officer of the Company;

(4) make recommendations to the Board of Directors on changes in accounting policies or accounting estimates or correction of material accounting error for a reason other than change in accounting standards;

(5) supervise and evaluate the internal audit work:

The internal audit department, in the process of supervising and inspecting the Company's business activities, risk management, internal control, and financial information, shall be subject to the supervision and guidance of the Audit Committee. The Audit Committee shall participate in the assessment of the person in charge of internal audit.

The Audit Committee shall supervise and evaluate the internal audit work and perform the following duties:

1. guide and supervise the establishment and implementation of the internal audit system;

2. review the Company's annual internal audit work plan;

3. supervise the implementation of the Company's internal audit plan;

4. guide the effective operation of the internal audit department;

5. report to the Board of Directors on the progress, quality of internal audit work, and major problems or clues identified;

6. coordinate the relationship between the internal audit department and external audit institutions such as external auditors and national audit institutions.

The internal audit department shall report to the Audit Committee on its work. All types of audit reports, rectification plans and rectification status of audit issues submitted by the internal audit department to the management shall be reported and delivered to the Audit Committee at the same time. If the internal audit department identifies any relevant major issues or clues, it shall immediately and directly report to the Audit Committee.

The Audit Committee shall supervise and guide the internal audit body to conduct inspection of the following matters at least once every six months, and issue and submit an inspection report to the Audit Committee. If the inspection finds that the listed company has violations of laws and regulations, non-standard operation, etc., it shall report to the regulatory authorities in a timely manner:

1. the implementation of major events such as the use of proceeds, provision of guarantees, connected transactions, securities investment and derivative transactions, provision of financial assistance, purchase or sale of assets, and external investment;

2. the Company's large-amount fund transactions and fund transactions with directors, senior management, controlling shareholders, actual controllers and their related parties.

(6) inspect the effectiveness of the financial internal control system and risk management system of the Company;

1. to review the financial control, internal control and risk management system of the Company;

2. to discuss with the management on risk management and internal control system to ensure that the management has performed its duty to establish an effective system. The discussion should be given to, among others, the adequacy of resources, qualifications, experience and training of staff and budgets pertaining to the accounting and financial reporting functions;

3. to consider on the major investigation findings on risk management and internal control matters and the management's response to the investigation findings on its own initiative or under the commission of the Board of Directors;

4. to ensure the coordination between internal and external auditors, and ensure that the internal audit function is provided with adequate resources for its operation within the Company and has appropriate standing; and review and monitor its effectiveness;

5. to review the financial and accounting policies and practices of the Company;

6. to review the external audit firm's Audit Letter to the management, any material queries raised by the external auditors to the management about accounting records, financial accounts, risk management or monitor systems and the management's responses;

7. to ensure the Board of Directors will provide a timely response to matters raised in the external audit firm's Audit Letter to the management;

8. to report to the Board of Directors on the above matters and other matters as set out in the Corporate Governance Code in Appendix C1 of the Hong Kong Listing Rules (and such provision as amended from time to time);

The Audit Committee shall supervise and guide the internal audit department to carry out inspection and evaluation procedures for internal control, and urge the internal audit department to assess the risk exposure against the Company's internal control in key areas and important processes. The Audit Committee may regularly organize the analysis and evaluation of opinions and inspection status, and internal control defects identified during the inspection shall be reflected in the internal control evaluation report.

The Audit Committee shall, based on the internal audit reports and relevant materials submitted by the internal audit department, issue a written assessment on the effectiveness of the Company's internal control and report the same to the Board of Directors.

(7) if the Audit Committee identifies clues of financial fraud, operating anomalies, or pays attention to major negative public opinions and major media questions related to the Company, or receives explicit complaints and reports during the performance of its duties, it may require the listed company to conduct self-inspection, require the internal audit body to conduct investigation, and may engage a third-party intermediary agency to assist in the work when necessary, with the expenses borne by the Company;

(8) exercise the functions and powers of the Board of Supervisors as stipulated in the Company Law:

In order to ensure the effective performance of its duties, the Audit Committee shall have the right to exercise the following functions and powers in accordance with the laws, regulations, the securities regulatory rules of the place where the Company's shares are listed, and the Articles of Association:

1. examine the Company's finances;

2. supervise the performance of duties of directors and senior management;

3. When the actions of directors and senior management harm the interests of the Company, require the directors and senior management to correct their actions;

4. propose to convene the extraordinary board meeting;

5. propose to convene the extraordinary shareholders' meeting, and convene and preside over the shareholders' meeting when the Board of Directors fails to perform its duties of convening and presiding over the shareholders' meeting as required by law;

6. submit proposals to the shareholders' meeting;

7. accept shareholders' requests and file a lawsuit against directors and senior management other than the members of the Audit Committee who violate the laws, administrative regulations, or the Articles of Association and cause losses to the Company while performing their duties;

8. other functions and powers stipulated by laws, regulations, self-regulatory rules of the stock exchange and the Articles of Association.

(9) other matters prescribed by laws and regulations, securities regulatory rules in the places where the shares of the Company are listed, the Articles of Association, and other matters as authorized by the Board of Directors.

Article 9 The following matters shall be tabled at the Board of Directors for review and consideration after obtaining the consent of more than half of the members of the Audit Committee:

(1) disclosure of the financial information in financial and accounting reports and regular reports, and the evaluation reports on internal control;

(2) appointment or dismissal of an accounting firm which undertakes audit work of the Company;

(3) appointment or dismissal of the financial officer of the Company;

(4) change in accounting policy or accounting estimate or correction of significant accounting error for reasons other than a change in accounting standards;

(5) other matters prescribed by laws, administrative regulations, securities regulatory rules and provisions in the places where the shares of the Company are listed and the Articles of Association.

Article 10 Company employees may privately raise concerns about potential misconduct in financial reporting, internal controls, or other areas. 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.

Article 11 The Audit Committee shall act as the key representative body for overseeing the Company's relations with the external auditors.

Article 12 The Audit Committee is accountable to the Board of Directors. After the Audit Committee reviewed the matters stipulated in the aforementioned Article 8 and 9 of the Terms of Reference, a resolution of the Audit Committee meeting shall be formulated, and submitted to the Board of Director of the Company together with relevant proposals for review.

If the Audit Committee submits review opinions on matters within its scope of duties to the Board of Directors, but the Board of Directors fails to adopt them, the Company shall disclose such matters and fully explain the reasons.

Article 13 The Audit Committee may designate relevant departments and personnel to assist in its work as required.

CHAPTER 4 RULES OF PROCEDURE

Article 14 The Audit Committee shall convene at least one meeting each quarter, and an extraordinary meeting may be convened when proposed by two or more members, or when the convener considers necessary.

A notice shall be given to all members three days before the meeting is held, except for the interim board meetings held under special or urgent circumstances. The meeting shall be convened and chaired by the chairperson of the Audit Committee. In the event that the chairperson of the Audit Committee fails to attend the meeting, he or she may appoint another committee member (who shall be an independent non-executive director) to preside over the meeting.

Article 15 The meetings of the Audit Committee shall be held only in the presence of two-thirds or more of the members. The resolutions made by the Audit Committee shall be passed by more than half of the members of the Audit Committee.

Voting on the resolutions of Audit Committee shall be one person, one vote.

If a member of the Audit Committee has a conflict of interest in the matter discussed at the meeting, he/she must recuse himself/herself. In case that such recusal prevents the formation of an effective review opinion, the relevant matter shall be submitted to the Board of Directors for review.

Article 16 The meetings of the Audit Committee may be convened by way of physical meetings or through communication tools, and if necessary, may be held via video conference, telephone conference, or other means, provided that all participating members can fully communicate and express their opinions.

Article 17 The convener of the Audit Committee shall be responsible for convening and presiding over the meetings of the Audit Committee. If the convener of the Audit Committee is unable or refuses to perform his/her duties, more than half of the members of the Audit Committee shall jointly nominate an independent non-executive director member to preside over the meeting.

Article 18 Members of the Audit Committee shall attend the meetings of the Audit Committee in person and express clear opinions on the matters reviewed. A member who is unable to attend the meeting in person due to any reason shall review the meeting materials beforehand, form a clear opinion, record such opinion in a written proxy form, and delegate another member to attend on his/her behalf.

Each member of the Audit Committee may accept delegation from only one other member at most. The proxy form must clearly state the scope and duration of the authorization. If an independent non-executive director member is unable to attend the meeting due to any reason, he/she shall delegate another independent non-executive director member of the Audit Committee to attend on his/her behalf.

Article 19 The Audit Committee, when necessary, may invite other directors and members of senior management of the Company to attend its meetings.

Article 20 The Audit Committee may engage an intermediary agency to provide professional advice on its decisions at the expense of the Company when necessary.

Article 21 The Audit Committee should keep the minutes of the meetings. The minutes of the meetings shall be truthful, accurate, complete, and fully reflect the opinions expressed by the attendees on the matters reviewed. The minutes of the meetings shall be signed by the members present at the meetings, and shall be kept by the secretary of the Board of Directors of the Company. The draft and final versions of the minutes shall be delivered to all members within a reasonable time after conclusion of such meetings with the draft version to be used for the expression of opinions by the members and the final version to be used as a record. A director of the Company may inspect the meeting minutes at a reasonable time upon giving reasonable notice.

The minutes of the meetings, resolutions of the meetings, proxy forms, and other relevant meeting materials shall be properly kept by the listed company for a retention period of at least ten years.

Article 22 The resolutions approved and the voting results reached at the meetings of the Audit Committee shall be reported in written form to the Board of Directors.

Article 23 All members attending the meetings of the Audit Committee are obliged to keep confidential the matters discussed at the meeting and shall not disclose relevant information without authorization.

CHAPTER 5 SUPPLEMENTARY PROVISIONS

Article 24 The formulation and interpretation of the Terms of Reference should be vested in the Board of Directors of the Company.

Article 25 Matters not covered herein shall be subject to relevant laws and regulations and the Articles of Association. If the Terms of Reference conflict with relevant laws and regulations, the listing rules of the stock exchange where the shares of the Company are listed to be promulgated, and the amended Articles of Association according to legal procedure, such laws and regulations, the listing rules of the stock exchange where the shares of the Company are listed, and the provisions of the Articles of Association shall apply.

Article 26 The Terms of Reference shall take effect from the date of approval by the Board of Directors. The original Rules of Procedure for the Board of Supervisors shall be repealed simultaneously.