SANY HEAVY INDUSTRY CO., LTD.
TERMS OF REFERENCE OF THE REMUNERATION AND EVALUATION COMMITTEE OF THE BOARD OF DIRECTORS

CHAPTER 1 GENERAL PROVISIONS

Article 1 In order to further establish a comprehensive evaluation and remuneration management system for directors (excluding independent directors) and senior management of the Company and improve the corporate governance of the Company, the Company has established the remuneration and evaluation committee (the "Remuneration and Evaluation Committee") under the Board of Directors and formulated these terms of reference (hereinafter the "Terms of Reference") in accordance with the Company Law of the People's Republic of China (hereinafter referred to as the "Company Law"), the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Hong Kong Listing Rules"), the Corporate Governance Code as contained in Appendix C1 to the Hong Kong Listing Rules, and the Articles of Association of SANY Heavy Industry Co., Ltd. (hereinafter referred to as the "Articles of Association") and other relevant regulations.

Article 2 The Remuneration and Evaluation Committee is a specialized working committee established by the Board of Directors in accordance with the resolutions of the Board of Directors, primarily responsible for formulating the appraisal criteria for the directors and senior management of the Company and conducting appraisal thereof, and formulating and reviewing the remuneration policies and plans of the directors and senior management of the Company.

Article 3 Directors as referred to herein shall refer to the chairman of the Board of Directors and directors who are entitled to remuneration from the Company, while the senior management shall refer to the president, vice president, secretary to the Board of Directors and other senior management members of the Company proposed by president to the Board of Directors for approval.

CHAPTER 2 COMPOSITION

Article 4 The Remuneration and Evaluation Committee shall consist of three directors, of whom independent non-executive directors shall account for the majority.

Article 5 Members of the Remuneration and Evaluation Committee shall be nominated by the chairman of the Board of Directors, half or more 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 Evaluation Committee shall have one chairman who shall be an independent non-executive director, in charge of convening and chairing the work of the Committee; the chairman shall be elected among the members of the Committee and reported to the Board of Directors for approval.

Article 7 The Remuneration and Evaluation Committee shall have the same tenure as that of the Board of Directors. No members shall, before the expiration of his/her term of office, be removed from office without reason except for the circumstances where dismissal as required by the Company Law, the Articles of Association, the Hong Kong Listing Rules or these terms of reference. If a member ceases to be a director of the Company or otherwise is ineligible to continuously fulfill his/her duty as a member during the period, such member with independent non-executive director identity has lost the independence stipulated in the Hong Kong Listing Rules and shall be disqualified as a member automatically. The Board of Directors shall appoint a new member to fill the vacancy pursuant to the aforesaid requirements stipulated in articles 4 to 6 herein.

Where the number of members of the Remuneration and Evaluation Committee falls below the required minimum number specified in the Hong Kong Listing Rules due to the member's resignation or dismissal or other reasons, the Board of Directors shall, according to the Hong Kong Listing Rules, immediately state relevant details and reasons by announcement, and fill the vacancy according to the Hong Kong Listing Rules and articles 4 to 6 of these terms of reference within three months from the date when the non-compliance occurred. The term of office for the member filling the vacancy shall expire at the end of the term as director of the aforesaid member.

Article 8 The Remuneration and Evaluation Committee may designate relevant departments and personnel to cooperate with it according to its working needs.

CHAPTER 3 DUTIES AND AUTHORITIES

Article 9 The duties and authorities of the Remuneration and Evaluation Committee shall include the authority set out in the relevant code provisions of the Corporate Governance Code (as amended from time to time) as contained in Appendix C1 to the Hong Kong Listing Rules.

Article 10 The Remuneration and Evaluation Committee is responsible for formulating the assessment criteria for directors and senior management members and conducting their assessments, as well as formulating and reviewing the remuneration policies and plans for directors and senior management members. It also makes recommendations to the Board of Directors on the following matters:

(1) studying the assessment standards of directors and managers, and conducting the assessment and putting forward suggestions;

(2) studying and examining the remuneration policy and plans for the directors and senior management members, and establishing fair and transparent procedures for remuneration policy;

(3) reviewing the independence of independent non-executive directors;

(4) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board of Directors at least once a year; making recommendations on any proposed changes to the Board of Directors to complement the Company's corporate strategy; evaluating the structure of various committees under the Board of Directors; and recommending directors to serve as members of the relevant committees, which shall be subject to the approval of the Board of Directors;

(5) appointment or dismissal of senior management members; and reviewing and making recommendations on the candidates for senior management members;

(6) assessing the working status of directors, and providing opinions and recommendations regarding any changes, re-appointment and succession of directors based on the result of assessment;

(7) making recommendations to the Board of Directors on the appointment or re-appointment of directors and succession planning for directors;

(8) formulating and, where appropriate, reviewing and implementing the board diversity policy adopted by the Board of Directors from time to time, considering the progress of the goal to be achieved and disclosing relevant policies or summaries in the Company's annual report;

(9) the responsibilities and terms of reference of the Remuneration Committee as set out in the relevant code provision of the Corporate Governance Code (as amended from time to time) in Appendix C1 of the Hong Kong Listing Rules;

(10) formulating the remuneration policy and make recommendations to the Board of Directors, and supervising the implementation of such plans, in respect of the overall remuneration policy and structure for the directors and senior management of the Company (including but not limited to the performance evaluation criteria, procedures and key evaluation systems, and major incentive and penalty plans and systems, etc.), and in respect of the establishment of formal and transparent procedures, based on the main scope, responsibilities and importance of the management positions of the directors (including non-independent non-executive directors) and senior management, as well as the remuneration levels of comparable positions in other similar enterprises;

(11) reviewing and approving the remuneration proposals of the management in accordance with the corporate policy and objectives set by the Board of Directors;

(12) examining the performance of duties of the directors and senior management of the Company and appraising their annual performance, and formulating annual bonus plans to be submitted to the Board of Directors for decision and implementation;

(13) supervising the implementation of the remuneration system of the Company;

(14) making recommendations to the Board of Directors on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment and making recommendations to the Board of Directors on the remuneration of the non-executive Directors;

(15) formulating or amending equity incentive plans, employee stock ownership plans, and the granting of rights to incentive recipients and the achievement of conditions for the exercise of such rights by incentive recipients;

(16) arranging stock ownership plans for directors and senior management members in the event of a proposed spin-off of a subsidiary;

(17) consulting the chairman of the Board of Directors in respect of the remuneration proposed for other executive directors, and seeking independent professional advice if necessary;

(18) reviewing and approving the compensation payable to executive Directors and senior management for their loss or termination of office or appointment to ensure that such compensation is consistent with the contractual terms; if not, the compensation shall be fair and reasonable, and not excessive;

(19) reviewing and approving compensation arrangements relating to the dismissal or removal of Directors for misconduct to ensure that such arrangements are consistent with the contractual terms; if not, the relevant compensation shall be reasonable, appropriate, and not excessive;

(20) ensuring that any Director or any of his/her associates (as defined in the Hong Kong Listing Rules) does not participate in the determination of his/her own remuneration; and in relation to a non-executive Director who concurrently serves as a member of the Nomination, Remuneration and Evaluation Committee, his/her remuneration shall be determined by other members of the Remuneration and Evaluation Committee;

(21) reviewing the Directors' service contracts, expressing the view on Directors' service contracts required to be approved by shareholders, advising shareholders whether the relevant terms are fair and reasonable, commenting on whether such service contracts are in the interests of the Company and its shareholders as a whole, and providing recommendations to shareholders (other than shareholders who are Directors with a material interest in such contract and their associates) on how to vote;

(22) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Hong Kong Listing Rules;

(23) considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(24) other matters as authorized by the Board of Directors;

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

Article 11 For recommendations of the Remuneration and Evaluation Committee not adopted or not fully adopted by the Board of Directors, the opinions of the Remuneration and Evaluation Committee and the specific reasons for non-adoption shall be recorded in the resolution of the Board of Directors, and disclosed accordingly.

Article 12 The remuneration plan for the Directors of the Company proposed by the Remuneration and Evaluation Committee shall be submitted to the Board of Directors for consent and then submitted to the shareholders' general meeting for consideration and approval prior to implementation. The remuneration distribution plan for senior management members of the Company shall be submitted to the Board of Directors for approval.

Article 13 The procedures of the Remuneration and Evaluation Committee for appraising Directors and senior management members are as follows:

(1) the Directors and senior management members of the Company shall report on the performance of their duties and conduct self-evaluation to the Remuneration and Evaluation Committee;

(2) the Remuneration and Evaluation Committee shall carry out performance appraisals of the Directors and senior management members 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 members shall be made based on the results of work performance appraisals and according to the remuneration distribution policies and, after being approved by voting, shall be submitted to the Board of Directors of the Company.

CHAPTER 4 RULES OF PROCEDURE

Article 14 The Remuneration and Evaluation Committee shall convene at least one meeting each year with notification being served to all members three days before the date of convening the meeting. The meetings are chaired by the chairperson, who, if unable to attend the meeting, may entrust another member (being an independent non-executive director) to preside over the meeting.

Article 15 The meetings of the Remuneration and Evaluation Committee shall be held only in the presence of two-thirds or more of the members. Each member shall have one vote. Resolutions proposed at the meetings must be approved by more than half of all members of the Remuneration and Evaluation Committee.

Article 16 The meetings of the Remuneration and Evaluation Committee shall be convened by way of physical meetings or through communication tools. Any voting at physical meetings shall be conducted by a show of hands or by poll, while any voting through communication tools should be taken by poll.

Article 17 The Remuneration and Evaluation Committee may, when necessary, invite directors and members of senior management of the Company to attend the meetings.

Article 18 The Remuneration and Evaluation Committee shall have adequate resources to perform its duties. The Remuneration and Evaluation Committee may engage an intermediary agency to provide professional advice on its decisions at the expense of the Company when necessary.

Article 19 The procedures for convening meetings, voting and adopting of remuneration policy and distribution plan at the Remuneration and Evaluation Committee meeting shall comply with the relevant laws, regulations, the securities regulatory rules of the place where the shares of the Company are listed, the Articles of Association, and these Terms of Reference, unless such reporting is in conflict with the general responsibilities of the Remuneration and Evaluation Committee or cannot be made according to laws, regulations or regulatory requirements (e.g. disclosure is restricted due to regulatory requirements).

Article 20 Where a member is related to the proposal being discussed at a meeting of the Remuneration and Evaluation Committee, he/she shall abstain from discussion.

Article 21 The Remuneration and Evaluation Committee shall keep the minutes of the meetings, and deliver the draft and final versions of the minutes 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. The minutes of the meetings shall be signed by the members present at the meetings. The secretary of the Board of Directors of the Company shall act as the secretary of the Remuneration and Evaluation Committee. In the absence of the secretary of the Board of Directors of the Company, his/her delegate(s) or any person elected by the members present at the Remuneration and Evaluation Committee meeting shall attend the Remuneration and Evaluation Committee meeting and take minutes. The minutes of the meetings should be kept by the secretary of the Board of Directors of the Company. Upon receipt of a reasonable notice sent by any director, the Company shall provide such director with the minutes of meetings for review during reasonable hours.

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

Article 23 All members attending the meetings of the Remuneration and Evaluation 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 interpretation of the Terms of Reference shall be vested in the Board of Directors of the Company.

Article 25 Matters not covered herein shall be subject to relevant laws and regulations, the securities regulatory rules of the place where the shares of the Company are listed, including but not limited to the Hong Kong Listing Rules and other provisions of the securities regulatory authority in Hong Kong and the Articles of Association. If relevant provisions of these Terms of Reference conflict with relevant laws and regulations subsequently introduced, the securities regulatory rules of the place where the shares of the Company are listed, and the Articles of Association as amended in accordance with legal procedure, such laws and regulations, the securities regulatory rules of the place where the shares of the Company are listed, and the provisions of the Articles of Association shall prevail.

Article 26 The Terms of Reference shall come into effect from the date of being approved by the Board of Directors, and the same shall apply to any amendments.