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**The Implementation Rules of the Audit Committee of the Board of Directors
of
Zhengzhou Coal Mining Machinery Group Co., Ltd.
as Amended at the Eighth Meeting of the Third Session of the Board of
Directors on 24 December 2015**

Chapter I General Provisions

Article 1 In order to strengthen the decision-making function of the Board of Directors of Zhengzhou Coal Mining Machinery Group Co., Ltd. (“**the Company**”), achieve the pre-auditing and professional auditing, ensure the effective supervision on managers by the Board of Directors and optimize the corporate governance structure, the Company has set up the Audit Committee of the Board of Directors and formulated these Implementation Rules in accordance with the Company Law of the People’s Republic of China, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Articles of Association and other relevant regulations.

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Article 2 The Audit Committee of the Board of Directors is a professional Committee under the Board of Directors and mainly responsible for the communication, supervision and inspection of the Company’s internal and external auditing works and oversight of risk management and internal control system.

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Chapter II Composition

Article 3 The Audit Committee shall comprise three non-executive directors as members, and the majority of the Audit Committee members must be independent non-executive directors. The members shall include at least one independent non-executive director who shall be a professional accountant with appropriate professional qualifications or accounting or related financial management expertise.

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A former partner of the Company's existing external auditing firm shall be prohibited from acting as a member of its the Audit Committee for a period of 1 year from the date of his ceasing to be a partner of the firm or to have any financial interest in the firm (whichever is later).

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Article 4 The members of the Audit Committee shall be nominated by the Chairman of the Board or more than one-half of independent non-executive directors or one-third of all directors and shall be elected by the Board.

Article 5 The Audit Committee shall have one chairman, who shall be independent non-executive director and shall be responsible for directing the works of the Committee. The Chairman of the Committee shall be voted from the members and shall be submitted to the Board of Directors for consideration and approval.

Article 6 The term of office of the Audit Committee shall be in congruence with the term of the Board of Directors, and the Committee members may be re-selected upon the expiry of the current term of office. If any member ceases to be a director of the Company during his/her term of office, he/she shall lose his/her membership qualification automatically, and the vacancy shall be filled by the Committee in accordance with the provisions of Articles 3 to 5 above.

Article 7 The Audit Department of the Company is a daily administrative body and responsible for the works of contacting daily works, organizing meetings, co-ordinating with external auditors and the like.

Chapter III Terms of References

Article 8 The major terms of references of the Audit Committee include:

Relationship with external auditors

to advise the employment or replacement of external auditor, to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any question of its resignation or dismissal;

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C.3.3(a)
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C.3.3 (a) of
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to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the auditor the nature and scope of the audit and related reporting obligations before the audit commences;

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C.3.3 (b) of
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to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee shall report to the Board, identify and make recommendations on any matters where action or improvement is needed;

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to communicate with external auditor and to be responsible for monitoring the relationship with external auditors;

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To check and approve the financial statement of the Company and the disclosure

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C.3.3(d)
Article
C.3.3 (d) of
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to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee shall focus particularly on:

1. any changes in accounting policies and practices;
2. major judgmental area;
3. significant adjustments resulting from audit;
4.  the going concern assumptions and any qualifications;
5. compliance with accounting standards; and
6. compliance with the Listing Rules and legal requirements in relation to financial reporting;

Regarding (V) above:

1. members of the Committee shall liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
2. the Committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it shall give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

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C.3.3(e)
Article
C.3.3 (e) of
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to review the Company's financial controls, internal control and risk management systems and to evaluate whether there is material failure or weakness in the risk management and internal control of the Company;

to supervise the Company's internal audit system and its implementation;

to review the Company's internal control system, and to audit significant connected transactions;

to discuss the risk management and internal control system with management to ensure that management has performed its duty to have effective systems. This discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings to evaluate the changes in the nature and extent of significant of the material risks the Company faces after the previous year and its ability in response to the changes in the business and the changes in external environment;

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to be responsible for the communication between internal audit and external audit, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

to review the financial and accounting policies and practices of the Company and its subsidiaries;

to review the letter from the external auditor to the management concerning the explanation of audit situation, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

to ensure that the Board will provide a timely response to the issues raised in the letter from the external auditor to the management concerning the explanation of audit situation;

to report to the Board on the matters in this code provision;

to consider other topics, as defined by the Board.

Miscellaneous

to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management and internal control or other matters

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Article 9 (A) The Chairman of the Board shall invite the Chairman of the Audit Committee, or another member of the Committee or failing this his duly appointed delegate in the absence of the Chairman of the Committee to attend the annual general meeting and to be available to answer questions at the annual general meeting.

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Chapter IV Decision-making Procedures

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Article 10 The Audit Department shall complete the first-phase preparations for the Audit Committee to make decision and provides related written materials: (i) related financial statements of the Company; (ii) the work statements of internal and external auditors; (iii) external audit contracts and related work statements; (iv) the Company's information disclosure situation; (v) the audit report of significant connected transaction of the Company; (vi) the risk management and internal control report of the Company; and (vii) other related matters.

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Article 11 The reports prepared by the Audit Department shall be appraised through discussion on the meetings of the Audit Committee, and related written materials of decisions shall be submitted to the Board for discussion, including but not limited to: (i) the job evaluation of external auditor and the employment and replacement of external auditor; (ii) the effective implementation of the internal audit system of the Company and the comprehensiveness and authenticity of the Company's financial statements; (iii) the objective authenticity of the disclosed information of the Company, such as financial statements, and the compliance of Company's significant connected transaction with related laws and regulations; (iv) the job evaluations of the Financial Department and Audit Department of the Company and these persons in charge such departments; and (v) other related matters.

Chapter V Rules of Procedure

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Article 12 The meetings of the Audit Committee include regular meeting and special meeting. All members must be notified seven days prior to the meeting. The meetings shall be chaired by the Chairman of the Committee who, if unable to attend the meeting, may appoint another member (being an independent non-executive director) to chair the meeting.

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Article 13 The quorum of the meetings of the Audit Committee shall be two-thirds or more of all its members

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Article 17 (A) The topics concerning the interests of the Committee members shall be discussed on the meeting of the Audit Committee at the evasion of related members.

Article 18 Minutes of meetings shall be kept for the meetings of the Audit Committee, and all contents discussed on the meeting shall be recorded in the minutes fully. Draft and final versions of minutes of the meetings shall be sent to all Committee members for their comment and records within a reasonable time after the meeting. All members who have attended the meetings shall sign on the minutes of the relevant meetings, and the minutes of meetings shall be kept by the secretary of the Board of the Company.

Article 19 The proposals and voting result passed on the meeting of the Audit Committee shall be submitted to the Board of the Company in written form.

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Article 20 All persons who have attended any of the meetings are subject to the obligations of confidentiality on all matters considered at the meetings and shall not disclose any of the relevant information without authorization.

Chapter VI Supplementary Provisions

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Article 21 These Implementation Rules have been voted and adopted through the Board resolution and shall come into force and be implemented from the date, on which the overseas listed foreign shares (H-share) of the Company are issued and listed.

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Article 21(A) These Implementation Rules will be disclosed on the Company web sites and relevant web sites of Stock Exchange according to the applicable requirements of listing rules.

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Article 22 The matters not covered in these Implementation Rules shall be implemented in accordance with the relevant laws and regulations of the PRC, applicable Listing Rules and the Articles of Association. Where these Rules conflict with any laws, regulations and applicable listing rules of the PRC issued afterward or the Articles of Association validly amended, the latter shall prevail and these Rules shall be revised immediately for approval by the Board.

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Article 23 The Board of Directors of the Company shall reserve the right to interpret these Rules.

The Board of Directors of
Zhengzhou Coal Mining Machinery Group Co., Ltd.

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24 December, 2015