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**ZMJ**

**Zhengzhou Coal Mining Machinery Group Company Limited**  
**鄭州煤礦機械集團股份有限公司**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock code: 00564)**

**OVERSEAS REGULATORY ANNOUNCEMENT**

This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The following is the full text of the Announcement on the Reply of Zhengzhou Coal Mining Machinery Group Company Limited to the Letter of Inquiry on the 2015 Annual Report of Zhengzhou Coal Mining Machinery Group Company Limited from the CSRC Henan Office published by Zhengzhou Coal Mining Machinery Group Company Limited on the website of the Shanghai Stock Exchange and newspapers in Chinese for information purpose only.

By order of the Board

**Zhengzhou Coal Mining Machinery Group Company Limited**

**Jiao Chengyao**

*Chairman*

Zhengzhou, PRC, 25 May 2016

*As at the date of this announcement, the executive directors of the Company are Mr. JIAO Chengyao, Mr. XIANG Jiayu, Mr. WANG Xinying, Mr. GUO Haofeng and Mr. LIU Qiang and the independent non-executive directors are Ms. LIU Yao, Mr. JIANG Hua, Mr. LI Xudong and Mr. WU Guangming.*

Stock code: 601717

Abbreviation: ZMJ

Notice No.: Lin 2016-030

**Announcement on the Reply of Zhengzhou Coal Mining Machinery  
Group Company Limited to the Letter of Inquiry on the 2015 Annual  
Report of Zhengzhou Coal Mining Machinery Group Company  
Limited from the CSRC Henan Office**

The Board of Directors and all directors of the Company warrant that there are no false representations, misleading statement contained in, or material omissions from, this announcement, and jointly and severally accept responsibility for the truthfulness, accuracy and completeness of the contents in this announcement.

On 19 May 2016, Zhengzhou Coal Mining Machinery Group Company Limited (the “Company”) received the Letter of Inquiry on the 2015 Annual Report of Zhengzhou Coal Mining Machinery Group Company Limited (Yu Zheng Jian Han No. [2016] 163) (the “Letter of Inquiry”) from the China Securities Regulatory Commission (“CSRC”) Henan Office. As required by the Letter of Inquiry, the Company sets out below its reply to the questions listed in the Letter of Inquiry having regard to the real situation of the Company:

**I. Trade Receivables**

1. Regarding the trade receivables for which bad debt provision has been made using the specific identification method, please explain the bad debt provision for the receivable from Datong Coal Mining Group Zhongbei Electromechanical Equipment Machinery Co., Ltd. as at the end of 2014 and whether it is consistent with the bad debt provision policy for 2015, whether it involves any changes in accounting estimates and whether the relevant procedures have been followed.

**Answer:** Datong Coal Mining Group Zhongbei Electromechanical Equipment Machinery Co., Ltd., which is a joint-stock company co-founded by the Company, Datong Coal Equipment, Pingyang Industry and a natural person, is held as to 31% by the Company.

Since the amount of the receivable from Datong Coal Mining Group Zhongbei Electromechanical Equipment Machinery Co., Ltd. exceeds RMB50 million, exceeding the individually material standard, an individual impairment test has been conducted based on its risk level. A provision for bad debt amounting to RMB43,036,013.20 was made for Datong Coal Mining Group Zhongbei Electromechanical Equipment Machinery Co., Ltd. as at the end of both 2014 and 2015.

A repayment agreement was entered into between both parties in December 2015. During 2016, repayments have been made according to the schedule in the repayment agreement. An amount of RMB19,126,550.09 has been repaid as at 30 April 2016.

The repayment schedule provided for in the repayment agreement is as below:

No.	Date	Amount (in RMB ten thousand)
1	31 March 2016	2,000.00
2	30 June 2016	2,000.00
3	30 September 2016	2,000.00
4	31 December 2016	2,000.00
5	31 March 2017	3,000.00
6	30 June 2017	3,000.00
7	30 September 2017	3,000.00
8	31 December 2017	4,518.00
	Total	21,518.00

**2. Please explain with a table the calculation of the opening balance, amount provided for, recovered or reversed during the period and closing balance in respect of bad debt provision, and state whether the amount of bad debt provision for trade receivables of RMB308,837,807.59 during the period is correct.**

**Answer:** The bad debt provision of the Company is set out below:

Item	Opening balance	Provided for during the period	Recovered or reversed during the period	Written off during the period	Closing balance
Bad debt	786,145,903.38	308,837,807.59		63,818,752.39	1,031,164,958.58

provision for trade receivables					
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The write-off breakdown during the period is set out below:

Name of company	Write-off amount
Huai Kuang Modern Logistics Co., Ltd.	60,076,333.39
Shanxi Gaopingwangbao Coal Co., Ltd (山西高平王報煤業有限公司)	1,427,888.00
Qinghai Kunlun Leasing Co., Ltd (青海昆侖租賃有限責任公司)	1,810,400.00
Others	504,131.00
Total	63,818,752.39

According to the accounting policy, as at the end of the period, the Company conducted impairment tests on individually material trade receivable which was more than RMB50 million. For trade receivable of less than RMB50 million, an impairment test was carried out separately when there was evidence showing that the possibility of future recovery was remote, and bad debt provision was made based on the estimated future uncollectible amount. For the other trade receivables, bad debt provision was made through ageing analysis.

Category	Closing balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Individually material trade receivable with separate bad debt provision	272,843,539.00	6.55	83,400,444.30	30.57
Individually immaterial trade receivable with separate bad debt provision	163,762,683.71	3.93	119,002,803.20	72.67
Ageing analysis	3,729,865,854.41	89.52	828,761,711.08	22.22
Total	4,166,472,077.12	100	1,031,164,958.58	24.75

As at 31 December 2015, the bad debt provision for trade receivables of the Company as at the end of the period was RMB1,031 million and its trade receivables as at the end of period amounted

to RMB4,166 million. The bad debt provision for trade receivables accounted for 25% of its trade receivables.

The Company believed that judging from the current conditions of the coal industry and the specific situations of its clients, the bad debt provision of the Company has fully covered the potential losses arising from its bad debts in the future.

**3. Please explain the reduction in trade receivables of RMB228,209,345.54 of the Company during the period through write-off.**

**Answer:** During the period, to expedite the recovery of trade receivables, the Company made use of the business relationship among steel plants, the Company and coal mines to link up its suppliers and customers. Since certain suppliers and customers of the parent and subsidiaries of the Company belong to the same groups, the Company recovered trade receivables of RMB228,209,345.54 through the upstream-downstream relationship among its suppliers and customers.

## **II. Inventories**

**Explanation of reason for provision for impairment for inventories delivered of RMB7,763,945.92.**

**Answer:** The inventories for which provision for impairment has been made for the current period are products ordered by Shanxi Loujun Group Dan Tan Gou Mining Company Limited (山西樓俊集團擔炭溝煤業有限公司). On 30 March 2015, the Intermediate people's Court of Lvliang City, Shanxi Province (山西省呂梁市中級人民法院) announced the bankruptcy and restructuring of Shanxi Loujun Group Dan Tan Gou Mining Company Limited. As the products delivered by the Company are believed to be irrecoverable based on the judgement on condition of assets and execution of contracts of Shanxi Loujun Group Dan Tan Gou Mining Company Limited, full provision for inventory impairment has been made for the roof support products delivered. The carrying amount of the inventories delivered by the Company was RMB13,557,137.92. The Company received RMB5,793,192.00 in advance. The provision for inventory

impairment of RMB 7,763,945.92 was made for the difference between the carrying amount of the inventories delivered and receipt in advance.

Contract no.	Product	Name of product	Unit	Amount of product delivered	Quantity	Receipt in advance	Provision made
LJJT/DTG-SB/2012-023	hydraulic roof supports	ZY6000/17 /35	Set	12,541,595.29	70.00	5,793,192.00	6,748,403.29
LJJT/DTG-SB/2012-023	hydraulic roof supports	ZYG6800/17 /35	Set	1,015,542.63	6.00		1,015,542.63
Total:				13,557,137.92		5,793,192.00	7,763,945.92

### III. Construction in progress

**Explanation of reason for provision for impairment of Shun Li New District Construction Project.**

**Answer:** Huainan ZMJ Shun Li Machinery Co., Ltd. (淮南郑煤机舜立机械有限公司), a subsidiary of the Company, commenced the construction of Shun Li new district in 2011 and basically completed land construction and equipment installation in 2014, but has not yet satisfied the conditions for operation. Due to continuing downturn in the coal industry and tight liquidity, subsequent construction was suspended. Hence, provision for fixed asset impairment was made for 2015 in accordance with the amount of depreciation that should have been made.

### IV. Other Payables

**Explanation of reason for outstanding or not carrying forward the amount due to Huainan Mining Industry (Group) Company Limited (淮南矿业(集团)有限责任公司) of RMB107,711,129.24.**

**Answer:** Based on the completion audit on equity interest of Huainan ZMJ Shun Li

Machinery Co., Ltd. conducted by the Company in July 2010, the amount due from Huainan ZMJ Shun Li Machinery Co., Ltd. to Huainan Mining Industry (Group) Company Limited was RMB122,702,454.06, including long-term clearing transactions of RMB116,960,000.00 and other daily settlement payments.

According to the repayment agreement entered into by Huainan ZMJ Shun Li Machinery Co., Ltd. and Huainan Mining Industry (Group) Company Limited, the amount due shall be repaid in installments. However, due to capital constraints, the amount is still outstanding.

The Company will continue to strictly comply with the relevant rules governing listing companies and perform its obligations including information disclosure, in order to create a favourable environment for information disclosure in the capital market and safeguard the legitimate interests of the Company and investors.

Announcement is hereby made.

Board of Directors of  
Zhengzhou Coal Mining Machinery Group Company Limited  
25 May 2016