

## A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets attributable to the equity holders of our Company has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2012. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our financial position had the Global Offering been completed as of June 30, 2012 or any future date.

	Consolidated net tangible assets attributable to equity holders of our company as of June 30, 2012	Estimated net proceeds from issue of Offer Shares	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our company	Unaudited pro forma adjusted net tangible assets per Share	
	<i>(RMB million)<sup>(1)</sup></i>	<i>(RMB million)<sup>(2)</sup></i>	<i>(RMB million)</i>	<i>(RMB)<sup>(3)</sup></i>	<i>(HK\$)<sup>(3)</sup></i>
Based on an Offer Price of HK\$4.10 per Share	6,012.2	2,240.5	8,252.7	2.05	2.53
Based on an Offer Price of HK\$5.40 per Share	6,012.2	2,998.1	9,010.3	2.24	2.76

## Notes:

- (1) As of June 30, 2012, our consolidated net tangible assets attributable to equity holders of our Company was equal to our consolidated net assets attributable to equity holders of our Company less the intangible assets.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$4.10 per H Share and HK\$5.40 per H Share, respectively, assuming no exercise of the Over-allotment Option, after deduction of underwriting fees and estimated expenses payable by us in connection with the Global Offering.
- (3) The unaudited pro forma adjusted net tangible assets per Share is based on a total of 4,018,000,000 Shares expected to be in issue immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option). The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at the PBOC rate of RMB0.8117 to HK\$1 prevailing on December 3, 2012.
- (4) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to June 30, 2012.

**B. LETTERS FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from reporting accountants, KPMG, Certified Public Accounts, Hong Kong, prepared for the purpose of incorporation in this Prospectus.



8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

December 11, 2012

The Directors  
China Machinery Engineering Corporation

Dear Sirs,

**China Machinery Engineering Corporation (the "Company")**

We report on the unaudited pro forma financial information (the "**Pro Forma Financial Information**") of the Company and its subsidiaries (the "**Group**") set out in Part (A) of Appendix II to the prospectus dated December 11, 2012 (the "**Prospectus**"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the Global Offering might have affected the financial information presented. The basis of preparation of the unaudited Pro Forma Financial Information is set out in Part (A) of Appendix II to the Prospectus.

**Responsibilities**

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

It is our responsibility to form an opinion, as required by Paragraph 4.29(7) of the Listing Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Our procedures on the unaudited Pro Forma Financial Information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at June 30, 2012 or any future date.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described under "Use of Proceeds" set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

### **Opinion**

In our opinion:

- a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully  
**KPMG**  
*Certified Public Accountants*  
Hong Kong