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中國機械設備工程股份有限公司
China Machinery Engineering Corporation*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1829)

ANNOUNCEMENT

CONNECTED AND DISCLOSEABLE TRANSACTION ACQUISITION OF 100% EQUITY INTEREST IN CHINA NATIONAL COMPLETE ENGINEERING CORPORATION

On February 5, 2016, the Company and SINOMACH entered into the Acquisition Agreement, pursuant to which the Company has agreed to acquire, and SINOMACH has agreed to dispose of, the entire equity interest in CNCEC for an aggregate consideration of RMB532,678,100 (equivalent to approximately HK\$634,299,170), subject to the terms and conditions of the Acquisition Agreement.

As at the date of this announcement, SINOMACH directly and indirectly holds approximately 77.99% of the issued share capital of the Company. SINOMACH is a controlling shareholder and thus a connected person of the Company according to Rule 14A.07(1) of the Listing Rules. Therefore, the Acquisition contemplated under the Acquisition Agreements between the Company and SINOMACH constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules. In addition, the Acquisition contemplated under the Acquisition Agreement constitutes a discloseable transaction (acquisition) for the Company under Chapter 14 of the Listing Rules as the applicable percentage ratio exceeds 5% but does not exceed 25%. Therefore, the Acquisition is subject to the notification, publication and Independent Shareholders' approval requirements.

The First EGM will be held to seek the approval and ratification of the Acquisition Agreement and the transaction contemplated thereunder from the Independent Shareholders. SINOMACH, who has material interests in the Acquisition, will abstain from the voting at the First EGM.

An Independent Board Committee, comprising all the INEDs who do not have a material interest in the Acquisition contemplated under the Acquisition Agreement, has been established to advise the Independent Shareholders in relation to the Acquisition, taking into account the recommendations concerning the same provided by the IFA. Platinum Securities Company Limited has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further information concerning the Acquisition Agreement, a letter from the Independent Board Committee to the Independent Shareholders containing the recommendation of the Independent Board Committee, a letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the First EGM in order to approve, confirm and ratify the Acquisition Agreement and the transaction contemplated thereunder is expected to be dispatched to the Shareholders as soon as practicable and within 15 business days after the publication of this announcement.

Attention: Shareholders and potential investors should note that the Acquisition is subject to the fulfillment of a number of conditions, and accordingly, the transaction contemplated under the Acquisition Agreement may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares of the Company.

On February 5, 2016, the Company and SINOMACH entered into the Acquisition Agreement, pursuant to which the Company has agreed to acquire, and SINOMACH has agreed to dispose of, the entire equity interest in CNCEC for an aggregate consideration of RMB532,678,100 (equivalent to approximately HK\$634,299,170), subject to the terms and conditions of the Acquisition Agreement, which are described in more detail below.

I. PRINCIPAL TERMS OF THE ACQUISITION AGREEMENT

1. Date

February 5, 2016

2. Parties

- (1) The Company (as Purchaser); and
- (2) SINOMACH (as Seller).

3. Interests to be acquired

The entire equity interest in CNCEC held by SINOMACH.

4. Consideration

The aggregate consideration for the transfer of the entire equity interest in CNCEC by SINOMACH to the Company is RMB532,678,100 (equivalent to approximately HK\$634,299,170).

The consideration was determined after arm's length negotiations between the parties to the Acquisition Agreement, taking into account the total equity interest of CNCEC as at June 30, 2015 (the "**Benchmark Date**"), based on the asset valuation report issued on December 31, 2015 (the "**Valuation Report**") by Beijing Zhuoxindahua Appraisal Co., Ltd. (北京卓信大華資產評估有限公司) ("**Zhuoxindahua**", an independent appraiser, adopting the income approach. The Company shall be entitled to the profits generated or assume the losses incurred by CNCEC as applicable for the period from the Benchmark Date to the Completion Date (as defined below).

Profit Forecast in relation to the Valuation Report

Given that the appraisal of CNCEC has adopted the use of the income approach, which involves the discounted cash flow method, such valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules.

Pursuant to Rule 14.62(1) of the Listing Rules, the principal assumptions upon which the Valuation Report has been prepared are set out below:

- (1) Assuming the appraised enterprise will continue as a going concern after the Benchmark Date.
- (2) Assuming that both parties, whose assets are in trading or proposed to be traded on the market, have equal status, chance and time to obtain enough market information, so as to make rational judgment on the transaction value of the appraised enterprise.
- (3) There is no significant change in the current applicable laws, regulations and policies of the country and the national macroeconomic situation; there is no significant change to the political, economic and social environment of the areas at which the parties of this transaction are located.
- (4) Assuming the operator is responsible for the appraised enterprise and the appraised enterprise's management is competent for its job.
- (5) Assuming the appraised enterprise maintains the existing management style and level, business scope and mode.
- (6) Assuming the appraised enterprise complies with all relevant laws and regulations, unless otherwise stated.
- (7) Assuming that the accounting policies that the appraised enterprise will adopt are the same as the accounting policies adopted when preparing this Report in material aspects.
- (8) There is no significant change in interest rates, exchange rates, tax base, tax rates and policy-based collection costs.
- (9) There are no force majeure events or unforeseeable factors that may have material adverse impact on the appraised enterprise.

Ernst & Young (“EY”) has reviewed the calculation method of the income approach used in the Valuation Report, and ICBCI, as the financial adviser, has also confirmed that the forecast has been made by the directors after due and careful enquiry. A letter from EY and a letter from ICBCI are set out in Appendix I and Appendix II of this announcement, respectively.

The qualifications of the experts who have provided their opinions and advises, which are included in this announcement, are as follows:

Name	Qualification
Zhuoxindahua	Independent Professional Appraiser
EY	Certified Public Accountants
ICBCI	Financial Adviser
Platinum Securities Company Limited	Licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which is the independent financial adviser to the Independent Board Committee and the Independent Shareholders

Each of the above experts has given and has not withdrawn its written consent to the issue of this announcement with a copy of its letter and/or the reference to its name and its advice included in this announcement in the form and context in which it respectively appears. A letter from EY and a letter from ICBCI dated the date of this announcement have been issued for the purpose of incorporation herein.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, all the above experts are third parties independent from the Group and its connected persons.

As at the date of this announcement, none of the above experts had any shareholding or was beneficially interested in, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Payment Terms

The consideration for the Acquisition Agreement will be settled by cash on the Completion Date.

5. Conditions Precedent

The Company's payment obligation shall be conditional on, among other things, the following conditions having been fulfilled or waived partially or entirely by the Company:

- (1) SINOMACH and CNCEC have obtained their respective internal corporate approvals and authorizations;
- (2) The Company has obtained its internal corporate approvals and authorizations, including the Independent Shareholders' approval and authorization;
- (3) SINOMACH has approved the Acquisition and completed the registration of the valuation results of CNCEC;
- (4) CNCEC has completed the change of registration in relation to the Acquisition with relevant industrial and commercial administration;

- (5) There has been no material adverse change to CNCEC as at or up to the Completion Date;
- (6) The representations and warranties made by SINOMACH remain true, accurate, complete and not misleading and have been fulfilled by SINOMACH as at or up to the Completion Date; and
- (7) The business, financial and legal due diligence on CNCEC conducted by the Company have been completed, the results of which are satisfactory to the Company.

6. Indemnity

SINOMACH agrees to fully indemnify the Company against all actions, claims, proceedings, losses, liabilities, damages and whatsoever the Company may suffer after the Completion Date which arise out of or are in connection with any act or omission of CNCEC incurred prior to the Completion Date.

7. Completion

Completion shall take place on the 5th Business Day from the date on which all the conditions precedent set out in the Acquisition Agreement have been fulfilled or waived by the Company in writing, or any other date agreed by SINOMACH and the Company (the “**Completion Date**”).

Upon completion, the Company will hold 100% equity interest in the CNCEC, and SINOMACH will cease to hold any equity interest in CNCEC.

II. REASONS FOR AND BENEFITS FROM THE ACQUISITION

The Directors are of the view that the reasons for and benefits from the Acquisition are as follows:

1. Avoiding competition to fulfil the undertakings made upon listing

The Group is an international engineering contractor and service provider with a primary focus on EPC projects and particular expertise in the power sector, capable of providing one-stop customized and integrated engineering contracting solutions and services. As disclosed in the Prospectus dated December 11, 2012, SINOMACH Group (including CNCEC) retains certain operation of business which is, or is likely, in competition, directly or indirectly, with the Group, such as the international engineering contracting business and trading business. In order to safeguard the interests of the Company and its Shareholders against such potential competition from SINOMACH Group, the Company has entered into the Non-Competition Agreement, dated July 12, 2011 and as amended on December 10, 2012, with SINOMACH Group. Pursuant to the Non-Competition Agreement, including, among other things, SINOMACH Group undertakes to transfer its equity interests held in CNCEC to the Company within three years upon the listing of the Company in order to eliminate any potential competition between SINOMACH Group and the Group.

To facilitate a smooth transfer of SINOMACH Group’s equity interest in CNCEC pursuant to the undertaking made by SINOMACH Group as set out in the Non-Competition Agreement, the Company and SINOMACH entered into the Equity Custodian Agreement, pursuant to which SINOMACH entrusts the Company to manage CNCEC on its behalf. Due to the aforesaid, the Acquisition is a key and timely step for SINOMACH Group to honor its non-competition undertakings, which would enable the Company to better utilize such business integration to strengthen its competitiveness of its core business.

2. Implementing strategic planning and optimizing resource allocation to enhance corporate competitiveness

The Acquisition is in line with the strategic planning of SINOMACH Group and the Company. Both being international engineering contractors and service providers, CNCEC and the Company primarily focus on EPC projects and have accumulated extensive experience. Through the Acquisition, favourable synergies can be achieved with optimized resource allocation: (i) the Company will be able to increase its assets, revenue and profits, expand its business scale, avoid repeated and inefficient investments and reduce development costs, thus achieving economies of scale; (ii) upon completion of the Acquisition, the Company will be able to further develop its similar business in the existing markets and expand the business scale and efficiency by leveraging CNCEC's experience and professional teams in its own business and industries (such as agriculture); and (iii) upon completion of the Acquisition, CNCEC will be able to further develop its business and expand the business scale and efficiency within the existing fields by taking advantage of the Company's well-known brand, strong and proven track records and reputation, extensive financial resources and financing capability as well as commercial operation capability. The Acquisition is consistent with the requirements of the Stock Exchange regarding the Company and its substantial shareholders, and will further consolidate the position of the Company as SINOMACH Group's flagship in international engineering contracting business to enhance the competitiveness of the Company.

3. Effectively strengthening the Company's business position in agricultural sector to enhance the strength and depth of its business diversification

In recent years, the international imports and exports of CNCEC have been driven by engineering contracting business. Under the Ukrainian Comprehensive Agricultural Development Package Project entered into in 2012, CNCEC and Ukraine government signed a 15-year grain trade contract with a contract value of approximately US\$28 billion, pursuant to which CNCEC shall import a total of approximately 4 million tons of grain annually from Ukraine, so as to enter the agricultural trade market in Ukraine. Great progress has already been made in recent years. Currently, grain import has become an important source of income for CNCEC, and CNCEC will gradually carry out each engineering and trade business in agricultural sector under the entire cooperation framework. The engineering contracting business of the Company has already extensively covered many sectors, including power, transportation and telecommunication, housing construction, plant construction, environmental protection, mining and resource exploration, but with relatively less involvement in agriculture so far. Therefore, the Acquisition will help the Company to strengthen its business position and team construction in agricultural sector and enhance the strength and depth of its business diversification.

4. Expanding the business presence of the Company by effectively entering new regions

Currently, the Company is undertaking international engineering contracting projects in more than 48 countries and regions, mainly in Asia, Africa, Europe and South America. Over more than ten years of overseas development, CNCEC has secured and completed a number of major contracting projects in Zambia, Angola, Ukraine and Russia, etc. and has built up favourable industrial and channel resources and established its experienced project team which is familiar with the local practices and situation. Those are the key areas in which the Company places great interest and intends for in-depth development. Through the Acquisition, the Company will be able to leverage the existing resources of CNCEC in the above-mentioned areas to develop and explore the local engineering contracting business and expand its business frontier.

III. DIRECTORS' OPINION

The Directors (including the INEDs who are members of the Independent Board Committee and whose views are further will be expressed in the forthcoming circular after taking into account the advice from the IFA) confirm that (i) the terms of the Acquisition Agreement, and the transaction contemplated thereunder, are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (ii) in the interests of the Company and the Shareholders(including the independent Shareholders) as a whole.

Except for Mr. SUN Bai, who is the chairman of the board of directors of CNCEC, and Mr. ZHANG Fusheng, who is a director of CNCEC, none of the Directors (including the INEDs) holds management position in SINOMACH or has any material interests in the Acquisition Agreement and the transaction contemplated thereunder and hence, except for Mr. SUN Bai and Mr. ZHANG Fusheng, none of the Directors (including the INEDs) has abstained from voting on the board resolution approving the entering into of the Acquisition Agreement and the transaction contemplated thereunder.

IV. LISTING RULES IMPLICATIONS

As at the date of this announcement, SINOMACH directly and indirectly holds approximately 77.99% of the issued share capital of the Company. SINOMACH is a controlling shareholder and thus a connected person of the Company according to Rule 14A.07(1) of the Listing Rules. Therefore, the Acquisition contemplated under the Acquisition Agreement between the Company and SINOMACH constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules. In addition, the Acquisition contemplated under the Acquisition Agreement constitutes a discloseable transaction (acquisition) for the Company under Chapter 14 of the Listing Rules as the applicable percentage ratio exceeds 5% but does not exceed 25%. Therefore, the Acquisition is subject to the notification, publication and Independent Shareholders' approval requirements.

The First EGM will be held to seek the approval and ratification of the Acquisition Agreement and the transaction contemplated thereunder from the Independent Shareholders. SINOMACH, who has material interests in the Acquisition and directly and indirectly holds approximately 77.99% of the issued share capital of the Company (including approximately 0.78% of the issued share capital of the Company directly held by its wholly-owned subsidiary, China United Engineering Corporation) as at the date of this announcement, will abstain from the voting at the First EGM.

An Independent Board Committee, comprising all the INEDs who do not have a material interest in the Acquisition contemplated under the Acquisition Agreement, has been established to advise the Independent Shareholders in relation to the Acquisition, taking into account the recommendations concerning the same provided by the IFA. Platinum Securities Company Limited has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further information concerning the Acquisition Agreement, a letter from the Independent Board Committee to the Independent Shareholders containing the recommendation of the Independent Board Committee, a letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the First EGM in order to approve, confirm and ratify the Acquisition Agreement and the transaction contemplated thereunder is expected to be dispatched to the Shareholders as soon as practicable and within 15 business days after the publication of this announcement.

V. INFORMATION ON THE PARTIES

1. Information on SINOMACH

SINOMACH is a state-owned company established in accordance with the laws of the PRC where the State-owned Assets Supervision and Administration Commission of the State Council of the PRC acts as its contributor. It is the controlling shareholder of the Company. The principal business of SINOMACH Group is manufacturing and research and development of machinery and equipment, engineering contracting, as well as trading and services. As at the date of this announcement, SINOMACH directly and indirectly holds 77.99% of the issued share capital of the Company.

2. Information on the Group

The Company is a joint stock company incorporated in the PRC with limited liability. The Group is an international engineering contractor and service provider with a primary focus on EPC projects and particular expertise in the power sector, capable of providing one-stop customized and integrated engineering contracting solutions and services. The engineering contracting solutions and services that the Group provides include preliminary project consultation, financing solutions for projects, project design, procurement, logistics, construction, installation, commissioning and related works, in a combination of any of the above services in keeping with the needs of the project owners.

3. Information on CNCEC

CNCEC is a company incorporated in the PRC and a wholly-owned subsidiary of SINOMACH. CNCEC is principally engaged in (i) construction contracts business, being a one-stop customized and integrated turnkey solution and service provider to manage and implement the engineering contracting projects, including preliminary project consultation, financing solutions for projects, project design, procurement, logistics, construction, installation, commissioning and related works, in a combination of any of the above services in keeping with the needs of the project owners; (ii) trading business, primarily including grain and medical equipment trading; and (iii) real estate development business, being a property development contractor. CNCEC does not expect real estate development business to be its primary focus in the future.

The financial information of CNCEC for the two financial years and six months immediately preceding the Acquisition, which are prepared in accordance with the IFRS, is set out in the table below.

	For the year ended December 31, 2013 <i>RMB'000</i> <i>(audited)</i>	For the year ended December 31, 2014 <i>RMB'000</i> <i>(audited)</i>	For the six months ended June 30, 2014 <i>RMB'000</i> <i>(unaudited)</i>	For the six months ended June 30, 2015 <i>RMB'000</i> <i>(audited)</i>
Net profit before taxation	77,178	135,195	41,425	146,062
Net profit after taxation	56,686	98,838	29,656	109,043
	As at December 31, 2013 <i>RMB'000</i> <i>(audited)</i>	As at December 31, 2014 <i>RMB'000</i> <i>(audited)</i>	As at June 30, 2014 <i>RMB'000</i> <i>(unaudited)</i>	As at June 30, 2015 <i>RMB'000</i> <i>(audited)</i>
Total assets	3,258,368	2,111,758	2,388,291	2,439,733
Net assets	153,197	225,538	158,687	289,468

After the completion of the Acquisition, CNCEC shall be consolidated into the consolidated financial statements of the Company.

VI. PROPOSED TRANSFER BY SINOMACH

As contemplated in the Non-competition Agreement and disclosed in the Prospectus, apart from the Acquisition, SINOMACH intended to transfer all its equity interest in China National Electric Engineering Co., Ltd. (中國電力工程有限公司) (“CNEEC”) and China National Automation Control System Corporation (中國自動化控制系統總公司) (“CACS”) to the Company as well within three years after the Listing, subject to, among other things, the requisite approvals to be granted by the relevant PRC governmental authorities.

Currently, SINOMACH and the Company are in progress of carrying out the work in respect of the transfer of the equity interest in each of CNEEC and CACS (the “**Proposed Transfer**”). Due to reasons including the complexity inherent in the preparatory work, the requisite approvals to be obtained from the relevant PRC governmental authorities and the lengthy process to reform state-owned enterprises into stock companies, the Proposed Transfer is currently expected to be delayed. That said, SINOMACH and the Company will continue to carry out the Proposed Transfer step by step taking into account the circumstances peculiar to each of CNEEC and CACS. It is currently expected that the transfer process for CNEEC and CACS will take longer period of time than that for CNCEC and the Company will make further announcement in relation to the Proposed Transfer at appropriate timing should more definitive steps be formulated.

During the transition period and prior to the completion of the Acquisition and the Proposed Transfer, both SINOMACH and the Company will continue to comply with the relevant terms of the Non-Competition Agreement and the Equity Custodian Agreement, as renewed on February 5, 2016, which has extended (a) the custodian period of CNCEC up to the earlier of (i) June 30, 2016; or (ii) the Completion Date; and (b) the custodian period of CNEEC up to February 4, 2017, which may be extended automatically pursuant to the terms and conditions therein but no later than February 4, 2019, manage any potential competition through the mechanism as stipulated therein, and duly disclose in the Company’s annual reports or by way of public announcement on the compliance with and enforcement of the Non-competition Agreement.

VII. DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the entire equity interests in CNCEC by the Company in accordance with the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the equity transfer agreement dated February 5, 2016 entered into by and between the Company and SINOMACH in relation to the transfer of the 100% equity interest in CNCEC by SINOMACH to the Company
“applicable percentage ratios”	the five ratios as set out in the Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction under the Listing Rules
“associate(s)”	has the meaning ascribed hereto under the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by law to be closed in the PRC and Hong Kong
“CNCEC”	China National Complete Engineering Corporation*(中國成套工程有限公司), a corporation established in the PRC on September 5, 1985 and wholly-owned by SINOMACH
“Company”	China Machinery Engineering Corporation* (中國機械設備工程股份有限公司), a company incorporated in the PRC with limited liability, whose H shares are listed and traded on the Main Board of the Stock Exchange
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Shares”	ordinary shares in the capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC nationals and/or PRC incorporated entities

“EPC”	a common form of contracting arrangement whereby the contractor is commissioned by the project owner to carry out such project work as design, procurement, construction and trial operations, or any combination of the above, either through the contractor’s own labour or by subcontracting part or all of the project work, and be responsible for the quality, safety, timely delivery and cost of the project
“Equity Custodian Agreement”	the equity custodian agreement dated June 26, 2013 entered into by and between the Company and SINOMACH
“First EGM”	the 2016 first extraordinary general meeting of the Company to be held at the Meeting Room, 3/F, DoubleTree by HILTON, No. 168 Guang’anmenwai Street, Beijing, the PRC at 9:00 a.m. on Tuesday, March 29, 2016
“Group”	the Company and, except where the context otherwise requires, all its subsidiaries
“H Share”	overseas listed foreign shares in the Company’s ordinary share capital with a nominal value of RMB1.00 each, which are subscribed for and traded in HK\$ and listed on the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICBCI”	ICBC International Capital Limited (工銀國際融資有限公司), a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which is the financial adviser to the Company for the Acquisition
“IFA”	Platinum Securities Company Limited (百德能證券有限公司), a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which is the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“IFRS”	International Financial Reporting Standards
“Independent Board Committee”	an independent committee of the Board composed of all INEDs, namely Mr. LIU Li, Ms. LIU Hongyu, Mr. FANG Yongzhong and Mr. WU Tak Lung, and formed to advise the Independent Shareholders in relation to the Acquisition Agreement and the transaction contemplated thereunder

“Independent Shareholders”	the Shareholders who are not required to abstain from voting on the resolutions for approving the proposed resolutions in the First EGM under the Listing Rules
“independent third party(ies)”	an individual or a company who is not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
“INEDs”	the independent non-executive Directors of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Non-Competition Agreement”	the non-competition agreement dated July 12, 2011 and a supplemental agreement dated December 10, 2012 entered into by and between the Company and SINOMACH
“RMB”	Renminbi yuan, the lawful currency of the PRC
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Prospectus”	the prospectus of the Company dated December 11, 2012
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, including the Domestic Shares and the H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“SINOMACH”	China National Machinery Industry Corporation* (中國機械工業集團有限公司), a state-owned enterprise established in the PRC on May 21, 1988, the controlling shareholder of the Company
“SINOMACH Group”	SINOMACH and its subsidiaries, which for the purpose of this announcement excludes the Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

For the purpose of this announcement, conversion of RMB into HK\$ is calculated at the exchange rate of HK\$1.00 to RMB0.83979.

Attention: Shareholders and potential investors should note that the Acquisition is subject to the fulfillment of a number of conditions, and accordingly, the transaction contemplated under the Acquisition Agreement may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares of the Company.

By order of the Board
China Machinery Engineering Corporation*
ZHANG Chun
President

Beijing, the PRC, February 5, 2016

As at the date of this announcement, the executive Directors are Mr. SUN Bai and Mr. ZHANG Chun; the non-executive Directors are Mr. WANG Zhian, Mr. YU Benli and Mr. ZHANG Fusheng; and the independent non-executive Directors are Mr. LIU Li, Ms. LIU Hongyu, Mr. FANG Yongzhong and Mr. WU Tak Lung.

* *For identification purposes only*

APPENDIX I LETTER FROM ERNST & YOUNG

February 5, 2016

The Directors

China Machinery Engineering Corporation
No. 178, Guang'anmenwai Street
Xicheng District
Beijing, China

Dear Sirs,

We have performed the work described below, in respect of the arithmetical accuracy of the calculations of the discounted future cash flows forecast (hereinafter referred to as the “**Underlying Forecast**”) underlying the valuation dated December 31, 2015 prepared by Beijing Zhuoxindahua Appraisal Co., Ltd. (北京卓信大華資產評估有限公司) in respect of China National Complete Engineering Corporation (中國成套工程有限公司) (the “**Target Company**”) as at June 30, 2015. The Underlying Forecast is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors (the “**Directors**”) of China Machinery Engineering Corporation (the “**Company**”) to prepare the Underlying Forecast. The Underlying Forecast has been prepared using a set of assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors.

It is our responsibility to draw a conclusion, based on our work on the arithmetical accuracy of the calculation of the Underlying Forecast and to present our conclusion solely to you, as a body, for the purpose of reporting under paragraph 14.62(2) of the Listing Rules and for no other purpose. We are not reporting on the appropriateness and validity of the bases and Assumptions on which the Underlying Forecast are based and our work does not constitute any valuation of Target Company. The Underlying Forecast does not involve the adoption of accounting policies. The Assumptions used in the preparation of the Underlying Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. We have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and thus express no opinion whatsoever thereon. Our work is more limited than that for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. We also accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

BASIS OF CONCLUSION

We conducted our work in accordance with International Standards on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the International Accounting Standards Board. Our work consisted primarily of checking the arithmetical accuracy of the calculations, of the Underlying Forecast prepared based on the Assumptions made by the Directors. Our work has been undertaken solely to assist the Directors in evaluating whether the Underlying Forecast, so far as the arithmetical accuracy of the calculations is concerned, has been properly complied in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation of Target Company as at June 30, 2015.

CONCLUSION

Based on our work described above, nothing has come to our attention that causes us to believe that the Underlying Forecast, so far as the arithmetical accuracy of the calculations of the Underlying Forecast is concerned, has not been properly complied on the basis of the Assumptions made by the Directors.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

APPENDIX II LETTER FROM ICBCI

February 5, 2016

The Board of Directors
China Machinery Engineering Corporation
No. 178 Guang'anmenwai Street
Beijing, PRC

Dear Sirs,

We refer to the valuation prepared by Beijing Zhuoxindahua Appraisal Co., Ltd (the “**Valuer**”) in relation to 100% equity interest in China National Complete Engineering Corporation (the “**Valuation**”), which is set out in the valuation report, dated December 31, 2015, referred to in the announcement of China Machinery Engineering Corporation (the “**Company**”) dated February 5, 2016 relating to the Acquisition (the “**Announcement**”). Capitalized terms used in this letter have the same meanings as those defined in the Announcement, unless the context otherwise requires.

The Valuation has been arrived at using the discounted cash flow method and is regarded as a profit forecast (the “**Forecast**”) under Rule 14.61 of the Listing Rules. We, as financial advisers to the Company in relation to the Acquisition, have reviewed the Forecast upon which the Valuation has been made, for which you as the Directors are solely responsible, and have discussed with the management of the Company and the Valuer the bases and assumptions upon which the Forecast has been prepared. We have also considered the letter from Ernst & Young (“**EY**”) dated February 5, 2016 addressed to yourselves as set out in Appendix I to the Announcement regarding the calculations of the discounted future estimated cash flows. We noted that in the opinion of EY that the discounted future cash flows, so far as the calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions adopted by the Valuer and the Company for which the Valuer and the Company are solely responsible, we are of the opinion that the Forecast, for which you as the Directors are solely responsible, have been made by you after due and careful enquiry.

The work undertaken by us in giving the above opinion has been undertaken for the purpose of reporting solely to you under Rule 14.62(3) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully
For and on behalf of
ICBC International Capital Limited
Danny Lee
Managing Director

ICBC International Capital Limited
Anny Lian
Managing Director