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**Legal Opinion by Jin Mao PRC Lawyers on the 2008
Shareholders Meeting of Shanghai Mechanical & Electrical
Industry Co., Ltd.**

Attn: Shanghai Mechanical & Electrical Industry Co., Ltd.

Shanghai Mechanical and Electrical Industry Co., Ltd. (hereinafter referred to as “the Company”) held its 2008 Shareholders Meeting at Radisson Plaza Xing Guo Hotel Shanghai on May 21st, 2009, with the presence of Attorney Li Zhiqiang and Zhang Yan from in Jin Mao PRC Lawyers (hereinafter referred to as “the Lawyers”), who upon request provide the legal opinion on the convening of the Meeting, the convening procedures, the qualification of the participants, the qualification of the shareholders who submitted interim proposals, and the voting procedures in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as “Company Law”), Securities Law of PRC (hereinafter referred to as “Securities Law”), Regulations on the Procedures of Shareholders Meetings by China Securities Regulatory Committee (hereinafter referred to as “Shareholders Meeting Regulation”) and the Company’s Articles of Association.

Jin Mao PRC Lawyers has agreed that this Legal Opinion will be the official document of the Shareholders Meeting and submitted with other materials to Shanghai Stock Exchange for review and announcement.

At this Meeting, 73 shareholders voted, representing the equity of 491,315,540 shares, which was 48.0392% of the Company’s total equity.

For the purpose of issuing this Legal Opinion, according to Article 20 of Securities Law as well as the industrial standard and code of ethics, attorneys of the Lawyers presented their views as below on the legal validity of the convening and the voting procedures as well as the qualification of the participants and the shareholders who submitted interim proposals.

1. Convening of the 2008 Shareholders Meeting

The Company’s Board of Directors published the Announcement of the 2008 Annual Shareholders Meeting in *China Securities Journal*, *Shanghai Securities News* and *Wen Wei Po* on April 29th, 2009, specifying the time, main agenda, participants and the registration process of the Meeting.

It was verified that the Announcement on the Meeting was published 20 days ahead of the convening in accordance with Company Law, Shareholders Meeting Regulation and the Company’s Articles of Association in terms of time, method and contents. Therefore, the convening procedures of the Meeting were in line with Company Law, Shareholders Meeting Regulation, and the Company’s Articles of Association.

2. Qualification of the participants of the 2008 Shareholders Meeting

It was verified that the persons attending the Meeting included eligible shareholders of the RMB common stocks and domestically listed foreign stocks, the Company's directors, supervisors, senior officers and authorized attorneys, all of whom were qualified in line with Company Law, Shareholders Meeting Regulation, and the Company's Articles of Association.

3. No interim proposals were submitted at the Shareholders Meeting

4. Voting procedures of the Shareholders Meeting

During this Meeting, the proposals were reviewed through voting in the written form. All meeting agenda was covered.

All the proposals of the Meeting were voted and counted in accordance with the Company's Articles of Association with the results revealed immediately after counting. The following proposals were reviewed and approved at the Meeting: 2008 Annual Report and Abstract, 2008 Work Report by the Board of Directors, 2008 Work Report by the Board of Supervisors, 2008 Financial Final Accounts Report, 2008 Proposal of Profits Distribution, Preliminary Plan of Renewing the Engagement of Anyong-Huaming Accounting Firm as the Company's auditor in 2009, the proposal on election of the Company's new Board of Directors, Amendments of the Articles of Association, the proposal on providing credit line security of RMB130,000,000 to Shanghai Welding Equipments & Consumables Co., Ltd., the proposal on the Company's 2009 daily related transactions, and the proposal on election of new board of supervisors. All the above proposals were approved with more than half of the votes at the Meeting. The proposal on Amendments of the Articles of Association was approved with more than two-thirds of the votes at the Meeting. The related shareholders abstained during the voting of the proposal on the Company's 2009 daily related transactions.

5. Conclusion

Jin Mao PRC Lawyers believes that the convening procedures of the Company's 2008 Shareholders Meeting were in accordance with Company Law, Shareholders Meeting Regulations, and Articles of Association, attended by eligible participants who presented no interim proposals and voted all the proposals according to the related laws and regulations and Articles of Association. Therefore, the meeting resolutions were legally valid.

This Legal Opinion was made out in three original copies with no extra duplicates, executed on May 21st, 2009.

(This is the signature page of “Legal Opinion by Jin Mao PRC Lawyers on the 2008 Shareholders Meeting of Shanghai Mechanical & Electrical Industry Co., Ltd.”)

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