

Announcement of the Related Transactions of Shanghai Mechanical & Electrical Industry Co., Ltd.

The company and all the members of the board of directors guarantee that the report do not have any false records, misleading statement or significant omission, and individually and collectively undertake the responsibility for the correctness, accuracy and completeness of its content.

Important reminder:

- Transaction details
 1. Shanghai Electric (Group) Corporation will increase capital of 2.7 billion yen (approximately 2 billion yuan) to Japan Akiyama International Co., Ltd., in which Shanghai Electric Group Printing and Packaging Machinery Co., Ltd. currently has 50% shareholding. After capital increase is completed, Shanghai Electric Group Printing and Packaging Machinery Co., Ltd.'s shareholding in Akiyama International Co., Ltd. will decrease from the current 50% to 5%.
 2. Shanghai Shen Wei Da Machinery Co., Ltd. will transfer its plastic machinery factory's premises and ancillary facilities and equipment to Shanghai Electric (Group) Corporation at the price of 27,251,201.05 Yuan.
- Avoidance of related board directors

The board directors related to the above two transactions, Mr. Xu Jianguo, Mr. Liu Zhenduo, and Mr. Ye Fucui abstained from voting.
- The impact of the completed transactions on listed companies
 1. The capital increase can adjust Japan Akiyama International Co., Ltd.'s capital and asset structure, replenish its capital, solve historical debt issues, and restore its financing capacities so as to meet its operational needs.
 2. Through this transaction, Shen Wei Da can activate its stocked assets and raise funds for business integration. It is one of SMEIC's efforts to integrate its printing machinery business and will allow Printing and Packaging Co. to adjust its product structure, integrate the resources, deepen the internal reform, and maintain healthy and sustainable development.

I. An Overview of Related-Party Transactions

1. Shanghai Electric (Group) Corporation (hereinafter referred to as Electric (Group) Corp.) will increase capital of 2.7 billion yen (approximately 2 billion yuan) to Japan Akiyama International Co., Ltd., in which Shanghai Electric Group Printing and Packaging Machinery Co., Ltd. (hereinafter referred to as Printing and Packaging Co.) currently has 50% shareholding. After capital increase is completed, Printing and Packaging Co.'s shareholding in Akiyama International Co., Ltd. will decrease from the current 50% to 5%.

2. Shanghai Shen Wei Da Machinery Co., Ltd. (hereinafter referred to as: Shen Wei

Da) will transfer its plastic machinery factory's premises and ancillary facilities and equipment to Electric (Group) Corp. at the price of 27,251,201.05 Yuan.

Since Electric (Group) Corp. is the Company's actual controller, Printing and Packaging Co. is a wholly-owned subsidiary of the Company, Shen Wei Da is a wholly-owned subsidiary of Printing and Packaging Co., according to "Shanghai Stock Exchange Stock Listing Rules," the above two transactions are both related-party transactions. The agreements on the above two transactions were signed on October 23rd, 2009.

The Company's 5th session of the 6th board meeting approved "The Proposal on Revising the Plan of Increasing Capital to Akiyama International Co., Ltd" and "The Proposal on Transferring Shanghai Shen Wei Da Machinery Co., Ltd. Plastic Machinery Factory's Premises." The board directors related to the above two transactions, Mr. Xu Jianguo, Mr. Liu Zhenduo, and Mr. Ye Fucai, abstained from voting. The Company's independent directors participated in the voting on the related-party transactions and issued independent opinions. The proposals were approved by all the board directors participated in the voting. The proposals were passed.

The above two related-party transactions shall be approved by regulators.

II. Related Party Introduction

Shanghai Electric (Group) Corporation

Registered Address: No. 110, Sichuan Road, Shanghai

Registered Capital: 4,730,680,000 yuan

Company Type: State-owned enterprise (unincorporated)

Company's legal representative: Xu Jianguo

Business Scope: Electrical engineering project contractor, complete set of equipment or partials, labor export contractor, industrial investment, manufacture and sales of mechanical and electrical products and equipments in related industries, providing technical advice and training to domestic and export projects, state-owned assets operation and management as authorized by Shanghai SASAC, and domestic trading (unless otherwise regulated by provisions).

After auditing, as of the end of 2008, Electric (Group) Corp.'s total assets was 125.57449 billion yuan, total liabilities 91.94042 billion yuan, net assets (including minority interests) 33.63407 billion yuan; in 2008, Electric (Group) Corp.'s main business income was 75.19148 billion, operating profit 2.94855 billion yuan, and net profit 2.8243 billion yuan.

As of the current related-party transactions, the Company's related-party transactions with the same related party or with the same transaction subject are less than 5% of the Company's audited net assets.

III. The Basic Information of the Related-Party Transaction Subjects

(I) The basic information of Japan Akiyama

Japan Akiyama was established in 2001; the registered address: 261-1, Sugaomachi, Mitsukaido, Ibaraki, Japan; business type: limited liability company; registered capital 1.05 billion yen, of which, Printing and Packaging Co. invested 525,000,000 yen, accounting

for 50% of the equity, and Shanghai Electric International Economic and Trade Co., Ltd. (hereinafter referred to as Electric International) invested 525,000,000 yen, accounting for 50% of the equity; main business: design, manufacture, and sales of sheet-fed offset press.

Japan Akiyama's assets and operating conditions in the recent years are as follows:

Unit: thousand yen

Item	Year of 2007	Year of 2008	Jan. – Jun. 2009
Total assets	8,188,261	6,699,590	6,230,793
Total liabilities	6,674,145	6,774,361	6,731,270
Net assets	1,514,116	-74,771	-500,477
Business Income	8,877,075	5,894,435	671,692
Net Profits	-43,436	-1,588,887	-425,706

Based on the assessment report [Hu-dong-zhou-zi-ping-bao-zi No. DZ090539111] issued by Shanghai Orient Certified Appraisal Co., Ltd., as of June 30, 2009, Akiyama International's book net assets was -500,476,600 yen, the assessed net assets value 310,669,800 yen, converted into RMB 22,093,900 yuan.

(II) The basic information of Shen Wei Da Plastic Machinery Factory's premises ancillary facilities and equipment

Shen Wei Da Plastic Machinery Factory's premises ancillary facilities and equipment are located at No. 602 Pengjiang Road, Shanghai, mainly including metalwork assembly paint shop and substation pump house, etc. with a gross floor area of 11,300.9m² and the ancillary facilities and equipment.

Shanghai Yinxinhuiye Appraisal Co., Ltd. (hereinafter referred to as Yinxinhuiye) made asset evaluation on the premises and the ancillary facilities and equipment. The base date for the assessment was August 31st, 2009. Based on the assessment report issued by Yinxinhuiye [Hu-Yin-Xin-Hui-Ye-Ping-Bao-Zi 2009 No. B1235], Shen Wei Da Plastic Machinery Factory's premises and the ancillary facilities and equipment were assessed at 27,251,201.05 Yuan.

The details of Shen Wei Da Plastic Machinery Factory's assets evaluation are as follows:

Unit: Yuan

Item	Book value	Estimated value
Premises	6,626,015.23	25,482,670.25
Ancillary facilities	257,517.28	704,980.80
Ancillary equipment	290,440.60	1,063,550.00
Total	7,173,973.11	27,251,201.05

IV. Main Contents of Related-Party Transactions Agreements and Pricing Policies

(I) Printing and Packaging Co., Electric (Group) Corp., and Electric International signed "The Agreement on Increasing Capital to Japan Akiyama International Co., Ltd." on October 23rd, 2009. The main contents of the agreement are as follows:

1. The parties agree that Japan Akiyama's registered capital will be increased from 1.05 billion yen to 3.75 billion yen;

2. The parties agree that after Chinese regulators have reviewed and approved the capital increase agreement, Electric (Group) Corp. shall issue a total of 2.7 billion yen to Japan Akiyama. Printing and Packaging Co. and Electric International will give up the plan of increasing capital to Akiyama International;

3. The parties agree that after the capital increase, the shareholding ratio on Japan Akiyama will be: Electrical Group 90%, Printing and Packaging Co. 5%, and Electric International 5%.

4. Within 30 days after Chinese regulators have reviewed and approved the capital increase agreement, Electric (Group) Corp. shall remit the increased capital amount as stipulated in Article IV. 2 to the account of the capital verification institution designated by Japan Akiyama;

5. The parties agree that Japan Akiyama shall apply for change of business registration within 15 days after the capital verification.

6. The parties agree that prior to the completion of capital increase, the profit and loss of Japan Akiyama are borne by its previous shareholders in accordance with their investment proportion;

7. Expenses incurred in the capital increase to Japan Akiyama (including but not limited to accounting fees, legal fees, change of business registration fees) will be borne by Japan Akiyama;

8. In the capital increase to Japan Akiyama, the parties' expenses on employing their own legal advisors and financial advisers shall be borne by the respective party;

9. The capital increase agreement will be effective after sealed by the parties, signed by their authorized representatives, and approved by the shareholders meeting of Shanghai Electric Group Co., Ltd. and Japan Akiyama's board meeting.

(II) Shen Wei Da and Electric (Group) Corp. signed "The Sale and Purchase Agreement on Shanghai Shen Wei Da Machinery Co., Ltd.'s Construction in Progress at No. 602, Pengjiang Road." The assets transferee in the agreement is Electric (Group) Corp.; assets transferor: Shen Wei Da. The agreement signing date was October 23rd, 2009. Based on the assessment report issued by Yinxinhuiye [Hu-Yin-Xin-Hui-Ye-Ping-Bao-Zi 2009 No. B1235], as of August 31st, 2009, Shen Wei Da Plastic Machinery Factory's premises and the ancillary facilities and equipment are assessed at 27,251,201.05 Yuan. Shen Wei Da will transfer its plastic machinery factory's premises and ancillary facilities and equipment to Electric (Group) Corp. at the price of 27,251,201.05 Yuan. The agreement will be effective after approval of regulators.

V. The Purpose of the Related-Party Transactions and the Impact on Listed Companies

1. The capital increase can adjust Japan Akiyama International Co., Ltd.'s capital and asset structure, replenish its capital, solve historical debt issues, and restore its financing capacities so as to meet its operational needs.

2. Through this transaction, Shen Wei Da can activate its stocked assets and raise funds for business integration. It is one of SMEIC's efforts to integrate its printing machinery business and will allow Printing and Packaging Co. to adjust its product structure, integrate the resources, deepen the internal reform, and maintain healthy and

sustainable development.

VI Independent opinions issued by the company's independent directors

The Company's independent directors who participated the meeting, Mr. Wang Fanghua, Mr. Sun Zheng, Mr. Wang Zhiqiang, and Mr. Zhang Renji, have all agreed to the two related-party transactions on asset acquisition and have issued independent opinions on the related-party transactions. They believe that the voting procedures of the two related-party transactions comply with relevant regulations and that the related-party transactions are fair to the Company and all its shareholders and do not harm interests of the Company or other shareholders, especially medium and small shareholders.

VII. The Review of the Past Related-Party Transactions

From the beginning of 2007 to the resolution date of the Company's 5th session of the 6th board meeting, the Company has no other related party transactions with Electric (Group) Corp.

VIII. List of Reference Files

1. "The Agreement on Increasing Capital to Japan Akiyama International Co., Ltd.";
2. "The Sale and Purchase Agreement on Shanghai Shen Wei Da Machinery Co., Ltd.'s Construction in Progress at No. 602, Pengjiang Road";
3. The resolution of the Company's 5th session of the 6th board meeting;
4. Opinions of the independent directors signed and confirmed by the Company's independent directors;
5. The asset evaluation report [Hu-dong-zhou-zi-ping-bao-zi No. DZ090539111] issued by Shanghai Orient Certified Appraisal Co., Ltd.;
6. The asset evaluation report issued by Yinxinhuiye [Hu-Yin-Xin-Hui-Ye-Ping-Bao-Zi 2009 No. B1235];
7. The business license copy of the Company, Electric (Group) Corp., Electric International, Printing and Packaging Co., Japan Akiyama, and Shen Wei Da.

All the matters above are announced hereby.

The Board of Directors of Shanghai Mechanical & Electrical Industry Co., Ltd.

October 24th, 2009