

External Security Announcement of Shanghai Mechanical & Electrical Industry Co., Ltd

The company's board of directors and all the 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:

- In order to ensure its shareholding companies' normal business operations, the Company plans to provide additional security amount of 23 million yuan to Shanghai Cimic Welding Consumables Co., Ltd. in 2010.
- The additional security amount: 23 million yuan.
- Anti-guarantee for this time (yes or no): No
- Accumulative quantity of external security: As of December 31st, 2009, the Company's accumulative quantity of external security is: RMB393,020,000; as of December 31st, 2009, the Company's net assets are: RMB49,500,577,000; the proportion of the Company's accumulative quantity of external security to its net assets is: 7.94%.
- No overdue external security.

I. Overview of the Company's External Security

The Company's 7th session of the 6th board of directors meeting approved the proposal of providing additional security amount of 23 million yuan to Shanghai Cimic Welding Consumables Co., Ltd. in 2010.

II. Basic Information of the Warrantees

Shanghai Welding Equipments & Consumables Co., Ltd., a wholly-owned subsidiary of the Company, holds 67% equity of Shanghai Cimic Welding Consumables Co., Ltd. (hereinafter referred to as Cimic Welding), Cimic Welding's main business scope is production and sales of welding material for non-ferrous metals and other special metals. Cimic Welding realized the prime operating revenue of RMB220,490,000 and net profit of RMB2,060,000 in 2009; as of December 31st, 2009, the net assets of Cimic Welding reached RMB52,460,000 and the asset-liability rate was 50.39%. As of December 31st, 2009, the Company provided credit line security of RMB19,500,000 to Cimic Welding. In 2010, Cimic Welding's new loan will be RMB23,000,000, which is mainly used for replenishing current funds, and the Company will solely provide security for it. In 2010, the Company is estimated to provide total credit line security of RMB42,500,000 to Cimic Welding.

III. Opinions of the Board of Directors

The company's board of directors, through careful consideration, agrees to provide security for the warrantee for the reason that the warrantee's funds will be mainly used for business operation and replenishing current funds in order to ensure normal business activities and also for the reason that the warrantee is holding subsidiaries of the company, which makes the Company able to take timely control of their credit status.

IV. The Accumulative Quantity of External Security and Overdue Quantity of Security

As of December 31st, 2009, the Company's accumulative quantity of external security is RMB393,020,000. There is no overdue external security.

All the matters above are announced hereby.

The Board of Directors of Shanghai
Mechanical & Electrical Industry Co., Ltd.
April 9th, 2010