

**Legal Opinions relating to 2009 Shareholders' Conference of Shanghai Mechanical & Electrical Industry Co., Ltd. by Shanghai YOUNG-BEN LAWER**

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

Upon the entrust of Shanghai Mechanical & Electrical Industry Co., Ltd., Lawyer Xu Yuzhou and Lin Zeda from Shanghai YOUNG-BEN LAWER (the Law Firm and the Lawyers hereinafter) hereby issue the legal opinions over convening, convening procedures, attendance, participants' eligibility, voting procedures and results relating to the Company's 2009 Shareholders' Conference.

The Legal Opinions are based on Company Law of PRC, Securities Law of PRC, Shareholders' Conference Rules for Listed Companies and other laws, rules, regulations and regulative documents (rules and regulations hereinafter) and the Articles of Association of Shanghai Mechanical & Electrical Industry Co., Ltd. (the Articles of Association hereinafter).

For the purposes of issuing the Legal Opinions, the Law Firm and the Lawyers have checked and verified the legal documents and other data relating to the titled matters, on the basis of China's current laws, rules and regulations and regulative documents by China Securities Regulatory Commission (CSRC hereinafter). Also they have checked and verified other legal documents, files, materials and certificates which they consider as necessary and make inquiries to persons concerned from the Company.

In the process of such checks, verifications and inquiries for the Company, the Law Firm and the Lawyers have received its commitment that: it had provided the authentic, complete, true, exact, legal and valid original written documents, duplicates, copies, e-mails or verbal statements, which are considered as necessary by the Law Firm and the Lawyers; and that these duplicates and copies or e-mails are consistent with their originals.

As for those facts which have no independent supportive evidence but are critical to the Legal Opinions, the Law Firm and the Lawyers have relied on the supportive documents or opinions by Shanghai Mechanical & Electrical Industry Co., Ltd. or other authorities involved.

The Law Firm and the Lawyers have relied on the truths which took place or existed before the dating of issuing the Legal Opinions, and based on their understanding on the facts as well as rules, laws, regulations and regulative documents related to issue the Legal Opinions.

The Law Firm and the Lawyers only issue the Legal Opinions over convening, convening procedures, attendance, participants' eligibility, voting procedures and results relating to the Company's 2009 Shareholders' Conference.

The Legal Opinions are only for the purpose of the Shareholders' Conference of the Company this time and shall not be applied by any other party for any other purpose. The Law Firm and the Lawyers agree that the Legal Opinions will be announced together with the resolutions by

the Shareholders' Conference this time according to regulations related.

The Law Firm and the Lawyers have the competence as the subject to use the Legal Opinions over the matters above-mentioned and bear the legal responsibilities incurred.

In accordance with China's current laws and rules and CSRC's relevant regulations and regulative documents, as well as the industrial standards, codes of ethics and principles of diligence, the Law Firm and the Lawyers have issued the legal opinions as below:

### **I. Convening and convening procedures of the Conference**

As verified by the Law Firm and the Lawyers, the Shareholders' Conference was held at 9:00 am on May 28th, 2010 as scheduled at Shanghai Xingguo Hotel located at 78 Xingguo Rd. Before this, Shanghai Mechanical & Electrical Industry Co., Ltd. had announced the Resolutions of the 7<sup>th</sup> Session of the 6<sup>th</sup> Board Meeting of Shanghai Mechanical & Electrical Industry Co., Ltd. specifying the convening site, time and matters covered of the conference through Shanghai Securities Newspaper, China Securities Newspaper and Wen Wei Po in Hongkong published on April 9<sup>th</sup>, 2010, as well as the official website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)). The date of the announcement was over 20 days ahead of the Conference, which was consistent with the laws and rules and the requirements of the Articles of Association.

The Law Firm and the Lawyers believe that the convening and convening procedures of the Shareholders' Conference was consistent with the laws and rules as well as the Articles of Association.

### **II. Attendance and participants' eligibility**

As verified by the Law Firm and the Lawyers, 63 shareholders (including their authorized representatives) attended the Conference, representing 487,443,546 shares with voting power, 47.660586% of the equity of Shanghai Mechanical & Electrical Industry Co., Ltd., among which there were 483,860,610 A-shares (59.994796% of A-share equity), 3,582,936 B-shares (1.656964% of B-share equity). In addition, directors, supervisors and other senior managers, as well as the accountants hired by the Company from the accounting firm and the Lawyers also attended the Conference with or without voting power.

The Conference was convened by the Board of Directors of Shanghai Mechanical & Electrical Industry Co., Ltd. According to relevant laws, regulations and the articles of association, the Board of Directors has the right to convene the Conference.

The Law Firm and the Lawyers believe that the participants of this Conference had the legally valid eligibility; and the convener of the Conference also had the legally valid eligibility.

### **III. New proposals by shareholders**

There were no new proposals given by shareholders on the Conference.

#### **IV. Voting procedures and results**

The voting for proposals on the Conference was monitored in accordance with the procedures specified in the Articles of Association to announce the results right after the voting procedures. As verified by the Law Firm and the Lawyers, the Conference reviewed the following proposals through on-the-spot voting:

- I. 2009 Annual Report and Abstract
- II. 2009 Work Report by Board of Directors;
- III. 2009 Work Report by Board of Supervisors
- IV. 2009 Financial Final Accounts Report
- V. 2009 Proposals of 2009 Profits Distribution
- VI. Review of Proposal of Renewing the Engagement of Anyong-Huaming Accounting Firm as the Company's Auditor in 2010

The proposals above have been approved by the Conference through normal voting procedures. That is, votes of approval were over half of the voting power held by the shareholder participants (including their authorized representatives).

As verified by the Law Firm and Lawyers, the Conference reviewed and approved the 6 proposals, namely, the Company's 2009 Annual Report and its Extract, the Company's 2009 Annual Working Report by Board of Directors, the Company's 2009 Annual Working Report by Board of Supervisors, the Company's 2009 Annual Financial Accounting Report, the Company's 2009 Profits Distribution Plan and the Plan to Continue to Hire Anyong-Huaming Accounting Firm as the Company's Auditor in 2010.

The Law Firm and the Lawyers decide that the Conference was consistent with the laws and rules as well as the Articles of Association in voting procedures and results, which therefore were legally valid.

#### **V. Conclusion**

In summary, the Law Firm and the Lawyers decide that the convening and convening procedures of the Conference was consistent with the laws and rules and the Articles of Association; the participants had the legal and valid eligibility; the convener of the Conference had the legal and valid eligibility; the voting procedures and results of the Conference were legally valid.

[No text hereafter]

This is the signature page of Legal Opinions relating to 2009 Shareholders' Conference of Shanghai Mechanical & Electrical Industry Co., Ltd. by Shanghai YOUNG-BEN LAWER.

The original copy of this legal opinion is made in triplicate.

Shanghai YOUNG-BEN LAWER (official seal)

Lawyer Xu Yuzhou

\_\_\_\_\_ (Signature)

Lawyer Lin Zeda

\_\_\_\_\_ (Signature)

May 28<sup>th</sup>, 2010