

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 subsidiaries normal business operations, the Company plans to provide additional security amount of 100 million yuan to Shanghai Electric Group Printing and Packing Machinery Co., Ltd. in 2011.
- The additional security amount: 100 million yuan.
- Anti-guarantee for this time (yes or no): No
- Accumulative quantity of external security: as of December 31st, 2010, the Company's accumulative quantity of external security is: RMB156,490,000; as of December 31st, 2010, the Company's net assets are: RMB5,487,077,700; the proportion of the Company's accumulative quantity of external security to its net assets is: 2.85%.
- No overdue external security

I. Overview of the Company's External Security

The Company's 15th session of the 6th board of directors meeting approved the proposal of providing additional security amount of 100 million yuan to Shanghai Electric Group Printing and Packing Machinery Co., Ltd. in 2011.

II. Basic Information of the Warrantees

The Company's wholly owned subsidiary Shanghai Electric Group Printing and Packing Machinery Co., Ltd. (hereinafter referred to as "Printing and Packing Co.") is mainly engaged in production, sales, and investment of printing and packaging machinery. Printing and Packing Co.'s (according to the parent company's report) main business income in 2010 was RMB 145,910,000 yuan, net profit RMB -88,360,000 yuan. The net assets on December 31st, 2010 were RMB 545,260,000 yuan, asset-liability ratio 22.70%. As of December 31st, 2010, the Company provided guarantee on RMB 50 million yuan of Printing and Packing Co.'s loans. In 2011, Printing and Packing Co. will take an additional loan of RMB 100 million yuan to replenish its circulating fund, and it will also be guaranteed by the Company. In 2011, it is estimated that the Company will in total provide guarantee on RMB 150 million yuan of Printing and Packing Co.'s loan.

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 wholly owned subsidiary 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, 2010, the Company's accumulative quantity of external security is RMB156,490,000 yuan. There is no overdue external security.

All the matters above are announced hereby.

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

March 25th, 2011