

2008 1st Quarter Report of Shanghai Mechanical & Electrical
Industry Co., Ltd.

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I. Critical Notes

1.1 The company's board of directors, board of supervisors, and directors, supervisors, and executives 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.

1.2 All members of the board of directors attended the board meeting.

1.3 The company's first quarterly report is unaudited.

1.4 Principal of the company, Mr. Xu Jianguo, principal of accounting, Mr. Si Wenpei, and accountant in chief, Ms. Zou Xiaolu jointly declare that the financial report in this quarter report is true and complete.

II. Company's Basic Information

2.1 Main Accounting Datum and Financial Indexes

Currency: RMB

	At the end of the reporting period	At the end of the last year	Increase or Decrease of the end of the reporting period than the end of the last year (%)
Total assets (Yuan)	9,925,025,420.32	10,026,108,121.42	-1.01
Owners' equity (or shareholders' equity) (Yuan)	4,190,628,054.03	4,064,286,599.12	3.11
Net assets of per share of shareholders of listed company (Yuan)	4.92	4.77	3.14
		From the beginning of the year to the end of the reporting period	Increase or Decrease than the same period of the last year (%)
Net cash flow generated in business (Yuan)		-286,208,499.71	Inapplicable
Net Cash Flow form Operating Activities (Yuan)		-0.34	
	During the reporting period	From the beginning of the year to the end of the reporting period	Increase or Decrease of the reporting period than the same period of the last year (%)

Net profits of shareholders of listed company (Yuan)	132,406,144.48	132,406,144.48	47.49
Basic income per share (Yuan)	0.155	0.155	47.62
Basic earnings per share after non-frequent profit and loss (Yuan)	0.153	0.153	42.99
Net profit per share (Yuan)	0.155	0.155	47.62
Fully diluted yield rate (%)	3.16	3.16	Increased by 0.71%
Fully diluted yield rate of net assets after non-frequent profits and losses (%)	3.11	3.11	Increased by 0.61%
Items of the non-frequent profits and losses	Amount from the beginning of the year to the end of the reporting period (Yuan)		
Profits and losses of disposal of non-current assets	2,649,416.01		
Non-business net income and expense other than the items above	-284,670.18		
Income tax effects	-79,768.14		
Effects of non-frequent profits and losses of minority	-71,046.52		
Total	2,213,931.17		

2.2 Total number of shareholders and particulars about the top 10 unlimited tradable shareholders at the end of reporting period

Unit: Share

Total Shareholders Number (Unit)	Number of all shareholders: 61,973 units, including 29,243 units of A-tradable shareholders and 32,730 units of B-tradable shares.	
Share holding of top 10 unlimited tradable shareholders		
Name of Shareholder (full name)	Amount of unlimited tradable shares held at the end of reporting period	Type
Agriculture Bank of China: Zhongyou Hexin Chengzhang Securities Investment Fund	27,995,736	Common Stock in RMB
Agriculture Bank of China: Zhongyou Hexin Youxuan Securities Investment Fund	21,731,176	Common Stock in RMB
Construction Bank of China: Taida Heyin Shizhi Youxuan Securities Investment Fund	16,069,328	Common Stock in RMB
Bank of Communications-Haifutong Premium Securities Investment Fund	11,000,208	Common Stock in RMB
Construction Bank of China-Nuode Jiazhi Youshi Securities Investment Fund	5,505,706	Common Stock in RMB
Bank of China- Haifutong Stock Securities Investment Fund	5,447,348	Common Stock in RMB
GTPRCFUND	5,400,162	Domestic Listed Foreign Share
Shanghai Pudong Development Bank-Changxin Trend Stock-based Securities Investment Fund	5,001,707	Common Stock in RMB
Bank of China-Haifutong Premium 2 Mixed Securities Investment Fund	5,000,021	Common Stock in RMB
Bank of China-ABN Amro Teda Industrial Premium Securities Investment Fund	4,700,000	Common Stock in RMB

III. Significant Events

3.1 Situation and reasons for major changes of main accounting report items and financial indices.

Applicable Inapplicable

1. Investment earnings grew by 87.61% correspondingly over the previous year, mainly due to the acquisition of equities of ABB Shanghai Motors Co., Ltd., Shanghai Marathon-Gexin Electric Co., Ltd. and Shanghai Riyong - JEA Gate Electric Co., Ltd. from June to August of 2007.

2. The net profits increased by 47.49% correspondingly over the previous year, mainly due to the growth of main business and investment earnings.

3.2 Analysis and Statement of significant events and its influence and solution

Applicable Inapplicable

3.3 Implementation of the commitments by the Company, shareholders and the actual controller

Applicable Inapplicable

Name of shareholders	Commitments	Performing
Shanghai Electric (Group) Corporation	Shanghai Electric Group Co., Ltd. will actively support its subsidiary Shanghai M&E in industrial integration in the 1-2 years of approval of Split Share Structure Reform Program. The Group will aim to develop Shanghai M&E into a core business platform of all-in-one electromechanical industry integrating elevator manufacturing, refrigerator and air conditioner manufacturing, printing and packing machines, engineering machines and artificial plates. Recently, the Group will speed up the integration of printing and packing machines business for Shanghai M&E.	According to the commitment, supports actively are provided for the electromechanical integration of the Company.

3.4 Warning and reasons for the prediction that the accumulated net profits from the this year beginning to the next report term end may be negative

Applicable Inapplicable

3.5 Securities investment situation

Applicable Inapplicable

Unit: Yuan

Number	Stock Code	Stock Abbreviation	Shareholdings at the end of reporting period	Initial investment volume	Account value of term end	Account value of term beginning	Accounting items
1	600618	Chlor-alkali Chemicals	338,800	1,240,000.00	2,452,912.00	2,618,924.00	Financial assets available for sale
2	600633	White Cat	2,191,200	7,461,700.00	19,874,184.00	26,623,080.00	Financial assets available for sale
3	600665	Tiandiyuan	660,000	1,400,000.00	5,022,600.00	7,537,200.00	Financial assets available for sale
4	600845	Baoxin Software	800,000	2,909,090.91	22,664,000.00	27,320,000.00	Financial assets available for sale
5	000501	Ewushang A	149,202	353,400.00	1,905,309.54	2,782,617.30	Financial assets available for sale
6	601328	Bank of Communications	1,578,150	1,893,780.00	15,765,718.50	1,893,780.00	Financial assets available for sale
Total			—	15,257,970.91	67,684,724.04	68,775,601.30	—

Shanghai Mechanical & Electrical Industry Co., Ltd.

Legal representative: Xu Jianguo

April 23rd, 2008

IV. Appendix

4.1

Combined balance sheet

March 31st, 2008

Made by: Shanghai Mechanical & Electrical Industry Co., Ltd.

Unit: Yuan Currency: RMB Type: Unaudited

Item	Term-end balance	Year-beginning balance
Floating assets:		
Monetary fund	3,728,831,981.59	4,079,426,457.65
Provision settlement		
Funds for inter-bank lending		
Trading financial assets		
Notes receivable	90,936,703.33	163,423,318.18
Payment receivable	814,525,500.53	724,370,215.98
Advanced payment	228,757,483.25	240,242,463.64
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract provision receivable		
Interest receivable		2,870,662.50
Dividend receivable	28,472,020.91	27,745,072.35
Other account receivable	158,451,091.94	87,370,218.06
Buying of counter purchased financial assets		
Stock	1,903,981,244.92	1,790,572,925.44
Noncurrent assets to be due in a year		
Other floating assets		
Total floating assets	6,953,956,026.47	7,116,021,333.80
Noncurrent assets:		
Loan and advanced-payment giving		
Financial assets available for sale	67,684,724.04	69,064,699.90
Investment fund held to term end		
Long-term payment payable		
Long-term equity investment	1,239,677,615.51	1,191,708,150.57
Investment real estate		
Fixed assets	1,148,227,427.86	1,217,601,361.01
Construction in progress	179,457,842.68	95,499,666.03
Engineering materials		
Liquidation of fixed assets		
Manufacturing biological assets		
Gas and oil assets		
Invisible assets	259,929,027.09	265,196,860.91

Development expense		
Goodwill	3,627,166.84	3,627,166.84
long-term fees to be apportioned	14,554,096.33	10,711,006.80
Defer income tax assets	57,911,493.50	56,677,875.56
Other non-current assets		
Total non-current assets	2,971,069,393.85	2,910,086,787.62
Total assets	9,925,025,420.32	10,026,108,121.42
Floating liabilities:		
Short-term loan	365,500,000.00	368,715,528.00
Loans from central bank		
Deposit absorbing and Vostro account		
Funds for inter-bank borrowing		
Trading financial debts		
Notes payable	4,172,150.00	944,050.00
Payment payable	837,359,441.94	1,016,380,092.88
Payment received in advance	2,145,180,858.95	2,186,370,342.22
fund of selling of counter purchased financial assets		
Handling charges and commissions payable		
Employees' salaries payable	129,481,551.75	209,565,774.99
Tax payable	118,867,188.42	134,812,189.12
Interest Payable		
Dividend payable	43,213,634.93	44,288,109.77
Other account payable	380,886,988.42	359,363,809.20
Reinsurance account payable		
Insurance contract provision		
Proxy securities transaction fund		
Proxy securities undertaking fund		
Noncurrent liabilities to be due in a year		
Other floating liabilities	4,544,461.00	7,789,600.00
Total floating liabilities	4,029,206,275.41	4,328,229,496.18
Noncurrent liabilities:		
Long-term loan	10,172,046.13	10,236,812.93
Bonds payable		
Long-term payment payable	1,753,920.89	1,753,920.89
Specific account payable		
Estimated liabilities		
Deferred income tax liabilities	27,487,284.39	27,134,956.11
Other non-current liabilities		
Total non-current liabilities	39,413,251.41	39,125,689.93

Total liabilities	4,068,619,526.82	4,367,355,186.11
Owners' equity (or shareholders' equity):		
Paid-up capital (or equity capital)	852,282,757.00	852,282,757.00
Capital reserve fund	1,622,763,647.16	1,625,836,133.43
Minus: Treasury stocks		
Surplus accumulation fund	747,153,162.12	747,153,162.12
Normal risk provision		
Unallocated profits	980,521,327.10	848,115,182.62
Conversion difference of foreign currency report	-12,092,839.35	-9,100,636.05
Total ownership equity of parental company	4,190,628,054.03	4,064,286,599.12
Minority shareholders' equity	1,665,777,839.47	1,594,466,336.19
Total ownership equity	5,856,405,893.50	5,658,752,935.31
Total liabilities and owners	9,925,025,420.32	10,026,108,121.42

Company's legal representative: Xu Jianguo Person in charge of accounting: Si Wenpei
Accounting manager: Zou Xiaolu

Balance sheet of parental company

March 31st, 2008

Made by: Shanghai Mechanical & Electrical Industry Co., Ltd.

Unit: Yuan Currency: RMB Type: Unaudited

Item	Term-end balance	Year-beginning balance
Floating assets:		
Monetary fund	94,482,787.75	109,339,205.40
Trading financial assets		
Notes receivable		
Payment receivable		
Advanced payment	2,095,253.14	
Interest receivable		
Dividend receivable	12,336,464.28	12,336,464.28
Other account receivable	4,208,177.02	4,118,618.24
Stock		
Noncurrent assets to be due in a year		
Other floating assets	5,000,000.00	10,000,000.00
Total floating assets	118,122,682.19	135,794,287.92
Noncurrent assets:		
Financial assets available for sale	67,684,724.04	68,775,601.30
Investment fund held to term end		
Long-term payment payable		
Long-term equity investment	3,322,465,823.99	3,310,133,256.75
Investment real estate		
Fixed assets	64,159,996.10	64,661,071.85
Construction in progress		
Engineering materials		
Liquidation of fixed assets		
Manufacturing biological assets		
Gas and oil assets		
Invisible assets	69,258,736.36	69,663,672.97
Development expense		
Goodwill		
long-term fees to be apportioned		
Defer income tax assets		
Other non-current assets		
Total non-current assets	3,523,569,280.49	3,513,233,602.87
Total assets	3,641,691,962.68	3,649,027,890.79
Floating liabilities:		
Short-term loan	40,000,000.00	40,000,000.00
Trading financial debts		

Notes payable		
Payment payable	4,842,773.48	4,842,773.48
Payment received in advance		
Employees' salaries payable	20,132,675.03	20,041,866.77
Tax payable	146,883.79	332,211.54
Interest Payable		
Dividend payable		
Other account payable	710,027,707.37	723,172,041.13
Noncurrent liabilities to be due in a year		
Other floating liabilities		
Total floating liabilities	775,150,039.67	788,388,892.92
Noncurrent liabilities:		
Long-term loan		
Bonds payable		
Long-term payment payable		
Specific account payable		
Estimated liabilities		
Deferred income tax liabilities	16,769,601.72	17,042,321.04
Other non-current liabilities		
Total non-current liabilities	16,769,601.72	17,042,321.04
Total liabilities	791,919,641.39	805,431,213.96
Owners' equity (or shareholders' equity):		
Paid-up capital (or equity capital)	852,282,757.00	852,282,757.00
Capital reserve fund	1,610,363,439.93	1,611,181,597.87
Minus: Treasury stocks		
Surplus accumulation fund	235,568,705.86	235,568,705.86
Unallocated profits	151,557,418.50	144,563,616.10
Total ownership equity (or shareholders equity)	2,849,772,321.29	2,843,596,676.83
Total liabilities and owners (or shareholders equity)	3,641,691,962.68	3,649,027,890.79

Company's legal representative: Xu Jianguo Person in charge of accounting: Si Wenpei

Accounting manager: Zou Xiaolu

4.2

Combined profit statement

Jan. – Mar. 2008

Unit: Yuan Currency: RMB Type: Unaudited

Item	Amount of current period	Amount of previous period
I. Gross trading income	2,316,491,412.34	1,893,486,265.34
Including: business income	2,316,491,412.34	1,893,486,265.34
Interest received		
Insurance premium earned		
Handling charges and commissions income		
II. Total business cost	2,115,086,900.56	1,742,601,152.93
Including: business cost	1,861,863,686.07	1,538,991,169.55
Interest expense		
Handling charges and commissions expense		
loan value		
Net indemnity expense		
Net provision of insurance contract		
Insurance policy dividends expense		
Reinsurance expense		
Business taxes and additional ones	6,704,249.05	6,026,209.23
Sales expense	131,402,491.89	94,632,357.79
Management expenses	144,957,146.95	123,108,354.90
Financial expenses	-9,773,908.95	-6,288,958.19
Assets devaluation loss	-20,066,764.45	-13,867,980.35
Plus: fair value change income (“-” means loss)		
Investment income (“-” means loss)	52,705,500.05	28,092,424.26
Including: investment income from cooperative business and joint companies	47,837,272.44	28,033,097.85
Agiotage income (“-” means loss)		
III. Business profits (“-” means loss)	254,110,011.83	178,977,536.67
Plus: nonrevenue receipt	3,090,159.25	2,129,932.07
Minus: non-business expenditure	1,233,006.08	1,020,668.76
Including: net loss of non-current assets disposal	155,624.83	110,036.83
IV. Total profits (“-” means loss)	255,967,165.00	180,086,799.98
Minus: income tax	44,027,374.05	29,650,309.15
V. Net profit (“-” means loss)	211,939,790.95	150,436,490.83
Net profits of parental company owner	132,406,144.48	89,773,214.54
Profit and loss of minority shareholders	79,533,646.47	60,663,276.29
VI. Income per share:		
(I) Basic income per share	0.155	0.105

(II) Net profit per share	0.155	0.105
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Company's legal representative: Xu Jianguo Person in charge of accounting: Si Wenpei
Accounting manager: Zou Xiaolu

Parental company's profit statement

Jan. – Mar. 2008

Unit: Yuan Currency: RMB Type: Unaudited

Item	Amount of current period	Amount of previous period
I. Business income	202,497.30	
Minus: business cost		
Business taxes and additional ones	11,238.61	
Sales expense		
Management expenses	7,393,699.40	7,129,200.18
Financial expenses	262,461.23	171,496.63
Assets devaluation loss		
Plus: fair value change income (“-” means loss)		
Investment income (“-” means loss)	14,564,759.75	-416,332.68
Including: investment income from cooperative business and joint companies	12,332,567.24	-475,659.09
II Business profits (“-” means loss)	7,099,857.81	-7,717,029.49
Plus: nonrevenue receipt		
Minus: non-business expenditure	106,055.41	
Including: net loss of non-current assets disposal		
III. Total profits (“-” means loss)	6,993,802.40	-7,717,029.49
Minus: income tax		
IV. Net profit (“-” means loss)	6,993,802.40	-7,717,029.49

Company's legal representative: Xu Jianguo Person in charge of accounting: Si Wenpei

Accounting manager: Zou Xiaolu

4.3

Combined statement of cash flow

Jan. – Mar. 2008

Unit: Yuan Currency: RMB Type: Unaudited

Item	Amount of current period	Amount of previous period
I. Cash flow generated in business		
Cash received by selling commodities or providing labor service	2,438,831,482.81	1,972,689,134.86
Net increase of customers' deposit and Vostro account		
Net increase of loan from central bank		
Net increase of Funds for inter-bank borrowing from other financial institutes		
Cash obtained from former insurance contract premium		
Net cash obtained from reinsurance business		
Net increase of policy holder and investment fund		
Net increase of disposing transaction financial assets		
Cash obtained from interests, handling charge and commission		
Net increase of funds for inter-bank borrowing		
Net increase of counter purchased business fund		
Returned tax received	5,786,869.22	13,342,295.76
Cash received in other business	102,021,104.89	34,707,863.26
Subtotal of business cash flow-in	2,546,639,456.92	2,020,739,293.88
Cash paid for buying commodities or accepting labor service	2,343,337,224.86	1,655,223,903.17
Net increase of customers' loan and advanced payment		
Net increase of account in central bank and Vostro account		
Cash paid for indemnity of former insurance contract		
Cash paid for interests, handling charge and commission		
Cash paid for insurance policy dividends		
Cash paid to or for employees	159,193,632.97	144,720,683.88

Taxes paid	82,543,124.66	94,570,043.14
Cash paid for other business	247,773,974.14	156,773,760.89
Subtotal of business cash flow-in	2,832,847,956.63	2,051,288,391.08
Net cash flow generated in business	-286,208,499.71	-30,549,097.20
II. Cash flow generated in investment		
Cash received from returned investment	8,501,597.67	
Cash received from investment income	2,278,532.51	13,244,698.45
Net cash received by disposing fixed assets, invisible assets and other long-term assets	121,437.00	309,913.00
Net cash amount received from the disposal of subsidiaries and other branches		
Cash received in other investment		
Subtotal of investment cash flow-in	10,901,567.18	13,554,611.45
Cash paid for purchasing fixed assets, invisible assets and other long-term assets	88,049,770.17	30,403,694.08
Cash paid for investment		
Net increase of pledged loan		
Net cash value paid by subsidiaries and other branches		
Cash paid for other investment	6,587,674.66	
Subtotal of investment cash flow-out	94,637,444.83	30,403,694.08
Net cash flow generated in investment	-83,735,877.65	-16,849,082.63
III. Cash flow generated in fund raising		
Cash received from investment absorbing		
Including: Cash received from minority shareholders affiliated by subsidiaries		
Cash received through loan	115,000,000.00	111,000,000.00
Cash received by bond issuance		
Cash received from other fund raising		
Subtotal of raising cash flow-in	115,000,000.00	111,000,000.00
Cash paid for debt	90,144,561.72	81,326,909.86
Cash paid for distribution of dividend, profits of interest disbursement	5,627,802.73	3,513,422.21
Including: dividends and profits paid by subsidiaries to minority shareholders		
Cash paid in other fund raising		
Subtotal of raising cash flow-out	95,772,364.45	84,840,332.07
Net cash flow generated in fund raising	19,227,635.55	26,159,667.93
IV. Exchange rate effect on cash and cash equivalent	122,265.75	-751,062.62
V. Net increase value of cash and its	-350,594,476.06	-21,989,574.52

equivalent		
Plus: balances of term beginning cash and cash equivalent	3,579,426,457.65	3,016,690,549.09
VI. Balances of term end cash and cash equivalent	3,228,831,981.59	2,994,700,974.57

Company's legal representative: Xu Jianguo Person in charge of accounting: Si Wenpei
Accounting manager: Zou Xiaolu

Parental company's cash flow statement

Jan. – Mar. 2008

Unit: Yuan Currency: RMB Type: Unaudited

Item	Amount of current period	Amount of previous period
I. Cash flow generated in business		
Cash received by selling commodities or providing labor service	367,701.27	
Returned tax received		
Cash received in other business		
Subtotal of business cash flow-in	367,701.27	
Cash paid for buying commodities or accepting labor service		
Cash paid to or for employees	15,495,153.83	2,406,283.96
Taxes paid		772,067.64
Cash paid for other business	6,064,535.10	8,583,999.77
Subtotal of business cash flow-in	21,559,688.93	11,762,351.37
Net cash flow generated in business	-21,191,987.66	-11,762,351.37
II. Cash flow generated in investment		
Cash received from returned investment	5,000,000.00	
Cash received from investment income	2,232,192.51	59,326.41
Net cash received by disposing fixed assets, invisible assets and other long-term assets		
Net cash amount received from the disposal of subsidiaries and other branches		
Cash received in other investment		
Subtotal of investment cash flow-in	7,232,192.51	59,326.41
Cash paid for purchasing fixed assets, invisible assets and other long-term assets	268,062.50	
Cash paid for investment		
Net cash value paid by subsidiaries and other branches		
Cash paid for other investment		
Subtotal of investment cash flow-out	268,062.50	
Net cash flow generated in investment	6,964,130.01	59,326.41
III. Cash flow generated in fund raising		
Cash received from investment absorbing		
Cash received through loan	40,000,000.00	40,000,000.00
Cash received from other fund raising		
Subtotal of raising cash flow-in	40,000,000.00	40,000,000.00
Cash paid for debt	40,000,000.00	40,000,000.00
Cash paid for distribution of dividend, profits of interest disbursement	628,560.00	502,200.00

Cash paid in other fund raising		
Subtotal of raising cash flow-out	40,628,560.00	40,502,200.00
Net cash flow generated in fund raising	-628,560.00	-502,200.00
IV. Exchange rate effect on cash and cash equivalent		
V. Net increase value of cash and its equivalent	-14,856,417.65	-12,205,224.96
Plus: balances of term beginning cash and cash equivalent	109,339,205.40	120,320,861.59
VI. Balances of term end cash and cash equivalent	94,482,787.75	108,115,636.63

Company's legal representative: Xu Jianguo Person in charge of accounting: Si Wenpei
Accounting manager: Zou Xiaolu