

**2009 the First Quarter Report of Shanghai
Mechanical & Electrical Industry Co., Ltd.**

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§1 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 If any member of the board of directors does not attend the board meeting, the name shall be listed separately.

Position of the Absent Board Member	Name of the Absent Board Member	Notes on the of the Absent Board Member
Independent Director	Liang Gongjie	On a business trip.

1.3 The Company's first quarter financial report has not been audited.

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 annual report is true and complete.

§2 Company's Basic Information

2.1 Main accounting datum and financial indexes

Currency: RMB

	Term End	Term End of the Previous Year	Term End Increase/Decrease Based on the Same Term of the Previous Year (%)
Total assets (Yuan)	10,931,292,753.56	10,476,999,796.84	4.34
Owners' equity (or shareholders' equity) (Yuan)	4,708,998,614.45	4,564,542,108.20	3.16
Net assets per share of shareholders of listed company (Yuan)	4.60	4.46	3.14
	Year Beginning to Term End		Increase/Decrease Based on the Same Term of the Previous Year (%)
Net cash flow generated in business (Yuan)	378,297,459.15		Inapplicable
Net Cash Flow Generated in business per share (Yuan)	0.37		
	Report Term	Year beginning to Term End	Increase/Decrease Based on the Same Term of the Previous Year (%)
Net profits of shareholders of listed company (Yuan)	136,658,876.02	136,658,876.02	3.21
Basic earnings per share (Yuan)	0.134	0.134	3.88
Basic earnings per share after deduction of non-frequent profits and losses (Yuan)	0.130	0.130	2.36
Diluted earnings per share (Yuan)	0.134	0.134	3.88
Fully diluted yield rate (%)	2.90	2.90	Decreased by 0.26%
Fully diluted yield rate of net	2.83	2.83	Decreased by 0.28%

assets after non-frequent profits and losses (%)			
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Deducting non-recurring profit and loss items and amount:

Items of the non-frequent profits and losses	Amount from Year Beginning to Term End (Yuan)	Notes
Disposal of profits and losses of non-current assets	-504,970.59	Profit and Loss by Disposal of Fixed Assets
Non-business income and expenses other than the items above	5,685,071.37	
Effected amount of minority equity	-1,110,396.23	
Effected amount of income tax	-800,249.74	
Total	3,269,454.81	

2.2 Number of Shareholders at the term end and shareholding information of the top ten non-restricted shareholders

Unit: Share

Total number of shareholders up to the end of the reporting period is 86,440 units, including 52,326 units of A-tradable shareholders and 34,114 units of B-tradable shares.		
Shareholding information of the top 10 Non-Restricted Shareholders		
Name of the Shareholder (full name)	Non-Restricted Shares Owned at the term end	Types of Shares
Agriculture Bank of China: Zhongyou Hexin Chengzhang Securities Investment Fund	38,495,993	RMB common shares
Agriculture Bank of China: Zhongyou Hexin Youxuan Securities Investment Fund	25,439,749	RMB common shares
Bank of China: Jiashi Services Value-added Industry Securities Investment Fund	12,749,990	RMB common shares
Bank of China: Gongyin Ruixin Hexin Stock Securities Investment Fund	6,800,000	RMB common shares
Bank of China: Jinshun Changcheng Dingyi Stock Open-end Securities Investment Fund	5,000,000	RMB common shares
China Life Insurance Co., Ltd - Dividend - Individual dividend-005L-FH002 Shanghai	4,862,616	RMB common shares
Construction Bank of China – Haifutong Preferred Stock Securities Investment Fund	4,816,530	RMB common shares
Industrial and Commercial Bank of China: Jingshun Changcheng Essential Blue Chips Securities Investment Fund	4,200,000	RMB common shares
New China Life Insurance Co., Ltd - Dividend – Group Dividend -018L-FH001 Shanghai	4,099,075	RMB common shares
TOYO SECURITIES ASIA LTD. A/C CLIENT	3,914,787	Foreign investment owned shares listed domestically and overseas

§3 Significant events

3.1 The substantial changes in the Company's main accounting statement items and financial indicators and the causes

Applicable Inapplicable

Net cash flow generated in business has a substantial increase comparing with the same term of last year mainly due to the increase in contract items received in advance and the reduction in procurement payment comparing with the same period of last year.

3.2 Progress on major projects, the impact, and analysis on the solutions

Applicable Inapplicable

In order to promote the integration of the company's printing machinery business, the company's 22nd Session of the 5th Board Meeting approved the following resolutions:

The company's subsidiary Shanghai Electric Group Printing and Packing Machinery Co., Ltd. (hereinafter referred to as Printing and Packing Co.) purchases from Ziwen Investment Co., Ltd. (hereinafter referred to as Ziwen) 50% shareholding of Shanghai Purlux Machinery Co., Ltd. (hereinafter referred to as Shanghai Purlux) at RMB 85.92 million and 50% shareholding of Shanghai Guanghua Printing Machinery Co., Ltd. (hereinafter referred to as Shanghai Guanghua) at RMB 199.72 million;

Purchases 50% shareholding of Akiyama International Co., Ltd. from Bowton Limited at RMB 30.9 million;

Shanghai Purlux sells 10% shareholding of Shanghai Purple Magna Machinery Co., Ltd at listed price no lower than RMB 11.54 million;

After completing the above shareholding acquisition of Akiyama International, Printing and Packing Co. adds investment of RMB 200 million to Akiyama International;

Printing and Packing Co. purchases 22.14% shareholding of Shanghai Shen Wei Da Machinery Co., Ltd. (hereinafter referred to as Shen Wei Da) from Hong Kong Huawei Trading Co., Ltd. (hereinafter referred to as Hong Kong Huawei) at RMB 15.6656 million; purchases 2.86% shareholding of Shen Wei Da from U.S. Shanghai Mechanical and Electric Trading Co., Ltd. at the listed price no higher than RMB 2.0236 million.

After completing the above acquisition, Shanghai Purlux and Shanghai Shen Wei Da will become Printing and Packing Co.'s wholly-owned subsidiaries.

The series of acquisitions in the printing machinery business eliminated the obstacles in integration, and Shanghai Mechanical & Electrical Industry Co., Ltd. will continue to urge Printing and Packing Co. to rationalize its property rights structure and seek acquisitions as well as other integration measures, through integrated management and operation to achieve synergistic effect in R & D, manufacturing, sales and financial integration, further control and reduce costs, increase profits, maximize the business value, and therefore enhance the overall competitiveness.

3.3 The Company, the shareholders, and its actual controller's fulfillment of the commitments

Applicable Inapplicable

Committed Items	Content of commitments	Fulfilling of commitments
Equity reform commitment	Shanghai Electric Co., Ltd. will actively support its subsidiary Shanghai M&E in industrial integration of the parent company's printing and packaging machinery business.	Shanghai Electric Group Co., Ltd. has fulfilled its commitment, supporting the company in the purchase of foreign equity of the parent company's sheet-fed offset press business so as to create synergy effect and maximize business value through integration of printing machinery business to improve its competitiveness.

3.4 The forecast and warning on the possible loss on the cumulative net profit from the year beginning to the next term end or the substantial changes comparing with the same term of last year and the causes.

Applicable Inapplicable

Shanghai Mechanical & Electrical Industry Co., Ltd.

Legal representative: Xu Jianguo

April 22nd, 2009

§4 Appendix

4.1

Combined Balance SheetMarch 31st, 2009

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	4,674,093,846.21	4,158,196,775.09
Provision settlement		
Funds for inter-bank lending		
Trading financial assets		
Notes receivable	109,727,349.47	112,936,778.81
Payment receivable	962,835,551.85	789,621,018.61
Advanced payment	306,182,815.25	255,338,925.27
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract provision receivable		
Interest receivable		9,861,297.95
Dividend receivable	38,550,651.41	38,550,651.41
Other account receivable	127,664,271.24	361,543,659.21
Buying of counter-purchased financial assets		
Stock	1,741,604,571.39	1,842,545,657.25
Non-current assets to be due in a year		
Other floating assets		
Total floating assets	7,960,659,056.82	7,568,594,763.60
Non-current assets:		
Loan and advanced-payment giving		
Financial assets available for sale	45,998,651.14	34,454,057.04
Investment fund held to term end		
Long-term account receivable		
Long-term equity investment	1,158,521,795.13	1,110,507,140.27
Investment real estate		
Fixed assets	1,327,735,620.28	1,350,524,692.30
Construction in progress	116,823,993.33	90,505,083.66
Engineering materials		
Liquidation of fixed assets		
Manufacturing biological assets		
Gas and oil assets		
Invisible assets	228,176,922.95	230,169,872.06
Development expense		
Goodwill	3,627,166.84	3,627,166.84
long-term fees to be apportioned	26,582,410.25	27,934,076.68
Deferred income tax assets	63,167,136.82	60,682,944.39
Other non-current assets		
Total non-current assets	2,970,633,696.74	2,908,405,033.24
Total assets	10,931,292,753.56	10,476,999,796.84
Floating liabilities:		
Short-term loan	331,500,000.00	350,500,000.00
Loans from central bank		
Deposit absorbing and Vostro account		

Funds for inter-bank borrowing		
Trading financial debts		
Notes payable	5,573,640.00	292,000.00
Payment payable	1,210,386,619.75	1,268,639,641.89
Payment received in advance	2,151,774,970.27	1,936,043,794.15
Fund of selling of counter-purchased financial assets		
Handling charges and commissions payable		
Employees' salaries payable	162,089,847.08	182,809,192.11
Tax payable	164,159,666.28	84,755,557.26
Interest Payable		
Dividend payable	65,010,950.86	65,010,950.86
Other account payable	389,334,642.84	358,418,001.56
Reinsurance accounts payable		
Insurance contract provision		
Proxy securities transaction fund		
Proxy securities undertaking fund		
Non-current liabilities to be due in a year		5,000,000.00
Other floating liabilities	4,397,448.51	10,718,110.61
Total floating liabilities	4,484,227,785.59	4,262,187,248.44
Non-current liabilities:		
Long-term loan	5,059,065.22	5,081,364.59
Bonds payable		
Long-term payment payable	1,753,920.89	1,753,920.89
Specific account payable		
Estimated liabilities		
Deferred income tax liabilities	11,348,083.50	10,223,461.91
Other non-current liabilities	3,700,940.00	3,010,940.00
Total non-current liabilities	21,862,009.61	20,069,687.39
Total liabilities	4,506,089,795.20	4,282,256,935.83
Owners' equity:		
Paid-up capital	1,022,739,308.00	1,022,739,308.00
Capital reserve fund	1,436,104,816.13	1,427,446,370.56
Minus: Treasury stocks		
Surplus accumulation fund	870,313,024.06	870,313,024.06
Normal risk provision		
Unallocated profits	1,393,782,064.77	1,257,123,188.75
Conversion difference of foreign currency report	-13,940,598.51	-13,079,783.17
Total ownership equity of parental company	4,708,998,614.45	4,564,542,108.20
Minority shareholders' equity	1,716,204,343.91	1,630,200,752.81
Total ownership equity	6,425,202,958.36	6,194,742,861.01
Total liabilities and ownership equity	10,931,292,753.56	10,476,999,796.84

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

Accounting manager: Zou Xiaolu

Balance Sheet of Parental CompanyMarch ^{31st}, 2009

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	195,416,140.67	240,393,205.50
Trading financial assets		
Notes receivable		
Payment receivable		
Advanced payment	1,497,418.02	
Interest receivable		
Dividend receivable		
Other account receivable	6,222,547.04	6,600,525.74
Stock		
Non-current assets to be due in a year		
Other floating assets	16,000,000.00	
Total floating assets	219,136,105.73	246,993,731.24
Non-current assets:		
Financial assets available for sale	45,998,651.14	34,454,057.04
Investment fund held to term end		
Long-term account receivable		
Long-term equity investment	3,306,358,505.57	3,289,047,490.33
Investment real estate		
Fixed assets	59,662,319.15	60,309,389.25
Construction in progress		
Engineering materials		
Liquidation of fixed assets		
Manufacturing biological assets		
Gas and oil assets		
Invisible assets	44,731,477.52	44,998,037.42
Development expense		
Goodwill		
long-term fees to be apportioned		
Deferred income tax assets		
Other non-current assets	70,000,000.00	50,000,000.00
Total non-current assets	3,526,750,953.38	3,478,808,974.04
Total assets	3,745,887,059.11	3,725,802,705.28
Floating liabilities:		
Short-term loan		
Trading financial debts		
Notes payable		
Payment payable	4,842,773.48	4,842,773.48
Payment received in advance		
Employees' salaries payable	16,902,550.40	17048,630.29
Tax payable	158,331.24	153,883.19

Interest Payable		
Dividend payable		
Other account payable	686,855,488.01	690,068,670.95
Non-current liabilities to be due in a year		
Other floating liabilities		
Total floating liabilities	708,759,143.13	712,113,957.91
Non-current liabilities:		
Long-term loan		
Bonds payable		
Long-term payment payable		
Specific account payable		
Estimated liabilities		
Deferred income tax liabilities	11,348,083.50	8,461,934.97
Other non-current liabilities		
Total non-current liabilities	11,348,083.50	8,461,934.97
Total liabilities	720,107,226.63	720,575,892.88
Owners' equity:		
Paid-up capital	1,022,739,308.00	1,022,739,308.00
Capital reserve fund	1,423,642,334.25	1,414,983,888.68
Minus: Treasury stocks		
Surplus accumulation fund	262,828,662.81	262,828,662.81
Unallocated profits	316,569,527.42	304,674,952.91
Conversion difference of foreign currency report		
Total ownership equity	3,025,779,832.48	3,005,226,812.40
Total liabilities and ownership equity	3,745,887,059.11	3,725,802,705.28

Legal representative: Xu Jianguo Person in charge of accounting: Si Wenpei Accounting manager: Zou Xiaolu

4.2

Combined Profit Statement

January – March, 2009

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

Unit: Yuan Currency: RMB Type: Unaudited

Item	Amount of current period	Amount of previous period
I. Gross trading income	2,344,474,929.90	2,316,491,412.34
Including: Business income	2,344,474,929.90	2,316,491,412.34
Interest received		
Insurance premium earned		
Handling charges and commissions income		
II. Total business cost	2,143,012,149.72	2,115,086,900.56
Including: Business cost	1,873,897,756.19	1,861,863,686.07
Interest expense		
Handling charges and commissions expense		
Surrender value		
Net indemnity expense		

Net provision of insurance contract		
Insurance policy dividends expense		
Reinsurance expense		
Business taxes and additional ones	8,894,401.18	6,704,249.05
Sales expense	127,798,549.45	131,402,491.89
Management expenses	163,726,144.58	144,957,146.95
Financial expenses	-10,473,263.51	-9,773,908.95
Assets devaluation loss	-20,831,438.17	-20,066,764.45
Plus: Fair value change income (“-” means loss)		
Investment income (“-” means loss)	48,014,654.87	52,705,500.05
Including: Investment income from cooperative business and joint companies	48,014,654.87	47,837,272.44
Exchange income (“-” means loss)		
III. Business profits (“-” means loss)	249,477,435.05	254,110,011.83
Plus: Non-revenue receipt	7,468,249.11	3,090,159.25
Minus: Non-business expenditure	1,012,822.63	1,233,006.08
Including: loss of non-current assets disposal	52,354.10	155,624.83
IV. Total profits (“-” means loss)	255,932,861.53	255,967,165.00
Minus: Income tax	32,520,400.40	44,027,374.05
V. Net profits (“-” means loss)	223,412,461.13	211,939,790.95
Net profits of parental company owner	136,658,876.02	132,406,144.48
Profit and loss of minority shareholders	86,753,585.11	79,533,646.47
VI. Income per share:		
(I) Basic income per share	0.134	0.129
(II) Diluted income per share	0.134	0.129

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

Parental Company's Profit Statement

January – March, 2009

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

Unit: Yuan Currency: RMB Type: Unaudited

Item	Amount of current period	Amount of previous period
I. Business income	1,072,217.17	202,497.30
Minus: Business cost		
Business taxes and additional ones	49,599.52	11,238.61
Sales expense		
Management expenses	7,318,373.24	7,393,699.40
Financial expenses	-933,192.98	262,461.23
Assets devaluation loss		
Plus: Fair value change income (“-” means loss)		
Investment income (“-” means loss)	17,327,137.12	14,564,759.75
Including: Investment income from cooperative business and joint companies	17,311,015.24	12,332,567.24
II. Business profits (“-” means loss)	11,964,574.51	7,099,857.81
Plus: Non-revenue receipt		

Minus: Non-business expenditure	70,000.00	106,055.41
Including: loss of non-current assets disposal		
III. Total profits (“-” means loss)	11,894,574.51	6,993,802.40
Minus: Income tax		
IV. Net profits (“-” means loss)	11,894,574.51	6,993,802.40

Company’s legal representative: Xu Jianguo

Person in charge of accounting: Si Wenpei

Accounting manager: Zou Xiaolu

4.3

Combined Statement of Cash Flow

January – March, 2009

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

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	2,689,765,070.91	2,438,831,482.81
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	12,042,301.20	5,786,869.22
Cash received in other business	78,694,478.72	102,021,104.89
Subtotal of business cash flow-in	2,780,501,850.83	2,546,639,456.92
Cash paid for buying commodities or accepting labor service	1,958,747,407.95	2,343,337,224.86
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	128,319,132.93	159,193,632.97
Taxes paid	99,629,370.90	82,543,124.66
Cash paid for other business	215,508,479.90	247,773,974.14
Subtotal of business cash flow-out	2,402,204,391.68	2,832,847,956.63
Net cash flow generated in business	378,297,459.15	-286,208,499.71
II. Cash flow generated in investment		
Cash received from returned investment	229,930,940.88	8,501,597.67
Cash received from investment income		2,278,532.51
Net cash received by disposing fixed assets, invisible assets and other long-term assets	551,779.00	121,437.00
Net cash amount received from the disposal of subsidiaries and other branches		
Cash received in other investment		
Subtotal of investment cash flow-in	230,482,719.88	10,901,567.18
Cash paid for purchasing fixed assets, invisible assets and other long-term assets	62,593,595.01	88,049,770.17

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	62,593,595.01	94,637,444.83
Net cash flow generated in investment	167,889,124.87	-83,735,877.65
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	110,000,000.00	115,000,000.00
Cash received by bond issuance		
Cash received from other fund raising		
Subtotal of raising cash flow-in	110,000,000.00	115,000,000.00
Cash paid for debt	134,000,000.00	90,144,561.72
Cash paid for distribution of dividend, profits of interest disbursement	6,198,654.26	5,627,802.73
Including: dividends and profits paid by subsidiaries to minority shareholders		
Cash paid for other fund raising		
Subtotal of raising cash flow-out	140,198,654.26	95,772,364.45
Net cash flow generated in fund raising	-30,198,654.26	19,227,635.55
IV. Exchange rate effect on cash and cash equivalent	-90,858.64	122,265.75
V. Net increase value of cash and its equivalent	515,897,071.12	-350,594,476.06
Plus: balances of term beginning cash and cash equivalent	3,658,196,775.09	3,579,426,457.65
VI. Balances of term end cash and cash equivalent	4,174,093,846.21	3,228,831,981.59

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

Accounting manager: Zou Xiaolu

Parental Company's Cash Flow Statement

January – March, 2009

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

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	1,072,217.17	
Returned tax received		
Cash received in other business	940,364.17	367,701.27
Subtotal of business cash flow-in	2,012,581.34	367,701.27
Cash paid for buying commodities or accepting labor service		
Cash paid to or for employees	4,111,853.82	15,495,153.83
Taxes paid	48,069.94	
Cash paid for other business	6,810,544.84	6,064,535.10
Subtotal of business cash flow-out	10,970,468.60	21,559,688.93
Net cash flow generated in business	-8,957,887.26	-21,191,987.66

II. Cash flow generated in investment		
Cash received from returned investment		5,000,000.00
Cash received from investment income	27,560.00	2,232,192.51
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	27,560.00	7,232,192.51
Cash paid for purchasing fixed assets, invisible assets and other long-term assets	46,737.57	268,062.50
Cash paid for investment	36,000,000.00	
Net cash value paid by subsidiaries and other branches		
Cash paid for other investment		
Subtotal of investment cash flow-out	36,046,737.57	268,062.50
Net cash flow generated in investment	-36,019,177.57	6,964,130.01
III. Cash flow generated in fund raising		
Cash received from investment absorbing		
Cash received through loan		40,000,000.00
Cash received from other fund raising		
Subtotal of raising cash flow-in		40,000,000.00
Cash paid for debt		40,000,000.00
Cash paid for distribution of dividend, profits of interest disbursement		628,560.00
Cash paid for other fund raising		
Subtotal of raising cash flow-out		40,628,560.00
Net cash flow generated in fund raising		-628,560.00
IV. Exchange rate effect on cash and cash equivalent		
V. Net increase value of cash and its equivalent	-44,977,064.83	-14,856,417.65
Plus: balances of term beginning cash and cash equivalent	240,393,205.50	109,339,205.40
VI. Balances of term end cash and cash equivalent	195,416,140.67	94,482,787.75

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

Accounting manager: Zou Xiaolu