

Shanghai Mechanical & Electrical Industry Co., Ltd.

600835

The Company's First Quarter Report in 2010

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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 The Company's all the directors are attend the board meeting.

1.3 The company's first quarter financial report is unaudited.

1.4

Principal of the company	Xu Jianguo
Person in charge of accounting	Si Wenpei
Accounting agency responsible person (accounting manager)'s Name	Zou Xiaolu

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.

§ 2 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/Decrease of the end of the reporting period than the end of the last year (%)
Total assets (Yuan)	13,600,158,747.36	13,111,628,464.45	3.73
Owners' equity (or shareholders' equity) (Yuan)	5,118,843,967.54	4,950,057,722.39	3.41
Net assets per share of shareholders of listed company (Yuan/Share)	5.01	4.84	3.51
	Year Beginning to Term End		Increase/Decrease based on the same term of the last year (%)
Net cash flow generated in business (Yuan)		30,469,639.28	-91.95
Net Cash Flow form Operating Activities (Yuan/Share)		0.03	-91.89
	Report Term	Year Beginning to Term End	Increase/Decrease of the reporting period than the same period of the last year (%)
Net profits of shareholders of listed company (Yuan)	169,447,974.95	169,447,974.95	23.99
Basic income per share (Yuan/Share)	0.166	0.166	23.88
Basic earnings per share after non-frequent profit and loss (Yuan/Share)	0.163	0.163	25.38
Diluted earning per share (Yuan/Share)	0.166	0.166	23.88
Weighted average of Yield	3.37	3.37	Increased by 0.47

rate of net assets (%)			
Weighted average of yield rate of net assets after non-frequent profits and losses (%)	3.31	3.31	Increased by 0.48

Deducting non-recurring profit and loss items and amount:

Unit: Yuan Currency: RMB

Item	Amount
Profits and losses of disposal of non-current assets	-60,384.29
Government subsidies calculated into profit or loss of the report period (except for fixed-amount or ratio of government subsidies closely related to companies' operation according to unified national standards)	25,800.00
Non-business income and expenses other than the items above	4,204,260.53
Amount affected by income tax	-669,398.44
Amount affected by minority shareholders' interest (after tax)	-615,619.48
Total	2,884,658.32

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 98,079 units, including 64,765 units of A-tradable shareholders and 33,314 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	Type
Shanghai Electric Group Co., Ltd.	483,520,364	RMB common shares
Agriculture Bank of China: Zhongyou Hexin Chengzhang Securities Investment Fund	28,628,417	RMB common shares
Agriculture Bank of China: Zhongyou Hexin Youxuan Securities Investment Fund	17,632,535	RMB common shares
China Industrial and Commercial Bank of China – Lion Balance Securities Investment Fund	5,866,370	RMB common shares
The People's Insurance Company of China - Traditional - Ordinary Insurance Products-008C-CT001 Shanghai	4,999,864	RMB common shares
CITIC Securities Co., Ltd.	3,654,670	RMB common shares
TOYO SECURITIES ASIA LTD. A/C CLIENT	3,537,268	Foreign Domestically listed foreign shares
MANULIFE GLOBAL FUND	3,003,983	Foreign Domestically listed foreign shares
Industrial and Commercial Bank of China Ltd. - China Shanghai and Shenzhen 300 Index Securities Investment Fund	2,762,258	RMB common shares
Bank of China - Castrol Shanghai and Shenzhen 300 Index Securities Investment Fund	2,585,199	RMB common shares

§ 3 Significant events

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

Applicable Not applicable

The decrease in net operating activities cash flow from last year is mainly due to the increase in raw material procurement.

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

Applicable Not applicable

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

Applicable Not applicable

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 Not applicable

3.5 Implementation of the Company's profit sharing policy during the reporting period

During the report period, there is no cash dividend.

Shanghai Mechanical & Electrical Industry Co., Ltd.

Company's legal representative: Xu Jianguo

April 27th, 2010

§ 4 Appendix

4.1

Combined Balance Sheet

March 31st, 2010

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

Unit: Yuan Currency: RMB Type: Unaudited

Item	Term-end balance	Year-beginning balance
Floating assets:	5,881,188,169.71	5,905,618,386.67
Monetary fund		
Provision settlement		
Funds for inter-bank lending		
Trading financial assets		
Notes receivable	123,857,901.70	181,162,671.29
Payment receivable	1,189,174,425.48	998,917,972.98
Advanced payment	487,395,442.13	332,214,189.42
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract provision receivable		
Interest receivable		6,289,687.50
Dividend receivable	9,109,781.55	9,428,818.94
Other account receivable	143,196,190.35	139,601,399.88
Buying of counter-purchased financial assets		
Stock	2,252,049,637.45	2,105,104,591.23
Non-current assets to be due in a year		
Other floating assets		
Total floating assets	10,085,971,548.37	9,678,337,717.91
Non-current assets:		
Entrusted Loan and advanced-payment giving		
Financial assets available for sale	65,953,365.06	67,378,568.05
Investment fund held to term end		
Long-term payment payable		
Long-term equity investment	1,200,507,834.59	1,131,494,722.24
Investment real estate	79,391,512.30	80,347,014.79
Fixed assets	1,542,517,480.31	1,508,837,339.86
Construction in progress	107,719,065.03	118,928,402.94
Engineering materials		
Liquidation of fixed assets		
Manufacturing biological assets		
Gas and oil assets		
Invisible assets	350,935,452.32	354,630,274.79
Development expense		
Goodwill	77,068,187.05	77,068,187.05

long-term fees to be apportioned	7,652,788.68	8,242,770.62
Deferred income tax assets	82,441,513.65	86,363,466.20
Other non-current assets		
Total non-current assets	3,514,187,198.99	3,433,290,746.54
Total assets	13,600,158,747.36	13,111,628,464.45
Floating liabilities:		
Short-term loan	408,500,000.00	440,500,000.00
Loans from central bank		
Deposit absorbing and Vostro account		
Funds for inter-bank borrowing		
Trading financial debts		
Notes payable	19,118,042.75	21,889,473.00
Account payable	1,349,096,499.82	1,425,621,794.23
Payment received in advance	3,694,142,541.21	3,312,780,065.95
Fund of selling of counter-purchased financial assets		
Handling charges and commissions payable		
Employees' salaries payable	155,668,429.27	202,063,672.66
Tax payable	105,465,438.59	157,284,409.05
Interest Payable		
Dividend payable	25,184,072.84	25,306,407.46
Other account payable	547,940,006.41	490,657,810.44
Reinsurance account 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	5,000,000.00
Other floating liabilities	44,861,630.59	43,239,740.00
Total floating liabilities	6,354,976,661.48	6,124,343,372.79
Non-current liabilities:		
Long-term loan	160,051,234.65	160,053,922.36
Bonds payable		
Long-term payment payable	1,753,920.89	1,753,920.89
Specific account payable		
Estimated liabilities		
Deferred income tax liabilities	45,069,702.46	47,336,763.48
Other non-current liabilities	18,115,650.00	10,115,650.00
Total non-current liabilities	224,990,508.00	219,260,256.73
Total liabilities	6,579,967,169.48	6,343,603,629.52
Owners' equity (or shareholders' equity)		
Paid-up capital (or equity)	1,022,739,308.00	1,022,739,308.00
Capital reserve fund	1,474,888,519.61	1,475,955,651.14
Minus: Treasury stocks		
Special reserve		

Surplus accumulation fund	1,003,506,333.84	1,003,506,333.84
Normal risk provision		
Unallocated profits	1,631,238,047.09	1,461,790,072.14
Conversion difference of foreign currency report	-13,528,241.00	-13,933,642.73
Total ownership equity of parental company	5,118,843,967.54	4,950,057,722.39
Minority shareholders' equity	1,901,347,610.34	1,817,967,112.54
Total ownership equity	7,020,191,577.88	6,768,024,834.93
Total liabilities and equity	13,600,158,747.36	13,111,628,464.45

Company's legal representative: Xu Jianguo

Person in charge of accounting: Si Wenpei

Accounting manager: Zou Xiaolu

Balance Sheet of Parental Company

March 31st, 2010

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	359,338,722.58	348,207,611.92
Trading financial assets		
Notes receivable		
Payment receivable		
Advanced payment	1,538,245.17	
Interest receivable		
Other account receivable	3,698,706.81	3,998,706.81
Stock		
Non-current assets to be due in a year		
Other floating assets		
Total floating assets	364,575,674.56	352,206,318.73
Non-current assets:		
Financial assets available for sale	65,399,958.38	66,832,244.22
Investment fund held to term end		
Long-term payment payable		
Long-term equity investment	2,946,952,133.21	2,929,139,513.20
Investment real estate		
Fixed assets	58,753,913.29	59,318,890.98
Construction in progress		
Engineering materials		
Liquidation of fixed assets		
Manufacturing biological assets		
Gas and oil assets		
Invisible assets	43,665,237.92	43,931,797.82
Development expense		
Goodwill		
long-term fees to be apportioned		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	3,114,771,242.80	3,099,222,446.22
Total assets	3,479,346,917.36	3,451,428,764.95
Floating liabilities:		
Short-term loan		
Trading financial debts		
Notes payable		

Account payable	4,842,773.48	4,842,773.48
Payment received in advance		
Employees' salaries payable	6,913,845.83	8,737,632.85
Tax payable	158,033.98	157,753.59
Interest Payable		
Dividend payable		
Other account payable	20,762,846.57	23,577,676.49
Non-current liabilities to be due in a year		
Other floating liabilities		
Total floating liabilities	32,677,499.86	37,315,836.41
Non-current liabilities:		
Long-term loan		
Bonds payable		
Long-term payment payable		
Specific account payable		
Estimated liabilities		
Deferred income tax liabilities	16,198,410.30	16,556,481.76
Other non-current liabilities		
Total non-current liabilities	16,198,410.30	16,556,481.76
Total liabilities	48,875,910.16	53,872,318.17
Owners' equity (or shareholders' equity)		
Paid-up capital (or equity)	1,022,739,308.00	1,022,739,308.00
Capital reserve fund	1,438,193,314.69	1,439,267,529.07
Minus: Treasury stocks		
Special reserve		
Surplus accumulation fund	309,860,655.29	309,860,655.29
Normal risk provision		
Unallocated profits	659,677,729.22	625,688,954.42
Total owners' equity (or shareholders' equity)	3,430,471,007.20	3,397,556,446.78
Total owners' equity (or shareholders' equity)	3,479,346,917.36	3,451,428,764.95

Company's legal representative: Xu Jianguo

Person in charge of accounting: Si Wenpei

Accounting manager: Zou Xiaolu

Combined Profit Statement

Jan. – Mar. 2010

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	2,739,090,225.46	2,344,474,929.90
Including: Business income	2,739,090,225.46	2,344,474,929.90
Interest received		
Insurance premium earned		
Handling charges and commissions income		
II. Total business cost	2,532,059,426.19	2,143,012,149.72
Including: Business cost	2,199,896,810.44	1,873,897,756.19
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 additions	12,045,757.27	8,894,401.18
Sales expenses	123,275,317.18	127,798,549.45
Management expenses	217,513,666.13	163,726,144.58
Finance expenses	-7,999,584.46	-10,473,263.51
Assets devaluation loss	-12,672,540.37	-20,831,438.17
Plus: Fair value change income ("-" means loss)		
Investment income ("-" means loss)	80,532,855.61	48,014,654.87
Including: Investment income from cooperative business and joint companies	80,554,286.24	48,014,654.87
Exchange income ("-" means loss)		
III. Business profits ("-" means loss)	287,563,654.88	249,477,435.05
Plus: Non-revenue receipt	5,580,313.05	7,468,249.11
Minus: Non-business expenditure	725,776.18	1,012,822.63
Including: Losses from disposal of non-current assets	152,161.23	52,354.10
IV. Total profits ("-" means loss)	292,418,191.75	255,932,861.53
Minus: Income tax expense	35,689,718.99	32,520,400.40
V. Net profit ("-" means loss)	256,728,472.76	223,412,461.13
Net profits of parental company owner	169,447,974.95	136,658,876.02
Profit and loss of minority shareholders	87,280,497.81	86,753,585.11
VI. Income per share:		
(I) Basic income per share	0.166	0.134

(II) Diluted income per share	0.166	0.134
VII. Other comprehensive income	-661,729.80	7,797,630.23
VIII. Total comprehensive income	256,066,742.96	231,210,091.36
Total comprehensive income attributable to parent company owners	168,786,245.15	144,456,506.25
Total comprehensive income attributable to minority shareholders	87,280,497.81	86,753,585.11

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

Parental Company's Profit Statement

Jan. – Mar. 2010

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	401,690.00	1,072,217.17
Minus: Business cost		
Business taxes and additions	42,273.81	49,599.52
Sales expenses		
Management expenses	5,447,830.77	7,318,373.24
Finance expenses	-1,264,569.37	-933,192.98
Assets devaluation loss		
Plus: Fair value change income ("- " means loss)		
Investment income ("- " means loss)	37,812,620.01	17,327,137.12
Including: Investment income from cooperative business and joint companies	17,812,620.01	17,311,015.24
II. Business profits ("- " means loss)	33,988,774.80	11,964,574.51
Plus: Non-revenue receipt		
Minus: Non-business expenditure		70,000.00
其中：非流动资产处置损失		
III. Total profits ("- " means loss)	33,988,774.80	11,894,574.51
Minus: Income tax expense		
IV. Net profit ("- " means loss)	33,988,774.80	11,894,574.51
V. Income per share:		
(I) Basic income per share	0.033	0.012
(II) Diluted income per share	0.033	0.012
VI. Other comprehensive income	-1,074,214.38	8,658,445.57
VII. Total comprehensive income	32,914,560.42	20,553,020.08

Company's legal representative: Xu Jianguo

Person in charge of accounting: Si Wenpei

Accounting manager: Zou Xiaolu

Combined Statement of Cash Flow

Jan. – Mar. 2010

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	3,294,722,423.20	2,689,765,070.91
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 interest, handling charge and commission		
Net increase of funds for inter-bank borrowing		
Net increase of counter-purchased business fund		
Returned tax received	10,323,354.49	12,042,301.20
Cash received in other business	98,941,963.37	78,694,478.72
Subtotal of business cash flow-in	3,403,987,741.06	2,780,501,850.83
Cash paid for buying commodities or accepting labor service	2,701,144,427.34	1,958,747,407.95
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 interest, handling charge and commission		
Cash paid for insurance policy dividends		
Cash paid to or for employees	154,438,711.40	128,319,132.93
Taxes paid	185,533,075.75	99,629,370.90
Cash paid for other business activities	332,401,887.29	215,508,479.90
Subtotal of business cash flow-out	3,373,518,101.78	2,402,204,391.68
Net cash flow generated in business	30,469,639.28	378,297,459.15
II. Cash flow generated in investment		
Cash received from returned investment	11,519,743.26	229,930,940.88
Cash received from investment income	319,037.39	
Net cash received by disposing fixed assets, invisible assets and other long-term assets	40,392,350.00	551,779.00
Net cash amount received from the disposal of subsidiaries		

and other branches		
Cash received in other investment	8,000,000.00	
Subtotal of investment cash flow-in	60,231,130.65	230,482,719.88
Cash paid for purchasing fixed assets, invisible assets and other long-term assets	72,247,652.37	62,593,595.01
Cash paid for investment		
Net increase of pledged loan		
Net cash value paid by subsidiaries and other branches		
Cash paid for other investment		
Subtotal of investment cash flow-out	72,247,652.37	62,593,595.01
Net cash flow generated in investment	-12,016,521.72	167,889,124.87
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	98,000,000.00	110,000,000.00
Cash received by bond issuance		
Cash received from other fund raising		
Subtotal of raising cash flow-in	98,000,000.00	110,000,000.00
Cash paid for debt	130,000,000.00	134,000,000.00
Cash paid for distribution of dividend, profits of interest disbursement	10,759,542.50	6,198,654.26
Including: dividends and profits paid by subsidiaries to minority shareholders	3,900,000.00	
Cash paid in other fund raising		
Subtotal of raising cash flow-out	140,759,542.50	140,198,654.26
Net cash flow generated in fund raising	-42,759,542.50	-30,198,654.26
IV. Exchange rate effect on cash and cash equivalent	-123,792.02	-90,858.64
V. Net increase value of cash and its equivalent	-24,430,216.96	515,897,071.12
Plus: balances of term beginning cash and cash equivalent	5,355,618,386.67	3,658,196,775.09
VI. Balances of term end cash and cash equivalent	5,331,188,169.71	4,174,093,846.21

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. 2010

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	401,690.00	1,072,217.17
Returned tax received		
Cash received in other business		940,364.17
Subtotal of business cash flow-in	401,690.00	2,012,581.34
Cash paid for buying commodities or accepting labor service		
Cash paid to or for employees	2,998,769.14	4,111,853.82
Taxes paid	43,159.30	48,069.94
Cash paid for other business activities	6,222,790.90	6,810,544.84
Subtotal of business cash flow-in	9,264,719.34	10,970,468.60
Net cash flow generated in business	-8,863,029.34	-8,957,887.26
II. Cash flow generated in investment		
Cash received from returned investment		
Cash received from investment income	20,000,000.00	27,560.00
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	20,000,000.00	27,560.00
Cash paid for purchasing fixed assets, invisible assets and other long-term assets	5,860.00	46,737.57
Cash paid for investment		36,000,000.00
Net increase of pledged loan		
Net cash value paid by subsidiaries and other branches		
Cash paid for other investment		
Subtotal of investment cash flow-out	5,860.00	36,046,737.57
Net cash flow generated in investment	19,994,140.00	-36,019,177.57
III. Cash flow generated in fund raising		
Cash received from investment absorbing		
Cash received through loan		
Cash received from other fund raising		
Subtotal of raising cash flow-in		
Cash paid for debt		
Cash paid for distribution of dividend, profits of interest		

disbursement		
Cash paid in other fund raising		
Subtotal of raising cash flow-out		
Net cash flow generated in fund raising		
IV. Exchange rate effect on cash and cash equivalent		
V. Net increase value of cash and its equivalent	11,131,110.66	-44,977,064.83
Plus: balances of term beginning cash and cash equivalent	348,207,611.92	240,393,205.50
VI. Balances of term end cash and cash equivalent	359,338,722.58	195,416,140.67

Company's legal representative: Xu Jianguo

Person in charge of accounting: Si Wenpei

Accounting manager: Zou Xiaolu