



(Company Registration Number: 200605703R)
(Incorporated in the Republic of Singapore on 20 April 2006)

For Immediate Release

China Farm well positioned to ride through challenging times

- Expected to benefit from China's recently announced 4 trillion yuan stimulus package in the mid to long term
- Aligned with series of rural reforms introduced by PRC government
- Falling steel prices expected to ease raw materials cost pressure

Singapore, 13 November 2008 – SGX Mainboard-listed China Farm Equipment Limited (“China Farm Equipment” or the “Group”) (中国农业机械有限公司), which is principally engaged in the manufacture and sale of combine harvesters, rotary plough machines and components, agricultural trucks and driver cabins, as well as diesel engines, has announced its 3Q2008 results for the three months ended 30 September 2008 and believed that the Group's fundamentals are well positioned to ride through the current global economic turmoil.

On 9 November 2008, China announced a series of economic-stimulus measures as an extensive effort to offset adverse global economic conditions by boosting domestic demand. The stimulus package, estimated to be a whopping 4 trillion yuan, focuses on ten major steps, one of which is to raise average income in rural and urban areas. The PRC government aims to increase minimum grain purchase and farm subsidies starting 2009. The higher subsidies are expected to strengthen the farmers' purchasing power, which in turn are expected to spell favor for the Group's farming equipment in the mid to long term.

The stimulus package is aligned with the China's recent rural reforms and development exercise. In mid-October 2008, the third plenary session of the 17th Communist Party of China ("CPC") Central Committee had approved plans related to rural reforms, where the government intends to spend more on rural public services and double the per capita disposable income of rural residents by 2020, from the level in 2008 (4,400 yuan). The rural reforms also allow farmers to lease their contracted farmland or transfer their land-use rights with lesser restrictions. All these measures indicate that the China government's continued support for agriculture-related sectors.

“With the proposed China policies coming into place, China Farm Equipment stands to benefit from government subsidies and bigger scale commercial farming in the mid to long term. In the short term, however, we will expect demand to slowdown as a result of cautious spending among local farmers for the rest of the year. We believe that investments into agricultural machinery would resume once there are more certainties in the market.”

~ Wang Shuping (王术平)
Chairman and CEO

For the quarter under review, China Farm Equipment reported a slip in revenue of approximately 22.7% to RMB 95.7 million compared to 3Q2007. This is primarily due to a slowdown in the demand for the Group's range of harvesters, ploughing machines, diesel engines, agricultural trucks and driver cabins and unexpected orders cancellation following the Sichuan earthquake in May 2008 and the recent global economic downturn.

Overall gross profit margin decreased from 26.0% (3Q2007) to 23.1%, due to higher raw material cost at the beginning of the quarter and sales contributions of agricultural trucks that yielded lower margins. This in addition to RMB4.5 million tax expenses made after the expiry of the Group's tax incentives resulted in the decline of 3Q2008 net profit attributable to shareholders to RMB2.6 million. For the nine months ended 30 September 2008, net profit amounted to RMB44.3 million while the Group's cash and cash equivalents stood at RMB43.4 million. Despite the challenging business environment, the Group expects to remain profitable for the current financial year.

On a more positive note, steel prices in China have fallen by over 40% from record highs in early June due to shrinking downstream demand. This will enable the Group to lower its costs of production if the current level of steel prices is sustainable.

-The End -

About China Farm Equipment Limited (Bloomberg Code: CFE.SP)

China Farm Equipment is principally engaged in the manufacture and sale of combine harvesters, rotary plough machines and components, as well as diesel engines. The Company has also expanded into the sales of agricultural trucks, driver cabins and related components.

Its products are sold through its network of more than 260 distributors in more than 30 provinces, autonomous regions, municipalities and special administrative regions in the PRC.

In addition, its combine harvesters and diesel engines are exported to overseas markets, namely, Vietnam, Myanmar and Cambodia through its distributors in the PRC. China Farm Equipment also exports its diesel engines directly to a distributor in Bangladesh.

Issued for and on behalf of China Farm Equipment Limited.
By Financial PR Pte Ltd

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