



## **CHINA FARM EQUIPMENT LIMITED**

(Incorporated in the Republic of Singapore)  
Company Registration Number: 200605703R

Second Quarter Financial Statements Announcement  
For the period ended 30 June 2008

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

- 1(a) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

**CONSOLIDATED COMBINED INCOME STATEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2008**

	2nd Quarter			1st Half		
	2008 RMB '000 Actual	2007 RMB '000 Actual	% Differences	2008 RMB '000 Actual	2007 RMB '000 Actual	% Differences
Sales Revenue	168,739	140,766	19.87%	230,500	183,450	25.65%
Cost of sales	(121,751)	(97,268)	25.17%	(170,265)	(128,557)	32.44%
Gross profit	46,988	43,498	8.02%	60,235	54,893	9.73%
Other operating income	2,238	1,636	36.80%	4,570	2,779	64.45%
Selling and distribution expenses	(3,972)	(4,302)	(7.67%)	(7,881)	(8,955)	(11.99%)
Administrative expenses	(7,732)	(7,046)	9.74%	(14,477)	(10,978)	31.87%
Finance costs	(420)	(326)	28.83%	(627)	(675)	(7.11%)
Profit before taxation	37,102	33,460	10.88%	41,820	37,064	12.83%
Taxation	(57)	-	N.M.	(57)	-	N.M.
Profit after taxation	37,045	33,460	10.71%	41,763	37,064	12.68%

Notes to income statements	2nd Quarter		1st Half	
	2008 RMB '000 Actual	2007 RMB '000 Actual	2008 RMB '000 Actual	2007 RMB '000 Actual
(a) Income statement includes the following:				
Allowances for impairment losses on trade receivables	-	14	-	14
Interest paid on borrowing	420	191	627	374
(Gain)/ Loss on disposal of property, plant and equipment	-	(6)	-	26
Depreciation of property, plant and equipment	821	485	1,454	1,029
Minimum lease payments under operating lease for leasehold buildings	1,772	1,044	2,625	1,982
(b) Other operating income comprises:-				
Interest income	331	266	565	784
Government grant	483	-	1,219	-
Rental income	80	104	198	122
Sale of spare parts and components	624	961	1,461	1,265
Others	720	305	1,127	608
	2,238	1,636	4,570	2,779

- 1(b)(i) A balance sheet (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

**BALANCE SHEETS AS AT 30 JUNE 2008 AND 31 DECEMBER 2007**

	The Group		The Company	
	Unaudited as at 30 June 2008	Audited as at 31 December 2007	Unaudited as at 30 June 2008	Audited as at 31 December 2007
	RMB '000	RMB '000	RMB '000	RMB '000
<b>Non-Current assets</b>				
Land use right	15,231	15,231	-	-
Property, Plant and Equipment	45,216	31,318	538	573
Investment in a subsidiary	-	-	76,058	76,058
	<u>60,447</u>	<u>46,549</u>	<u>76,596</u>	<u>76,631</u>
<b>Current assets</b>				
Inventories	56,430	42,976	-	-
Trade and bills receivables	131,851	71,953	-	-
Other receivables	44,447	32,610	170	176
Amount due from a subsidiary	-	-	45,178	38,433
Cash and cash equivalents	41,637	91,613	12,762	28,360
	<u>274,365</u>	<u>239,152</u>	<u>58,110</u>	<u>66,969</u>
<b>Less: Current Liabilities</b>				
Trade and bills payables	39,861	22,635	-	-
Other payables	18,899	16,465	8,461	1,516
Borrowings	10,000	10,000	-	-
	<u>68,760</u>	<u>49,100</u>	<u>8,461</u>	<u>1,516</u>
<b>Net current assets</b>	205,605	190,052	49,649	65,453
<b>Net assets</b>	<u>266,052</u>	<u>236,601</u>	<u>126,245</u>	<u>142,084</u>
<b>Share capital and reserves</b>				
Share capital	128,405	128,405	128,405	128,405
Retained earnings	123,452	94,077	(1,981)	13,593
Statutory Common Reserve	12,810	12,810	-	-
Exchange translation reserve	1,385	1,309	(179)	86
<b>Total equity</b>	<u>266,052</u>	<u>236,601</u>	<u>126,245</u>	<u>142,084</u>

**1(b)(ii) Aggregate amount of Group's borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

As at 30/06/08		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
10,000	-	10,000	-

**Amount repayable after one year**

As at 30/06/08		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

**Details of any collateral**

The Group's bank borrowings are secured and guaranteed by the pledge of a related party's land use rights and building as at 30 June 2008 and 31 December 2007 .

1(c) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

**CONSOLIDATED CASHFLOW STATEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2008**

	2nd Quarter		1st Half	
	2008 RMB'000 Actual	2007 RMB'000 Actual	2008 RMB'000 Actual	2007 RMB'000 Actual
<b>Cash flows from operating activities</b>				
Profit before taxation	37,102	33,460	41,820	37,064
<i>Adjustment for :</i>				
Depreciation property, plant and equipment	821	485	1,454	1,029
Interest expenses on borrowings and bill payables	420	434	627	678
Interest incomes	(331)	(266)	(565)	(784)
(Gain)/Loss on disposal of property, plant and equipment	-	(6)	-	26
Translation difference on foreign currencies	42	927	77	574
<b>Operating profit before working capital changes</b>	<b>38,054</b>	<b>35,034</b>	<b>43,413</b>	<b>38,587</b>
<b>Change in operating assets and liabilities</b>				
Inventories	(8,720)	(12,508)	(13,454)	(17,045)
Trade and notes receivables	(61,928)	(53,213)	(59,898)	(65,676)
Other receivables, deposits and prepayments	(3,141)	16,827	(11,802)	6,134
Trade payables and accruals	19,100	6,499	19,263	14,617
Other payables and provisions	8,596	952	(4,010)	2,990
<i>Cash used in operations</i>	<i>(8,039)</i>	<i>(6,409)</i>	<i>(26,488)</i>	<i>(20,393)</i>
Interest paid on borrowings and bill payables	(420)	(434)	(627)	(678)
Income tax paid	(92)	-	(92)	-
Value added tax paid	(1,589)	(577)	(2,038)	(577)
<b>Net cash used in operating activities</b>	<b>(10,140)</b>	<b>(7,420)</b>	<b>(29,245)</b>	<b>(21,648)</b>
<b>Cash flows from investing activity</b>				
Purchase of land use right	-	(15,005)	-	(15,005)
Purchase of property, plant and equipment	(11,311)	(3,782)	(15,352)	(8,263)
Proceeds from disposal of property, plant and equipment	-	11	-	189
Decrease in pledged deposits	1,340	289	1,338	289
Interest received	331	266	565	784
<b>Net cash used in investing activities</b>	<b>(9,640)</b>	<b>(18,221)</b>	<b>(13,449)</b>	<b>(22,006)</b>
<b>Cash flows from financing activities</b>				
Dividends paid to shareholders	(5,944)	(14,433)	(5,944)	(14,433)
Proceeds from issue of shares	-	(938)	-	89,420
<b>Net cash (used in) / generated from financing activities</b>	<b>(5,944)</b>	<b>(15,371)</b>	<b>(5,944)</b>	<b>74,987</b>
Net (decrease) / increase in cash and cash equivalents	(25,724)	(41,012)	(48,638)	31,333
Cash and cash equivalents at beginning of the period	67,361	117,746	90,275	45,401
<b>Cash and cash equivalents at end of the period</b>	<b>41,637</b>	<b>76,734</b>	<b>41,637</b>	<b>76,734</b>

1(d)(i) A statement (for the Group and Company) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share Capital	Retained Earnings	Statutory Common Reserves	Exchange Translation Reserves	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b><u>Audited</u></b>					
<b>At 1 January 2007</b>	38,985	44,869	5,153	50	89,057
Translation difference	-	-	-	(353)	(353)
Net profit for the quarter	-	3,604	-	-	3,604
Issue of shares	90,358	-	-	-	90,358
Transfer to statutory common reserves	-	(2,576)	2,576	-	-
<b>At 31 March 2007</b>	129,343	45,897	7,729	(303)	182,666
Translation difference	-	-	-	927	927
Net profit for the quarter	-	33,460	-	-	33,460
Net of IPO expenses	(938)	-	-	-	(938)
Dividend declared	-	(14,433)	-	-	(14,433)
Transfer to statutory common reserves	-	(1,130)	1,130	-	-
<b>At 30 June 2007</b>	128,405	63,794	8,859	624	201,682
Net profit for the quarter	-	20,976	-	-	20,976
Translation difference	-	-	-	603	603
<b>At 30 September 2007</b>	128,405	84,770	8,859	1,227	223,261
Net profit for the quarter	-	13,258	-	-	13,258
Translation difference	-	-	-	82	82
Transfer to statutory common reserves	-	(3,951)	3,951	-	-
<b>At 31 December 2007</b>	128,405	94,077	12,810	1,309	236,601
<b><u>Unaudited</u></b>					
<b>At 1 January 2008</b>	128,405	94,077	12,810	1,309	236,601
Translation difference	-	-	-	35	35
Net profit for the quarter	-	4,718	-	-	4,718
<b>At 31 March 2008</b>	128,405	98,795	12,810	1,344	241,354
Translation difference	-	-	-	41	41
Net profit for the quarter	-	37,045	-	-	37,045
Dividend relating to 2007 paid	-	(12,388)	-	-	(12,388)
<b>At 30 June 2008</b>	128,405	123,452	12,810	1,385	266,052

<b>Company</b>	Share Capital RMB'000	Retained Earnings RMB'000	Statutory Common Reserves RMB'000	Exchange Translation Reserves RMB'000	Total RMB'000
<b><u>Audited</u></b>					
<b>At 1 January 2007</b>	38,985	15,295	-	(87)	54,193
Translation difference	-	-	-	12	12
Net loss for the quarter	-	(328)	-	-	(328)
Issue of shares	90,358	-	-	-	90,358
<b>At 31 March 2007</b>	129,343	14,967	-	(75)	144,235
Translation difference	-	-	-	(969)	(969)
Net loss for the quarter	-	(875)	-	-	(875)
Net of IPO expenses	(938)	-	-	-	(938)
Dividend declared	-	(14,433)	-	-	(14,433)
<b>At 30 June 2007</b>	128,405	(341)	-	(1,044)	127,020
Net loss for the quarter	-	(2,992)	-	-	(2,992)
Translation difference	-	-	-	958	958
<b>At 30 September 2007</b>	128,405	(3,333)	-	(86)	124,986
Net profit for the quarter	-	16,926	-	-	16,926
Translation difference	-	-	-	172	172
<b>At 31 December 2007</b>	128,405	13,593	-	86	142,084
<b><u>Unaudited</u></b>					
<b>At 1 January 2008</b>	128,405	13,593	-	86	142,084
Translation difference	-	-	-	85	85
Net loss for the quarter	-	(1,155)	-	-	(1,155)
<b>At 31 March 2008</b>	128,405	12,438	-	171	141,014
Translation difference	-	-	-	(350)	(350)
Net loss for the quarter	-	(2,031)	-	-	(2,031)
Dividend relating to 2007 paid	-	(12,388)	-	-	(12,388)
<b>At 30 June 2008</b>	128,405	(1,981)	-	(179)	126,245

**1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no new shares issued in the second quarter ended 30 June 2008 and no outstanding convertibles or treasury shares held as at 30 June 2008.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	30/6/08	31/12/07
Total number of issues shares excluding treasury shares	242,000,000	242,000,000

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have been reviewed by our Auditors, Foo Kon Tan Grant Thornton.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

The auditors conducted the review in accordance with Singapore Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable them to obtain assurance that they would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor do not express an audit opinion.

Based on auditors' review, nothing has come to their attention that causes them to believe that the accompanying interim financial statement is not prepared, in all material respects, in accordance with FRS.

For further details of the independent review report, please see Appendix I.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computations for the current reporting periods consistent with those of the combined audited financial statement as at 31 December 2007.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

There are no changes in accounting policies and method of computation.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Earnings per ordinary share based on profit attributable to shareholders after deducting any provision for preference dividends	Group							
	Actual 2nd Quarter 2008 (RMB)		Actual 2nd Quarter 2007 (RMB)		Actual 1 <sup>st</sup> Half 2008 (RMB)		Actual 1 <sup>st</sup> Half 2007 (RMB)	
(i) Based on existing issued share capital	15.31	cents	14.66	cents	17.26	cents	16.23	cents
(ii) On a fully diluted basis	15.31	cents	14.66	cents	17.26	cents	16.23	cents

The computation is based on weighted average number of shares issued in 2008, 242,000,000 ordinary shares (2007 : 228,298,000)

**7. Net asset value (for the issuer and Group) per ordinary share based on issued share capital of the issuer at the end of the:-  
(a) current financial period reported on; and  
(b) immediately preceding financial year.**

Net asset value (excluding goodwill) per ordinary share based on issued share capital:	Group			
	Unaudited As at 30/06/2008 (RMB)		Audited As at 31/12/2007 (RMB)	
For the Company	52.17	cents	58.71	cents
For the Group	109.94	cents	97.76	cents

The computation is based on weighted average number of shares issued in 2008, 242,000,000 ordinary shares (2007 : 242,000,000)

**8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-  
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and  
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Revenue

Revenue increased by approximately 19.87% from RMB 140.7 million in 2Q 2007 to RMB 168.7 million in 2Q 2008, and increased by approximately 25.65% from RMB 183.4 million in 1<sup>st</sup> Half 2007 to RMB230.5 million in 1<sup>st</sup> Half 2008. The growth in revenue was due to the combined effects of:

- (i) the increase in sales volume and average selling price for harvester ; and
- (ii) the sales of agricultural trucks, driver cabins and related components which was only commenced in 4Q 2007.

### Cost of Sales

Cost of sales increased by approximately 25.17% from RMB 97.3 million in 2Q 2007 to RMB121.8 million in 2Q 2008, and increased by approximately 32.44% from RMB 128.6 million in 1<sup>st</sup> Half 2007 to RMB170.3 million in 1<sup>st</sup> Half 2008. The increase in cost of sales was in line with the growth in revenue as well as comparatively higher raw material costs.

### Gross Profit Margin

Overall gross profit margin decreased from 30.90% in 2Q 2007 to 27.85% in 2Q 2008, and from 29.92% in 1<sup>st</sup> Half 2007 to 26.13% in 1<sup>st</sup> Half 2008. The decline in gross margins during the quarter under review was attributable to the following :

- (i) new contributions from sales of agricultural trucks which generally yielded lower profit margin compared to the sales of the Group's other products; and
- (ii) higher raw material costs.

### Other Operating Income

Other operating income increased by approximately 36.80% from RMB 1.6 million in 2Q 2007 to RMB 2.2 million in 2Q 2008, and 64.45% from RMB 2.8 million in 1<sup>st</sup> Half 2007 to RMB 4.6 million in 1<sup>st</sup> Half 2008. The increase was due mainly to the increase in government grant on export tax relief.

### Operating Expenses

#### (a) Selling and distribution expenses

Selling and distribution expenses decreased by approximately 7.67% from RMB 4.3 million in 2Q 2007 to RMB 4.0 million in 2Q 2008, and decreased by approximately 11.99% from RMB 8.9 million in 1<sup>st</sup> Half 2007 to RMB 7.9 million in 1<sup>st</sup> Half 2008. The decrease in 2Q 2008 was due mainly to decrease in transportation and selling expenses.

#### (b) Administrative expenses

Administrative expenses increased by approximately 9.74% from RMB 7.0 million in 2Q 2007 to RMB 7.7 million in 2Q 2008, and increased approximately by 31.87% from RMB 10.9 million in 1<sup>st</sup> Half 2007 to RMB 14.5 million in 1<sup>st</sup> Half 2008. The increase was due mainly to increase in staff salaries and related cost, depreciation charges and lease rental.

#### (c) Finance costs

Finance costs increased by approximately 28.83% from RMB 0.33 million in 2Q 2007 to RMB 0.42 million in 2Q 2008, and decreased marginally from RMB 0.68 million in 1<sup>st</sup> Half 2007 to RMB 0.63 million in 1<sup>st</sup> Half 2008. The increase during the quarter under review was due to the increase in interest borrowing rates. And, the marginally decrease in 1<sup>st</sup> Half 2008 was due mainly to the decrease in bill payables in 1Q 2008 compared with the same quarter last year.

#### (d) Taxation

Taxation represents estimated Singapore's income tax payable for the holding company as at 30 June 2008.

As a result of the above, net profit attributable to shareholders increased by approximately 10.71% from RMB 33.4 million in 2Q 2007 to RMB 37.0 million for 2Q 2008, and 12.68% from RMB 37.1 million in 1<sup>st</sup> Half 2007 to RMB 41.8 million in 1<sup>st</sup> Half 2008.

## **BALANCE SHEET**

### Assets

As at 30 June 2008, non current assets amounted to RMB 60.4 million, an increase of approximately RMB 13.9 million as compared to RMB 46.5 million as at 31 December 2007. This was mainly attributable to the construction-in-progress of the new diesel engine plant and the acquisition of additional property, plant and equipment for our harvester plant.

As at 30 June 2008, current assets amounted to RMB 274.3 million, comprised mainly the following:

- (a) Inventories of approximately RMB 56.4 million; an increase of approximately RMB 13.5 million as compared to RMB 42.9 million as at 31 December 2007. This was in line with the expected higher volume of business in the coming months;
- (b) Trade receivables of approximately RMB 131.9 million; which was an increase of approximately RMB 59.9 million from RMB 72.0 million as at 31 December 2007 in tandem with the higher sales during the period. Included in the trade receivables were government subsidies amounted to RMB39.5 million;
- (c) Prepayments, other receivables and deposits of approximately RMB 44.4 million; which was an increase of approximately RMB 11.8 million from RMB 32.6 million as at 31 December 2007. This was due mainly to an increase in advance paid to vendors and down payment paid for new diesel engine plant under construction.
- (d) Cash and cash equivalents of approximately RMB 41.6 million; which was a decrease of approximately RMB 50.0 million from RMB 91.6 million as at 31 December 2007.

### Liabilities

As at 30 June 2008, our Group's current liabilities amounted to RMB 68.8 million and comprised mainly the following:

- (a) Trade and bills payables of approximately RMB 39.9 million; which was an increase of RMB 17.3 million from RMB 22.6 million as at 31 December 2007 as a result of an increase in purchases during the quarter; and
- (b) Other payables and advance from customers of approximately RMB 18.9 million; which was an increase of approximately RMB 2.4 million from RMB 16.5 million as at 31 December 2007.
- (c) Borrowings of RMB 10.0 million pertaining to short-term secured interest-bearing bank borrowings from the Industrial and Commercial Bank of China. These bank borrowings were secured by the land use rights and building of a related party.

**STATEMENT OF CASH FLOW**

Overall, the Group registered a net cash decrease of approximately RMB 25.8 million for 2Q 2008, and a net cash decrease of approximately RMB 48.7 million for 1<sup>st</sup> Half 2007.

Net cash used in operating activities during 2Q 2008 amounted to RMB 10.1 million, an increase of approximately RMB 2.7 million as compared to RMB 7.4 million in 2Q 2007, and during 1<sup>st</sup> Half 2008 amounted to RMB 29.2 million, an increase of approximately RMB 7.6 million as compared to RMB 21.6 million in 1<sup>st</sup> Half 2007. The increase was due to the higher receivables and inventories during the period.

Net cash used in investing activities during 2Q 2008 amounted to RMB 9.6 million, a decrease of approximately RMB 8.6 million as compared to RMB 18.2 million in 2Q 2007, and during 1<sup>st</sup> Half 2008 amounted RMB 13.4 million, an decrease of approximately RMB 8.6 million as compared to RMB 22.0 million in 1<sup>st</sup> Half 2007. The decrease was due to the acquisition of land use right in 1<sup>st</sup> Half 2007.

Net cash used in financing activities during 2Q 2008 amounted to RMB 5.9 million, an decrease of approximately RMB 9.5 million as compared to RMB 15.4 million in 2Q 2007, and during 1<sup>st</sup> Half 2008 amounted RMB 5.9 million, an decrease of approximately RMB 80.9 million as compared to net cash generated from financing activities of RMB 75.0 million in 1<sup>st</sup> Half 2007. Net cash generated from financing activities during 1<sup>st</sup> Half 2007 mainly due to the proceeds received from the issuance of new shares on 9 February 2007 pursuant to the Company initial public offering.

For the purpose of the cash flow statement, the period end cash and cash equivalents comprise the following:

	The Group	
	Unaudited as at 30 June 2008 RMB '000	Audited as at 31 December 2007 RMB '000
Cash on hand	6,359	12,443
Bank balances	35,278	79,170
	41,637	91,613
Deposits pledged with banks	-	(1,338)
	41,637	90,275

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

According to *China Agricultural Machinery Industry Report, 2007-2008*, China's development of agricultural mechanization is transforming into intermediate stage from the initial stage, indicating that China's agricultural mechanization has entered a new historical phase. By the end of 2007, China's integrated mechanization level of plowing, seeding and harvesting has reached 41%, demonstrating that China has moved into a new era of developing modern agriculture through increasing usage of agricultural machinery and reducing labour force.

In 2008, China agricultural machinery industry will continue with the trend of a sustained development and its total output value will increase by approximately 10%-15% year on year to RMB165-170 billion.

The PRC government has been strongly promoting favourable subsidies and long-term self-sufficiency policies for the agriculture sector. Hence, the Group expects demand for its farming equipment products to remain strong. Notwithstanding this, the Group is also facing with rising raw material cost. However, the Group was able to raise the average selling price of farm equipment and diesel engines by 7% and 11% respectively in 2Q2008. Our launch of new harvester models and as the Group continues to introduce new models of farm equipment which have higher gross margin, the Group would be able to manage with the rising raw material cost.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

No

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12. If no dividend has been declared/recommended, a statement to that effect.**

No dividend has been declared/recommended for the period ended 30 June 2008.

**13. Use of IPO Proceeds**

The allocated net IPO proceeds and the amount utilised as at 30 June 2008 are as follows:

Purpose		Allocated net IPO proceeds S\$'000	Amount utilized S\$'000
(a)	Increase in production capacity	7,500	7,500
(b)	Research and development	2,500	2,500
(c)	Sales and marketing	1,000	1,000
(d)	Working capital	6,800	4,394
<b>TOTAL:</b>		17,800	15,394

(Exchange rate : S\$1 = approximate RMB5.04 )

**14. Other Information**

SAC Capital Private Limited ("SAC Capital") was the issue manager in the initial public offering of the Company. This announcement has been prepared and released by the Company. SAC Capital assumes no responsibility for the contents of this announcement.

**BY ORDER OF THE BOARD**

Wang Shuping  
Chairman and CEO

12 August 2008

**CHINA FARM EQUIPMENT LIMITED**

(Incorporated in Singapore)  
(Co. Reg. No: 200605703R)

**Confirmation By Directors Pursuant to Clause 705(4) of the Listing Manual of SGX-ST.**

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We confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of China Farm Equipment Limited which may render these interim results for the second quarter ended 30 June 2008 to be false or misleading, in any material aspects.

For and on behalf of the  
Board of Directors of  
China Farm Equipment Limited

.....  
Wang Shuping  
Chairman and CEO

.....  
Sho Kian Hin  
Executive Director and CFO

Date: 12 August 2008