



CHINA FARM EQUIPMENT LIMITED

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

**Fourth Quarter and Full Year 2007
Financial Statements Announcement**

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 FOURTH QUARTER AND 12 MONTHS ENDED 31 DECEMBER 2007

	4th Quarter			12 Months		
	2007 RMB '000 Unaudited	2006 RMB '000 Audited	% Differences	2007 RMB '000 Unaudited	2006 RMB '000 Audited	% Differences
Sales Revenue	88,871	29,468	201.58%	396,017	278,977	41.95%
Cost of sales	(71,549)	(20,455)	249.79.%	(291,617)	(206,680)	41.09%
Gross profit	17,322	9,013	92.19%	104,400	72,297	44.40%
Other operating income	5,462	6,723	(18.76%)	10,874	10,801	0.68%
Administrative expenses	(4,197)	(3,439)	22.04%	(22,464)	(16,310)	37.73%
Selling and distribution expenses	(5,289)	(5,146)	2.78%	(20,022)	(15,937)	25.63%
Finance costs	(40)	(71)	(43.66%)	(1,490)	(829)	79.73%
Profit before taxation	13,258	7,080	87.26%	71,298	50,022	42.53%
Taxation	0	0		0	0	
Profit after taxation	13,258	7,080	87.26%	71,298	50,022	42.53%

Notes to income statements	4th Quarter		12 Months	
	2007 RMB '000 Unaudited	2006 RMB '000 Audited	2007 RMB '000 Unaudited	2006 RMB '000 Audited
(a) Income statement includes the following:				
Allowances for impairment losses on trade receivables	-	-	14	-
Interest paid on borrowing	985	158	1,490	517
(Gain)/ Loss on disposal of property, plant and equipment	(16)	(254)	10	(254)
Depreciation of property, plant and equipment	634	185	2,248	741
Minimum lease payments under operating lease for leasehold buildings	1,152	688	4,125	3,500
(b) Other operating income comprises:-				
Interest income	255	261	1,506	426
Government grant	595	1,033	978	2,341
Rental income	40	(16)	206	312
Sale of spare parts and components	3,745	3,564	5,923	5,113
Others	837	1,627	2,271	2,355

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 31 DECEMBER 2007 AND 31 DECEMBER 2006

	The Group		The Company	
	As at 31 December 2007	As at 31 December 2006	As at 31 December 2007	As at 31 December 2006
	RMB '000 Unaudited	RMB '000 Audited	RMB '000 Unaudited	RMB '000 Audited
Non-Current assets				
Land use right	15,231	0	0	0
Property, Plant and Equipment	31,318	14,865	573	0
Investment in a subsidiary	0	0	76,058	24,868
	<u>46,549</u>	<u>14,865</u>	<u>76,631</u>	<u>24,868</u>
Current assets				
Inventories	42,976	39,542	0	0
Trade and bills receivables	71,953	19,908	0	0
Other receivables	32,610	11,763	176	9,758
Amount due from a subsidiary	0	0	38,433	20,433
Cash and cash equivalents	91,613	50,730	28,360	1,379
	<u>239,152</u>	<u>121,943</u>	<u>66,969</u>	<u>31,570</u>
Less: Current Liabilities				
Trade and bills payables	22,635	31,989	0	0
Other payables	16,465	5,762	1,516	2,245
Borrowings	10,000	10,000	0	0
	<u>49,100</u>	<u>47,751</u>	<u>1,516</u>	<u>2,245</u>
Net current assets	190,052	74,192	65,453	29,325
Net assets	<u>236,601</u>	<u>89,057</u>	<u>142,084</u>	<u>54,193</u>
Share capital and reserves				
Share capital	128,405	38,985	128,405	38,985
Exchange Translation Reserve	1,309	50	86	(87)
Statutory Common Reserve	12,810	5,153	0	0
Retained earnings	94,077	44,869	13,593	15,295
Total equity	<u>236,601</u>	<u>89,057</u>	<u>142,084</u>	<u>54,193</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 31/12/07		As at 31/12/2006	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
10,000	-	10,000	-

Amount repayable after one year

As at 31/12/07		As at 31/12/2006	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Details of any collateral

As at 31 December 2007, the Group's bank borrowings are secured and guaranteed by the pledge of a related party's land use rights and buildings.

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 FOURTH QUARTER AND 12 MONTHS ENDED 31 DECEMBER 2007

	4th Quarter		12 Months	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Audited	Unaudited	Audited
Cash flows from operating activities				
Profit before taxation	13,258	7,080	71,298	50,022
<i>Adjustment for :</i>				
Depreciation property, plant and equipment	634	185	2,248	741
Interest expense on borrowings and bill payables	985	158	1,490	517
Interest income	(255)	(261)	(1,506)	(426)
(Gain)/Loss on disposal of property, plant and equipment	(16)	(254)	10	(254)
Translation difference on foreign currencies	83	49	1,259	49
Operating profit before working capital changes	14,689	6,957	74,799	50,649
Change in operating assets and liabilities				
Inventories	(10,162)	557	(3,434)	439
Trade and notes receivables	23,694	14,885	(52,045)	3,355
Other receivables, deposits and prepayments	(13,729)	13,270	(20,847)	(391)
Trade payables and accruals	(12,578)	(17,058)	(8,044)	(24,642)
Other payables and provisions	8,097	8,118	10,703	(10,139)
<i>Cash generated from operations</i>	<i>10,011</i>	<i>26,729</i>	<i>1,132</i>	<i>19,271</i>
Interest paid on borrowings and bill payables	(985)	(158)	(1,490)	(517)
Value added tax paid	(733)	(602)	(1,310)	(1,499)
Net cash generated from /(used in) operating activities	8,293	25,969	(1,668)	17,255
Cash flows from investing activity				
Purchase of land use right	(226)	0	(15,231)	0
Purchase of property, plant and equipment	(2,570)	(1,942)	(19,097)	(1,942)
Proceeds from disposal of property, plant and equipment	197	269	386	411
Decrease in pledged deposits	13,508	2,447	3,991	10,017
Interest received	255	261	1,506	426
Net cash generated from/ (used in) investing activities	11,164	1,035	(28,445)	8,912
Cash flows from financing activities				
Bank loan obtained	0	5,000	0	10,000
Advances for Initial Public Offering expenses	0	(9,758)	0	(9,758)
Dividends paid to shareholders	0	0	(14,433)	0
Repayment of convertible bonds	0	(38,985)	0	0
Proceeds from issue of shares	0	38,985	89,420	38,985
Acquisition of a subsidiary, net of cash acquired	0	(19,993)	0	(19,993)
Net cash generated from/ (used in) in financing activities	0	(24,751)	74,987	19,234
Net increase/ (decrease) in cash and cash equivalents	19,457	2,253	44,874	45,401
Cash and cash equivalents at beginning of the period	70,818	43,148	45,401	-
Cash and cash equivalents at end of the period	90,275	45,401	90,275	45,401

- 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.

STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER AND 12 MONTHS ENDED 31 DECEMBER 2007

Group	Share Capital	Retained Earnings	Statutory Common Reserves	Exchange Translation Reserves	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Audited</u>					
At 1 January 2006	38,985	-	-	-	38,985
Translation difference	-	-	-	-	-
Net profit for the quarter	-	1,311	-	-	1,311
Transfer to statutory common reserves	-	(147)	147	-	-
At 31 March 2006	38,985	1,164	147	-	40,296
Translation difference	-	-	-	-	-
Net profit for the quarter	-	29,080	-	-	29,080
Transfer to statutory common reserves	-	(2,908)	2,908	-	-
At 30 June 2006	38,985	27,336	3,055	-	69,376
Net profit for the quarter	-	12,551	-	-	12,551
At 30 September 2006	38,985	39,887	3,055	-	81,927
Net profit for the quarter	-	7,080	-	-	7,080
Transfer to statutory common reserves	-	(2,098)	2,098	-	-
Translation difference	-	-	-	50	50
At 31 December 2006	38,985	44,869	5,153	50	89,057
<u>Unaudited</u>					
At 1 January 2007	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	-	-
At 31 March 2007	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	-	-
At 30 June 2007	128,405	63,794	8,859	624	201,682
Net profit for the quarter	-	20,976	-	-	20,976
Translation difference	-	-	-	603	603
At 30 September 2007	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	-	-
At 31 December 2007	128,405	94,077	12,810	1,309	236,601

Company	Share Capital RMB'000	Retained Earnings RMB'000	Statutory Common Reserves RMB'000	Exchange Translation Reserves RMB'000	Total RMB'000
<u>Audited</u>					
At 1 January 2006	-	-	-	-	-
Translation difference	-	-	-	-	-
Net loss for the quarter	-	-	-	-	-
At 31 March 2006	-	-	-	-	-
Net loss for the quarter	*	(182)	-	-	(182)
Issue of shares	-	-	-	-	-
Dividend declared	-	-	-	-	-
At 30 June 2006	-	(182)	-	-	(182)
Net loss for the quarter	-	(131)	-	-	(131)
At 30 September 2006	-	(313)	-	-	(313)
Net profit for the quarter	-	15,608	-	-	15,608
Issue of shares	38,985	-	-	-	38,985
Translation difference	-	-	-	(87)	(87)
At 31 December 2006	38,985	15,295	-	(87)	54,193
<u>Unaudited</u>					
At 1 January 2007	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
At 31 March 2007	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)
At 30 June 2007	128,405	(341)	-	(1,044)	127,020
Net loss for the quarter	-	(2,992)	-	-	(2,992)
Translation difference	-	-	-	958	958
At 30 September 2007	128,405	(3,333)	-	(86)	124,986
Net profit for the quarter	-	16,926	-	-	16,926
Translation difference	-	-	-	172	172
At 31 December 2007	128,405	13,593	-	86	142,084

The statement of changes in equity for the Company for the three months ended 31 March 2006 was not shown as the Company was incorporated on 20 April 2006

* Issued capital : RMB5 (equivalent to S\$1)

- 1d)(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 have been no changes in the Company's issued share capital.

- 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.**

	31/12/07	31/12/06
Total number of issued shares excluding treasury shares	242,000,000	180,000,000

- 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 not been audited nor 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).**

Not applicable.

- 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 2006.

The Group also adopted the following new accounting standards that are applicable with effect from 1 January 2007:

FRS 1 (Amendment)	Amendments relating to Capital Disclosures
FRS 107	Financial Instruments: Disclosures
INT FRS107	Applying the restatement approach under FRS 29 "Financial Reporting in Hyperinflationary Operating Segment"
FRS 108	Operating Segment
INT FRS 109	Reassessment of Embedded Derivatives
INT FRS 110	Interim Financial Reporting and Impairment

The adoption of these FRS AND INT FRS, where relevant to the Group and did not result in significant changes to the Group's accounting policies except that FRS107 has resulted in an expansion of the disclosures regarding the Group's financial instruments. The Group has also presented information regarding its objectives, policies and processes for managing capital as required by the amendments to FRS1.

- 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.**

Not applicable

- 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							
	Unaudited		Audited		Unaudited		Audited	
	4th Quarter 2007 (RMB)		4th Quarter 2006 (RMB)		12 Months 2007 (RMB)		12 Months 2006 (RMB)	
(i) Based on existing issued share capital	5.47	cents	3.93	cents	30.26	cents	27.79	Cents
(ii) On a fully diluted basis	5.47	cents	3.93	cents	30.26	cents	27.79	Cents

The computation is based on weighted average number of shares issued in 2007, 235,545,000 ordinary shares (2006 : 180,000,000). Earning per share for Q4 2007 is based on the weighted average number of shares in issue in Q4 2007 of 242,000,000 (2006:180,000,000)

- 7. Net asset value (for the Group) per ordinary share based on the total number of issued share capital excluding treasury shares 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/Company			
	Unaudited As at 31/12/2007 (RMB)		Audited As at 31/12/2006 (RMB)	
For the Company	58.71	cents	30.11	cents
For the Group	97.76	cents	49.48	cents

The computation is based on number of shares issued in 2007, 242,000,000 ordinary shares (2006 : 180,000,000)

- 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 more than tripled from approximately RMB 29.5 million in Q4 2006 to approximately RMB 88.9 million in Q4 2007, or increased by approximately 41.95% from approximately RMB 279.0 million for the 12 months ended 31 December 2006 to approximately RMB396.0 million for the 12 months ended 31 December 2007. The growth in revenue was a combined result of:

- (i) the increase in the sales volume and average selling prices of diesel engines and combined harvesters ;
- (ii) the increase in sale of components; and
- (iii) the sales of agricultural trucks, driver cabins and related components by Hunan Juzhou Automobile Manufacturing Co. Ltd. (see below).

As a result of aggressive marketing efforts, we have successfully penetrated new markets like Yunnan, Sichuan and the North-east region of the People's Republic of China ("PRC") for our farm equipment and diesel engines during the year. Sales from these markets also fetched better selling prices and hence higher profit margins.

In addition, Hunan Juzhou Automobile Manufacturing Co. Ltd , a company from which the Group leased all of its assets and business with effect from 1 October 2007, contributed about 18% or approximately RMB 72.2 million to the total revenue during Q4 2007. Hence, there was a 87.26% increase in profit before taxation in Q4 2007 compared with the corresponding period in Q4 2006.

Cost of Sales

Cost of sales more than tripled from approximately RMB 20.5 million in Q4 2006 to approximately RMB 71.5 million in Q4 2007, or increased by approximately 41.09% from approximately RMB 206.7 million for the 12 months ended 31 December 2006 to approximately RMB 291.6 million for the 12 months ended 31 December 2007. The growth in cost of sales was in line with the growth in revenue.

Gross Profit Margin

Overall gross profit margins decreased from 30.58% in Q4 2006 to 19.49% in Q4 2007, but increased from 25.92% for the 12 months ended 31 December 2006 to 26.36% for the 12 months ended 31 December 2007. The decline in gross margins during the quarter under review was due to seasonal nature of the sales of combined harvesters as well as due to the fact that the margin generally achieved from sales of agricultural trucks is lower than the margin achievable from the sales of the Group's other products.

Other Operating Income

Other operating income decreased from approximately RMB 6.7 million in Q4 2006 to approximately RMB 5.5 million in Q4 2007, and remained unchanged for the year on year comparison. The decrease was due mainly to the decrease in government grant on high technological products research and development.

Operating Expenses

(a) Selling and distribution expenses

Selling and distribution expenses increased by approximately 2.78% from approximately RMB 5.1 million in Q4 2006 to approximately RMB 5.3 million in Q4 2007, and 25.6% from approximately RMB 15.9 million for the 12 months ended 31 December 2006 to approximately RMB 20.0 million for the 12 months ended 31 December 2007. The increase was due mainly to increase in advertising and promotion, transportation and selling expenses for overseas market development and expansion.

(b) Administrative expenses

Administrative expenses increased by approximately 22.0% from approximately RMB 3.4 million in Q4 2006 to approximately RMB 4.2 million in Q4 2007, and increased by 37.7% from approximately RMB 16.3 million for the 12 months ended 31 December 2006 to approximately RMB 22.5 million for the 12 months ended 31 December 2007. The increase was due mainly to an increase in depreciation charges, operating lease payment and expenses incurred by the holding company.

(c) Finance costs

Finance costs decreased by approximately 43.7% from approximately RMB 0.07 million in Q4 2006 to approximately RMB 0.04 million in Q4 2007, but increased 79.7% from approximately RMB 0.8 million for the 12 months ended 31 December 2006 to approximately RMB 1.5 million for the 12 months ended 31 December 2007. The decrease during the quarter under review was due to the decrease in financial incentives offered to customers for advance payment and the increase on the year on year comparison was due mainly to:

- (i) the increase in interest borrowing rate, and
- (ii) loan expenses for the period ended 31 December 2006 being only for approximately 3 months.

Notwithstanding the increase in costs as mentioned above, net profit attributable to shareholders increased by approximately 87.3% from approximately RMB 7.1 million for Q4 2006 to approximately RMB 13.3 million for Q4 2007.

BALANCE SHEET

Assets

As at 31 December 2007, non current assets amounted to approximately RMB 46.5 million, an increase of approximately RMB 31.6 million as compared to approximately RMB 14.8 million as at 31 December 2006. This was mainly attributable to the acquisition of land use rights and additional property, plant and equipment .

As at 31 December 2007, current assets amounted to approximately RMB 239.0 million, comprised mainly the following:

- (a) Inventories of approximately RMB 42.9 million; an increase of approximately RMB 3.4 million as compared to approximately RMB 39.5 million as at 31 December 2006 in line with increased demands from customers;
- (b) Trade receivables of approximately RMB 71.9 million; which was an increase of approximately RMB 52.0 million from approximately RMB 19.9 million as at 31 December 2006 in tandem with the higher sales during the year;
- (c) Prepayments, other receivables and deposits of approximately RMB 32.6 million; an increase of approximately RMB 20.8 million from approximately RMB 11.7 million as at 31 December 2006 was a result of increase in advances paid to vendors during the year; and
- (d) Cash and cash equivalents of approximately RMB 91.6 million; which was an increase of approximately RMB 40.9 million from approximately RMB 50.7 million as at 31 December 2006.

Liabilities

As at 31 December 2007, our Group's current liabilities amounted to RMB 49.1 million and comprised mainly the following:

- (a) Trade and bills payables of approximately RMB 22.6 million; which was a decrease of approximately RMB 9.4 million from approximately RMB 31.9 million as at 31 December 2006 as a result of repayment during the quarter; and
- (b) Other payables and advance from customers of approximately RMB 16.5 million; which was an increase of approximately RMB 10.7 million from approximately RMB 5.7 million as at 31 December 2006.
- (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 increase of approximately RMB 19.5 million for Q4 2007, and a net cash increase of approximately RMB 44.9 million for the 12 months ended 31 December 2007.

Net cash generated from operating activities during Q4 2007 amounted to approximately RMB 8.3 million, a decrease of approximately RMB 17.7 million as compared to approximately RMB 26.0 million in Q4 2006. Net cash used in operating activities for the 12 months ended 31 December 2007 amounted to approximately RMB 1.7 million, an increase of approximately RMB 18.9 million as compared to approximately RMB 17.2 million for the 12 months ended 31 December 2006. The increase in cash used in operations during the quarter and year on year comparison was mainly due to higher receivables and repayment of payables.

Net cash generated from investing activities during Q4 2007 amounted to approximately RMB 11.1 million, an increase of approximately RMB 10.1 million as compared to RMB1.0 million in Q4 2006, and net cash used in investing activities during the 12 months ended 31 December 2007 amounted approximately RMB 28.4 million, an increase of approximately RMB 37.3 million as compared to approximately RMB 8.9 million in the corresponding 12 months ended 31 December 2006. The increase was due to acquisitions of land use rights and additional property, plant and equipment during the year.

No cash was used in financing activities in Q4 2007 compared with approximately RMB 24.7 million being used in the corresponding period in 2006. Net cash generated from financing activities during the 12 months ended 31 December 2007 amounted to approximately RMB 74.9 million, an increase of approximately RMB 55.7 million as compared to approximately RMB 19.2 million in the 12 months ended 31 December 2006. This mainly arose from the proceeds received from the issuance of new shares on 9 February 2007 pursuant to the Company's 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 31 December 2007 RMB '000	Audited as at 31 December 2006 RMB '000
Cash on hand	12,443	15,350
Bank balances	79,170	35,380
	91,613	50,730
Deposits pledged with banks	(1,338)	(5,329)
	90,275	45,401

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

Our full year unaudited results is in line with our assessment during the announcement of the 3rd quarter results that our Group will achieve higher revenue and profitability for the FY2007.

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.

Along with the rapid urbanization and the rising consumer affluence in the PRC, the domestic demand for food items has been seeing a rising trend over the recent years. This, in addition to the shortfall in supply has fuelled the increase in prices of food items and created the need for a shift from subsistence farming to larger scale commercial farming. In order to ensure a stable and consistent supply of grain and other agricultural products, the government has advocated farm mechanization through a series of measures to enhance the country's farming efficiency.

The "11th 5-Year and 2015 Plan for the Mechanization Development of China's Paddy Rice Production" ("十一 五"及2015 年全国水稻生产机械化发展规划) (the "2015 Plan") issued by the Ministry of Agriculture of the PRC, aims to increase the respective mechanization and harvest rates for PRC paddy rice production from 6.8% and 29.3% in 2004, to 20% and 55% in 2010, and 45% and 80% in 2015.

Currently, nation-wide, about 35.9 percent of farm work, such as ploughing, sowing and harvesting, is done by machines. As such, the management believes that there remains a good growth potential for the Group as a result of the government's drive towards further mechanization.

According to China Association of Agricultural Machinery Manufacturers, the industrial output for agriculture machinery is expected to hit RMB170 billion in 2008, compared to RMB150 billion in 2007.

In a Morgan Stanley report titled "China Agribusiness - Feeding the World – Mega Trend Provides Opportunities" issued in 1 November 2007, **China Farm Equipment Limited** was listed as among the key Asian companies to benefit from the booming agriculture machinery sector.

The Group has expanded into the farm trucks business recently through Hunan Juzhou Manufacturing Co., Ltd.. This strategic move will enlarge the Group's product offerings to its existing customers. More importantly, the Group is able to cross-sell its enlarged product range to different customers in not only in the PRC but also in Vietnam and Malaysia. Going forward, the Group will continue to seek opportunities to further enhance its products offering and expand its distribution network with a view to increasing its competitive advantage. This could be achieved through, for example, strategic tie-ups or by acquisition of businesses either locally or abroad.

Barring unforeseen circumstances, the Board is cautiously optimistic of another year of revenue growth.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	First and final proposed tax- exempt
Dividend Type	Cash
Dividend Amount per Share (in cents)	S\$0.01 per ordinary share
Number of shares	242,000,000
Tax Rate	Tax exempt

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Yes

Name of Dividend	First and final paid tax- exempt
Dividend Type	Cash
Dividend Amount per Share (in cents)	S\$0.012 per ordinary share
Number of shares	242,000,000
Tax Rate	Tax exempt

(c) Date payable

To be announced later.

(d) Books closure date

To be announced later.

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

Not applicable.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
 (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

The Group operates principally in a single business segment which is the sale of farm equipment (including farm trucks and farm trucks-related equipment through Hunan Juzhou Automobile Manufacturing Co., Ltd.) and diesel engines; no reporting by business segmentation is presented.

As the business of the Group is engaged primarily in the People's Republic of China, no reporting by geographical location of operations is presented.

14. **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

15. **A breakdown of sales.**

	Latest Financial Year	Previous Financial Year	% increase/ (decrease)
	RMB'000	RMB'000	
	Group	Group	Group
(a) Sales reported for first half year	183,450	163,470	12.22%
(b) Operating profit/loss after tax before deducting minority interests reported for first half year	37,064	30,391	21.96%
(c) Sales reported for second half year	212,567	115,507	84.03%
(d) Operating profit/loss after tax before deducting minority interests reported for second half year	34,234	19,631	74.39%

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Full Year (In RMB'000)	Previous Full Year (In RMB'000)
Ordinary	12,296	14,433
Preference	0	0
Total:	12,296	14,433

17. Other Information

SAC Capital Private Limited ("SAC Capital") was the issue manager for 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

27 February 2008