



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 2009

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2009

| | 2nd Quarter | | | 1st Half | | |
|---|-------------------------------|-------------------------------|------------------|-------------------------------|-------------------------------|------------------|
| | 2009 RMB '000 Unaudited | 2008 RMB '000 Unaudited | % Differences | 2009 RMB '000 Unaudited | 2008 RMB '000 Unaudited | % Differences |
| Sales Revenue | 110,014 | 168,739 | (34.80%) | 166,663 | 230,500 | (27.70%) |
| Cost of sales | <u>(71,982)</u> | <u>(121,751)</u> | (40.88%) | <u>(113,342)</u> | <u>(170,265)</u> | (33.43%) |
| Gross profit | 38,032 | 46,988 | (19.06%) | 53,321 | 60,235 | (11.48%) |
| Other operating income | 1,510 | 2,238 | (32.53%) | 2,833 | 4,570 | (38.01%) |
| Selling and distribution expenses | (6,487) | (3,972) | 63.32% | (10,899) | (7,881) | 38.29% |
| Administrative expenses | (7,156) | (7,732) | (7.45%) | (16,225) | (14,477) | 12.07% |
| Other expenses | (7,754) | - | N.M. | (7,754) | - | N.M. |
| Finance costs | (282) | (420) | (32.86%) | (497) | (627) | (20.73%) |
| Profit before taxation | <u>17,863</u> | <u>37,102</u> | (51.85%) | <u>20,779</u> | <u>41,820</u> | (50.31%) |
| Taxation | (3,168) | (57) | N.M. | (3,860) | (57) | N.M. |
| Profit after taxation | <u>14,695</u> | <u>37,045</u> | (60.33%) | <u>16,919</u> | <u>41,763</u> | (59.49%) |
| Other comprehensive income: | | | | | | |
| Exchange differences on translating foreign operation | 2 | 41 | (95.12%) | (85) | 76 | N.M. |
| Total comprehensive income for the year | <u>14,697</u> | <u>37,086</u> | (58.90%) | <u>16,834</u> | <u>41,839</u> | (58.46%) |

| Notes to statement of comprehensive income | 2nd Quarter | | 1st Half | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 2009 RMB '000 Unaudited | 2008 RMB '000 Unaudited | 2009 RMB '000 Unaudited | 2008 RMB '000 Unaudited |
| (a) Statement of comprehensive income includes the following: | | | | |
| Allowances for impairment losses on trade receivables | 7,754 | - | 7,754 | - |
| Bad debts written off | 379 | - | 379 | - |
| Interest paid on borrowin | 282 | 420 | 497 | 627 |
| (Gain)/ Loss on disposal of property, plant and equipment | - | - | (3) | - |
| Depreciation of property, plant and equipment | 716 | 821 | 1,604 | 1,454 |
| Minimum lease payments under operating lease for leasehold buildings | 1,057 | 1,772 | 2,117 | 2,625 |
| (b) Other operating income comprises:- | | | | |
| Interest income | 80 | 331 | 138 | 565 |
| Government grant | 592 | 483 | 781 | 1,219 |
| Rental income | 14 | 80 | 52 | 198 |
| Sale of spare parts and components | 223 | 624 | 1,120 | 1,461 |
| Others | 601 | 720 | 742 | 1,127 |
| | <u>1,510</u> | <u>2,238</u> | <u>2,833</u> | <u>4,570</u> |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009 AND 31 DECEMBER 2008

| | The Company | | The Group | |
|--|--------------------------|------------------------------|-----------------------|------------------------------|
| | As at 30 June 2009 | As at 31 December 2008 | As at 30 June 2009 | As at 31 December 2008 |
| | RMB '000 Unaudited | RMB '000 Audited | RMB '000 Unaudited | RMB '000 Audited |
| Non-Current assets | | | | |
| Land use right | - | - | 16,859 | 16,859 |
| Property, Plant and Equipment | 374 | 441 | 63,245 | 61,579 |
| Investment in a subsidiary | 76,058 | 76,058 | - | - |
| Financial asset, available-for-sales | - | - | 244 | 244 |
| | <u>76,432</u> | <u>76,499</u> | <u>80,348</u> | <u>78,682</u> |
| Current assets | | | | |
| Inventories | - | - | 72,638 | 46,658 |
| Trade and other receivables | 112 | 123 | 153,808 | 106,352 |
| Amount due from a subsidiary (non trade) | 40,827 | 41,341 | - | - |
| Other current asset | - | 34 | 1,672 | 147 |
| Cash and cash equivalents | 5,431 | 8,565 | 31,802 | 50,240 |
| | <u>46,370</u> | <u>50,063</u> | <u>259,920</u> | <u>203,397</u> |
| Less: Current Liabilities | | | | |
| Trade and other payables | 6,682 | 7,294 | 94,062 | 46,568 |
| Current income tax liabilities | - | - | 5,312 | 1,451 |
| Borrowings | - | - | - | 10,000 |
| | <u>6,682</u> | <u>7,294</u> | <u>99,374</u> | <u>58,019</u> |
| Net current assets | 39,688 | 42,769 | 160,546 | 145,378 |
| Net assets | <u>116,120</u> | <u>119,268</u> | <u>240,894</u> | <u>224,060</u> |
| Share capital and reserves | | | | |
| Share capital | 128,405 | 128,405 | 128,405 | 128,405 |
| (Accumulated losses)/ retained earnings | (8,776) | (6,113) | 98,216 | 81,297 |
| Other reserves | (3,509) | (3,024) | 14,273 | 14,358 |
| Total equity | <u>116,120</u> | <u>119,268</u> | <u>240,894</u> | <u>224,060</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 30/06/09 | | As at 31/12/2008 | |
|----------------|-----------|------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| - | - | 10,000 | - |

Amount repayable after one year

| As at 30/06/09 | | As at 31/12/2008 | |
|----------------|-----------|------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| - | - | - | - |

Details of any collateral

Not applicable.

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2009

| | 2nd Quarter | | 1st Half | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | 2009 RMB'000 Unaudited | 2008 RMB'000 Unaudited | 2009 RMB'000 Unaudited | 2008 RMB'000 Unaudited |
| Cash flows from operating activities | | | | |
| Profit before taxation | 17,863 | 37,102 | 20,779 | 41,820 |
| <i>Adjustment for :</i> | | | | |
| Depreciation property, plant and equipment | 716 | 821 | 1,604 | 1,454 |
| Gain on disposal of property, plant and equipment | - | - | (3) | - |
| Exchange (gain)/ loss | (385) | 287 | 2 | 286 |
| Bad debts written off | 379 | - | 379 | - |
| Allowance for impairment of doubtful debts | 7,754 | - | 7,754 | - |
| Interest income | (80) | (331) | (138) | (565) |
| Finance expense | 282 | 420 | 497 | 627 |
| Operating profit before working capital changes | 26,529 | 38,299 | 30,874 | 43,622 |
| Change in operating assets and liabilities | | | | |
| Increase in inventories | (4,468) | (8,720) | (25,980) | (13,454) |
| Increase in trade and other receivables | (50,867) | (65,069) | (57,114) | (71,700) |
| Increase in trade and other payables | 34,695 | 27,696 | 40,969 | 15,253 |
| <i>Net cash generated from/ (used in) operations</i> | <i>5,889</i> | <i>(7,794)</i> | <i>(11,251)</i> | <i>(26,279)</i> |
| Interest paid | (282) | (420) | (497) | (627) |
| Income tax paid | - | (92) | - | (92) |
| Value added tax paid | (120) | (1,589) | (176) | (2,038) |
| Net cash provided by/ (used in) operating activities | 5,487 | (9,895) | (11,924) | (29,036) |
| Cash flows from investing activity | | | | |
| Acquisition of property, plant and equipment | (1,221) | (11,311) | (3,371) | (15,352) |
| Proceeds from disposal of property, plant and equipment | - | - | 98 | - |
| Interest received | 80 | 331 | 138 | 565 |
| Net cash used in investing activities | (1,141) | (10,980) | (3,135) | (14,787) |
| Cash flows from financing activities | | | | |
| Dividends paid | - | (5,944) | (597) | (5,944) |
| Repayment of bank borrowing | (10,000) | - | (10,000) | - |
| (Increase)/decrease in pledged deposits | - | 1,340 | (4,000) | 1,338 |
| Drawdown of a related party loan | - | - | 20,000 | - |
| Repayment of a related party loan | (700) | - | (12,700) | - |
| Net cash used in financing activities | (10,700) | (4,604) | (7,297) | (4,606) |
| Net decrease in cash and cash equivalents | (6,354) | (25,479) | (22,356) | (48,429) |
| Effect of currency translation on cash and cash equivalents | 369 | (245) | (82) | (209) |
| Cash and cash equivalents at beginning of the period | 33,787 | 67,361 | 50,240 | 90,275 |
| Cash and cash equivalents at end of the period | 27,802 | 41,637 | 27,802 | 41,637 |

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 2009 RMB '000 | Audited as at 31 December 2008 RMB '000 |
| Cash on hand | 4,842 | 917 |
| Bank balances | 26,960 | 49,323 |
| | <hr/> | <hr/> |
| | 31,802 | 50,240 |
| Deposits pledged with banks | (4,000) | - |
| | <hr/> | <hr/> |
| | 27,802 | 50,240 |
| | <hr/> <hr/> | <hr/> <hr/> |

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 | (Accumulated Losses)/ Retained Earnings | ← Other reserves → | | | Total |
|---|---------------|---|---------------------------|-------------------------------|--------------------|----------|
| | | | Statutory Common Reserves | Exchange Translation Reserves | Fair Value Reserve | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Unaudited | | | | | | |
| At 1 January 2008 | 128,405 | 94,077 | 12,810 | 1,309 | - | 236,601 |
| Total comprehensive income for the period | - | 4,718 | - | 35 | - | 4,753 |
| At 31 March 2008 | 128,405 | 98,795 | 12,810 | 1,344 | - | 241,354 |
| Total comprehensive income for the period | - | 37,045 | - | 41 | - | 37,086 |
| Dividend relating to 2007 paid | - | (12,388) | - | - | - | (12,388) |
| At 30 June 2008 | 128,405 | 123,452 | 12,810 | 1,385 | - | 266,052 |
| Total comprehensive income for the period | - | 2,564 | - | (174) | - | 2,390 |
| At 30 September 2008 | 128,405 | 126,016 | 12,810 | 1,211 | - | 268,442 |
| Total comprehensive income for the period | - | (43,950) | - | (118) | (314) | (44,382) |
| Transfer to statutory common reserves | - | (769) | 769 | - | - | - |
| At 31 December 2008 | 128,405 | 81,297 | 13,579 | 1,093 | (314) | 224,060 |
| Unaudited | | | | | | |
| At 1 January 2009 | 128,405 | 81,297 | 13,579 | 1,093 | (314) | 224,060 |
| Total comprehensive income for the period | - | 2,224 | - | (87) | - | 2,137 |
| At 31 March 2009 | 128,405 | 83,521 | 13,579 | 1,006 | (314) | 226,197 |
| Total comprehensive income for the period | - | 14,695 | - | 2 | - | 14,697 |
| At 30 June 2009 | 128,405 | 98,216 | 13,579 | 1,008 | (314) | 240,894 |

| Company | Share Capital RMB'000 | (Accumulated Losses)/ Retained Earnings RMB'000 | Statutory Common Reserves RMB'000 | Exchange Translation Reserves RMB'000 | Total RMB'000 |
|--|----------------------------------|--|--|--|--------------------------|
| <u>Unaudited</u> | | | | | |
| At 1 January 2008 | 128,405 | 13,593 | - | 86 | 142,084 |
| Total comprehensive income for the period | - | (1,155) | - | 85 | (1,070) |
| At 31 March 2008 | 128,405 | 12,438 | - | 171 | 141,014 |
| Total comprehensive income for the period | - | (2,031) | - | (350) | (2,381) |
| Dividend relating to 2007 paid | - | (12,388) | - | - | (12,388) |
| At 30 June 2008 | 128,405 | (1,981) | - | (179) | 126,245 |
| Total comprehensive income for the period | - | (2,396) | - | (2,007) | (4,403) |
| At 30 September 2008 | 128,405 | (4,377) | - | (2,186) | 121,842 |
| Total comprehensive income for the period | - | (1,736) | - | (838) | (2,574) |
| At 31 December 2008 | 128,405 | (6,113) | - | (3,024) | 119,268 |
| <u>Unaudited</u> | | | | | |
| At 1 January 2009 | 128,405 | (6,113) | - | (3,024) | 119,268 |
| Total comprehensive income for the period | - | (1,277) | - | (2,268) | (3,545) |
| At 31 March 2009 | 128,405 | (7,390) | - | (5,292) | 115,723 |
| Total comprehensive income for the period | - | (1,386) | - | 1,783 | 397 |
| At 30 June 2009 | 128,405 | (8,776) | - | (3,509) | 116,120 |

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 2009 and no outstanding convertibles or treasury shares held as at 30 June 2009.

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.

| | 30/06/2009 | 31/12/2008 |
|---|-------------|-------------|
| Total number of issues shares excluding treasury shares | 242,000,000 | 242,000,000 |

The Company does not have treasury shares.

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 interim financial information 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 consolidated audited financial statement as at 31 December 2008.

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.

With effect from 1 January 2009, the Company adopted new or amended FRS that are mandatory for application on that date.

The following are FRS relevant to the Group:

| | |
|------------------|--------------------------------------|
| FRS 1 (Revised) | Presentation of Financial Statements |
| FRS 108 | Operating Segments |
| FRS 23 (Revised) | Borrowing Costs |

The adoption of the revised standard did not result any substantial changes to the Company's accounting policies nor any significant impact on the interim financial information except for a revision in the titles of some of the financial statements primary statements.

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 2009 (RMB) | | Actual 2nd Quarter 2008 (RMB) | | Actual 1 st Half 2009 (RMB) | | Actual 1 st Half 2008 (RMB) | |
| (i) Based on existing issued share capital | 6.07 | cents | 15.31 | cents | 6.99 | cents | 17.26 | cents |
| (ii) On a fully diluted basis | 6.07 | cents | 15.31 | cents | 6.99 | cents | 17.26 | cents |

The computation is based on weighted average number of shares issued in 2009, 242,000,000 ordinary shares (2008 : 242,000,000)

**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: | Unaudited As at 30/06/2009 (RMB) | | Audited As at 31/12/2008 (RMB) | |
|--|--|-------|--------------------------------------|-------|
| For the Company | 47.98 | cents | 49.28 | cents |
| For the Group | 99.54 | cents | 92.59 | cents |

The computation is based on weighted average number of shares issued in 2009, 242,000,000 ordinary shares (2008 : 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 decreased by approximately 34.80% to RMB 110.0 million in Q2 2009, and approximately 27.70% to RMB 166.7 million in 1st Half 2009. The decrease in revenue was due mainly to cessation of the Group's sale of agricultural trucks and driver cabins in Q2 as well as 1st Half 2009. In addition, a lower revenue was recorded due to the lower sales volume of diesel engine as a result of the general economic downturn and the prevailing competitive operating environment.

Cost of Sales

Cost of sales decreased by approximately 40.88% to RMB 72.0 million in Q2 2009, and approximately 33.43% to RMB 113.3 million in 1st Half 2009. The cost of sales was correspondingly lower due to decline in sales and lower steel prices which is one of the Group's main cost components.

Gross Profit Margin

Overall gross profit margin increased from 27.85% in Q2 2008 to 34.57% in Q2 2009, and from 26.13% to 32.00% in 1st Half 2009. The increase in gross profit margin during the quarter under review was attributable to the following:

- (i) Absence of sale of agricultural trucks and driver cabins which generally yielded lower profit margin; and
- (ii) Lower raw material costs.

Other Operating Income

Other operating income decreased by approximately 32.53% to RMB 1.5 million in Q2 2009, and 38.01% to RMB 2.8 million in 1st Half 2009. The decrease was due mainly to the decrease in interest income, sale of scraps and lower government grants in respect of the export tax relief as a result of lower overseas sales during the quarter.

Operating Expenses

(a) Selling and distribution expenses

Selling and distribution expenses increased by approximately 63.32% to RMB 6.5 million in Q2 2009, and approximately 38.29% to RMB 10.9 million in 1st Half 2009. The increase was due mainly to an increase in sales personnel salary and cost for newly recruited sales personnel during the quarter as well as higher transportation and travelling expenses incurred as a result of new markets development in Guangdong and Shanxi.

(b) Administrative expenses

Administrative expenses decreased by approximately 7.45% to RMB 7.2 million in Q2 2009, and increased approximately by 12.07% to RMB 16.2 million in 1st Half 2009. The decrease was due mainly to lower professional fee paid. The increase in 1st Half 2009 was due mainly to consultancy fee paid to an unrelated party for farm equipment technical research and development which amounted to RMB1.0 million.

(c) Other expenses

Other expenses were allowances for impairment loss on trade receivables of RMB 7.8 million in respect of the agricultural trucking division. The leasing management agreement with the division had been terminated in November 2008. The reasons for the termination had been disclosed in the Company's announcement number 00087 on 5 December 2008.

(d) Finance costs

Finance costs decreased by approximately 32.86% to RMB 0.28 million in Q2 2009, and from RMB 0.63 million in 1st Half 2008 to RMB 0.50 million in 1st Half 2009. The decrease during the quarter under review was due mainly to bank borrowings of RMB10 million which had been fully repaid.

(e) Income tax expense

Income tax expense represents estimated People's Republic of China ("PRC") tax payables for the Group's subsidiaries as at 30 June 2009.

As a result of the above, net profit attributable to shareholders decreased by approximately 60.33% to RMB 14.7 million in Q2 2009, and 59.49% to RMB 16.9 million in 1st Half 2009.

BALANCE SHEET

Assets

As at 30 June 2009, non current assets amounted to RMB 80.3 million, an increase of approximately RMB 1.6 million compared to RMB 78.7 million as at 31 December 2008. 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 the Group's harvester plant.

As at 30 June 2009, current assets amounted to RMB 259.9 million. This comprised mainly the following:

- (a) Inventories of approximately RMB 72.6 million; an increase of approximately RMB 25.9 million as compared to RMB 46.7 million as at 31 December 2008. This was in line with the expected higher volume of business in the coming months;
- (b) Trade and other receivables of approximately RMB 153.8 million mainly comprise of:

| | 30 June 2009 RMB '000 | 31 December 2008 RMB '000 | Differences RMB '000 |
|------------------------------|-----------------------------|---------------------------------|-------------------------|
| Trade receivables (Net) | 77,505 | 67,444 | 10,061 |
| Bills receivables | - | 450 | (450) |
| Receivables from government | 51,846 | 5,314 | 46,532 |
| Advance payment to suppliers | 2,454 | 4,914 | (2,460) |
| Other receivables (Net) | 22,003 | 28,230 | (6,227) |
| Total | 153,808 | 106,352 | 47,456 |

The increase in trade receivables of approximately RMB 10.1 million was in line with the Group's cyclical seasonality business nature for farm equipment, namely, combined harvesters and plough machines where most of the farm equipment sales were at its peak from May to June 2009.

Decrease in bill receivables of approximately RMB 0.5 million was due to the utilisation of bill receivables during the quarter.

Increase in receivables from government of approximately RMB 46.5 million was due mainly to higher government grant receivables resulting from higher amount of overnment subsidy grant received for each unit of farm equipment sold to farmers and relatively higher sale of the Group's range of farm equipment, compared with the previous corresponding period .

Lower downpayment to suppliers resulted in a decrease in advance payment to suppliers of approximately RMB 2.5 million.

Decrease in other receivables of approximately RMB 6.2 million was due mainly to collection received during the quarter.

The above factors had resulted in an increase in trade and other receivables of approximately RMB 47.5 million.

- (c) Other current assets increased to approximately RMB 1.7 million by an increase of approximately RMB 1.6 million from RMB 0.1 million as at 31 December 2008. This was due mainly to prepayment of the diesel engine division's advertising and promotional expenses.
- (d) Cash and cash equivalents decreased by approximately RMB 18.4 million from RMB 50.2 million as at 31 December 2008 to approximately RMB 31.8 million.

Liabilities

As at 30 June 2009, the Group's current liabilities amounted to RMB 99.4 million and comprised mainly the following:

- (a) Trade and other payables of approximately RMB 94.1 million mainly comprise of:

| | 30 June 2009 RMB '000 | 31 December 2008 RMB '000 | Differences RMB '000 |
|---------------------------|-----------------------------|---------------------------------|-------------------------|
| Trade payables | 53,040 | 12,349 | 40,691 |
| Advances from customers | 8,526 | 20,195 | (11,669) |
| Dividend payable | 4,075 | 4,493 | (418) |
| Accruals | 7,882 | 8,848 | (966) |
| Loan from a related party | 7,300 | - | 7,300 |
| Other payables | 13,239 | 683 | 12,556 |
| Total | 94,062 | 46,568 | 47,494 |

Increase in trade payables of approximately RMB 40.7 million was due mainly to higher purchases during the quarter.

Lower advances received from diesel engines customers during the quarter had resulted in a decrease in advances from customers of approximately RMB 11.7 million. This is in line with lower sales volume of our diesel engines compared with the previous corresponding period.

Repayment of approximately RMB0.4 million dividend payable for dividend declared in previous financial year to the Group's ultimate holding company had resulted in a decrease in dividend payable.

Lower accruals during the quarter had resulted in a decrease in accrual of approximately RMB 1.0 million.

Loan from a related party of RMB 7.3 million referred to a back to back loan for working capital from Miluo Zhongtian Technology Co.,Ltd, a company in which the Group's Chairman and Chief Executive Director has a controlling interest.

Increase in other payables of approximately RMB 12.6 million was due mainly to the provision of distributors' incentive during the quarter.

The above factors had resulted in an increase of trade and other payables of approximately RMB 47.5 million.

- (b) Current income tax liabilities of approximately RMB 5.3 million; which was an increase of approximately RMB 3.8 million from RMB 1.5 million as at 31 December 2008 was due mainly to the current year's income tax liabilities for Zhongtian Dragon Boat. Increase was in line with higher profit before tax during the period.

STATEMENT OF CASH FLOW

Overall, the Group registered a net cash decrease of approximately RMB 6.3 million for Q2 2009, and approximately RMB 22.4 million for 1st Half 2009.

Net cash provided by operating activities during Q2 2009 amounted to RMB 5.5 million, an increase of approximately RMB 15.4 million compared to net cash used in operating activities of RMB 9.9 million in Q2 2008. During 1st Half 2009, net cash used in operating activities amounted to RMB 12.0 million, an decrease of approximately RMB 17.0 million, compared to RMB 29.0 million in 1st Half 2008. The decrease was due mainly to higher trade payables and lower trade and other receivables during the 1st Half 2009 resulting from better account receivables management and higher purchases during the quarter in anticipation of higher demand in the coming quarters.

Net cash used in investing activities during Q2 2009 amounted to RMB 1.1 million, a decrease of approximately RMB 9.8 million, compared to RMB 10.9 million in Q2 2008, and 1st Half 2009 amounted RMB 3.1 million, a decrease of approximately RMB 11.7 million, compared to RMB 14.8 million in 1st Half 2008. The decrease was due to lower acquisition of property, plant and equipment during the quarter.

Net cash used in financing activities during Q2 2009 amounted to RMB 10.7 million, an increase of approximately RMB 6.1 million as compared to RMB 4.6 million in Q2 2008, and 1st Half 2009 amounted to RMB 7.3 million, a decrease of approximately RMB 2.7 million, compared to RMB 4.6 million in 1st Half 2008. Net cash used in financing activities during the quarter was due mainly to repayment of bank borrowings of RMB 10 million. A decrease of RMB 2.7 million in 1st Half 2009 was due mainly to the drawdown of a related party loan of RMB20.0 million in Q1 2009.

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.**

At the start of 2009, the PRC government announced the doubling of farming subsidies to approximately 35% of the estimated average selling price for the purchase of farming equipment. This is part of the government stimulus package introduced with the aim to boost the agricultural activities and ultimately support the overall economic growth in China. As the purchasing power of the farmers increased, this worked in favor of the Group's farming equipment especially combine harvesters in the mid to long term.

Being one of the key domestic players in China, the Group will continue to focus on its core products and businesses, namely the combine harvesters, plough machines and diesel engines. The Group has adopted a prudent stance in maintaining its competitive market positioning, with measures such as continuous research and development, stringent cost control measures and marketing efforts to extend its reach to the various farming areas across China.

Facing challenges such as seasonality of farming equipment demands, volatile material prices and credit risk, the Group maintains a cautious outlook for its business in the next 12 months.

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?

Not applicable.

(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 2009.

BY ORDER OF THE BOARD

Wang Shuping
Chairman and CEO

11 August 2009

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.

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 2009 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: 11 August 2009