



## **CHINA FARM EQUIPMENT LIMITED**

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

Fourth Quarter and Full Year 2008  
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 INCOME STATEMENT FOR THE FOURTH QUARTER AND 12 MONTHS ENDED 31 DECEMBER 2008**

	4th Quarter			12 Months		
	2008 RMB '000 Actual	2007 RMB '000 Unaudited	% Differences	2008 RMB '000 Actual	2007 RMB '000 Audited	% Differences
Sales	22,612	88,871	(74.56)%	348,787	396,017	(11.93)%
Cost of sales	(15,506)	(71,549)	(78.33)%	(259,374)	(291,617)	(11.06)%
Gross profit	7,106	17,322	(58.98)%	89,413	104,400	(14.36)%
Other operating income	2,158	5,472	(60.56)%	7,441	10,884	(31.63)%
Selling and distribution expenses	(20,387)	(5,299)	284.73%	(34,613)	(20,022)	72.87%
Administrative expenses	(3,645)	(4,197)	(13.15)%	(27,347)	(22,474)	21.68%
Other expenses	(32,008)	-	N.M.	(32,008)	-	N.M.
Finance expenses	(194)	(40)	385.00%	(967)	(1,490)	(35.10)%
(Loss)/ profit before income tax	(46,970)	13,258	(454.27)%	1,919	71,298	(97.31)%
Income tax expense	3,020	-	N.M.	(1,542)	-	N.M.
(Loss)/ Profit after taxation	<u>(43,950)</u>	<u>13,258</u>	(431.50)%	<u>377</u>	<u>71,298</u>	(99.47)%

Notes to income statements	4th Quarter		12 Months	
	2008 RMB '000 Actual	2007 RMB '000 Unaudited	2008 RMB '000 Actual	2007 RMB '000 Audited
(a) Income statement includes the following:				
Inventories written down	9,237	-	9,237	-
Allowance for impairment of receivables	22,771	-	22,771	-
Interest paid on borrowing	194	985	967	1,490
(Gain)/ Loss on disposal of property, plant and equipment	80	(16)	80	10
Depreciation of property, plant and equipment	820	634	3,096	2,249
Minimum lease payments under operating lease for leasehold buildings	1,597	1,152	5,535	4,508
(b) Other operating income comprises:-				
Interest income	128	255	772	1,506
Government grant	270	595	1,388	978
Rental income	46	40	326	206
Sale of spare parts and components	2,020	3,745	4,535	5,923
Others	(306)	837	420	2,271
	<u>2,158</u>	<u>5,472</u>	<u>7,441</u>	<u>10,884</u>

- 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 2008 AND 31 DECEMBER 2007**

	The Group		The Company	
	Unaudited as at 31 December 2008	Audited as at 31 December 2007	Unaudited as at 31 December 2008	Audited as at 31 December 2007
	RMB '000	RMB '000	RMB '000	RMB '000
<b>Non-Current assets</b>				
Land use rights	16,859	15,231	-	-
Property, plant and equipment	61,579	31,318	441	573
Investment in a subsidiary	-	-	76,058	76,058
Financial asset, available-for-sale	244	-	-	-
	<u>78,682</u>	<u>46,549</u>	<u>76,499</u>	<u>76,631</u>
<b>Current assets</b>				
Inventories	46,658	42,976	-	-
Trade and other receivables	106,352	104,371	123	-
Amount due from a subsidiary (non trade)	-	-	41,341	38,433
Other current asset	147	192	34	176
Cash and cash equivalents	<u>50,240</u>	<u>91,613</u>	<u>8,565</u>	<u>28,360</u>
	<u>203,397</u>	<u>239,152</u>	<u>50,063</u>	<u>66,969</u>
<b>Less: Current Liabilities</b>				
Trade and other payables	46,568	39,100	7,294	1,516
Current income tax liabilities	1,451	-	-	-
Borrowings	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
	<u>58,019</u>	<u>49,100</u>	<u>7,294</u>	<u>1,516</u>
<b>Net current assets</b>	145,378	190,052	42,769	65,453
<b>Net assets</b>	<u>224,060</u>	<u>236,601</u>	<u>119,268</u>	<u>142,084</u>
<b>Share capital and reserves</b>				
Share capital	128,405	128,405	128,405	128,405
(Accumulated losses)/retained earnings	81,297	94,077	(6,113)	13,593
Other reserves	14,358	14,119	(3,024)	86
<b>Total equity</b>	<u>224,060</u>	<u>236,601</u>	<u>119,268</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 31/12/2008		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 31/12/2008		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 31 December 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 FOURTH QUARTER AND 12 MONTHS ENDED 31 DECEMBER 2008**

	4th Quarter		12 Months	
	2008 RMB'000 Actual	2007 RMB'000 Unaudited	2008 RMB'000 Actual	2007 RMB'000 Audited
<b>Cash flows from operating activities</b>				
(Loss)/ profit before income tax	(46,970)	13,258	1,919	71,298
<i>Adjustment for :</i>				
Depreciation property, plant and equipment	820	635	3,096	2,249
Finance expense	194	699	967	1,204
Interest income	(128)	(255)	(772)	(1,506)
Loss /(gain)on disposal of property, plant and equipment	80	(16)	80	10
Allowance for impairment of receivables	22,771	-	22,771	-
Inventories written down	9,237	-	9,237	-
Exchange loss	2,121	86	1,645	1,262
<b>Operating( loss)/ profit before working capital changes</b>	<b>(11,875)</b>	<b>14,407</b>	<b>38,943</b>	<b>74,517</b>
<b>Change in operating assets and liabilities</b>				
Increase in inventories	(14,617)	(10,162)	(12,919)	(3,434)
Decrease/ (increase) in trade and other receivables	72,495	25,465	(24,707)	(57,392)
(Decrease)/ increase in trade and other payables	(21,024)	(4,481)	5,755	2,659
<b>Net cash generated from operations</b>	<b>24,979</b>	<b>25,229</b>	<b>7,072</b>	<b>16,350</b>
Interest paid	(194)	(699)	(967)	(1,204)
Income tax paid	-	-	(91)	-
Value added tax paid	(705)	(733)	(3,203)	(1,310)
<b>Net cash provided by operating activities</b>	<b>24,080</b>	<b>23,797</b>	<b>2,811</b>	<b>13,836</b>

	4th Quarter		12 Months	
	2008 RMB'000 Actual	2007 RMB'000 Unaudited	2008 RMB'000 Actual	2007 RMB'000 Audited
<b>Cash flows from investing activities</b>				
Acquisition of land use rights	(1,628)	(226)	(1,628)	(15,231)
Purchase of financial asset, available-for-sale	(558)	-	(558)	-
Acquisition of property, plant and equipment	(12,156)	(2,570)	(33,770)	(19,097)
Deposit for potential acquisition	-	(15,500)	-	(15,500)
Proceeds from disposal of property, plant and equipment	300	196	300	385
Amount transfer from fixed deposits	-	13,508	1,338	3,991
Interest received	128	255	772	1,506
<b>Net cash used in investing activities</b>	<b>(13,914)</b>	<b>(4,337)</b>	<b>(33,546)</b>	<b>(43,946)</b>
<b>Cash flows from financing activities</b>				
Dividend paid	(1,529)	-	(7,473)	(14,433)
Issue of shares	-	-	-	106,660
Share issue expenses	-	-	-	(17,240)
<b>Net cash (used in) / provided by financing activities</b>	<b>(1,529)</b>	<b>-</b>	<b>(7,473)</b>	<b>74,987</b>
Net increase/(decrease) in cash and cash equivalents	8,637	19,460	(38,208)	44,877
Effect of exchange rate changes	(1,827)	(3)	(1,827)	(3)
Cash and cash equivalents at beginning of the period	43,430	70,818	90,275	45,401
<b>Cash and cash equivalents at end of the period</b>	<b>50,240</b>	<b>90,275</b>	<b>50,240</b>	<b>90,275</b>

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 2008 RMB '000	Audited as at 31 December 2007 RMB '000
Cash on hand	917	12,443
Bank balances	49,323	79,170
	50,240	91,613
Deposits pledged with banks	-	(1,338)
	50,240	90,275

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 Reserve	Exchange Translation Reserve	Fair Value Reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Unaudited</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 reserve	-	(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 reserve	-	(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 reserve	-	(3,951)	3,951	-	-	-
<b>At 31 December 2007</b>	128,405	94,077	12,810	1,309	-	236,601
<b>Unaudited</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
Translation difference	-	-	-	(174)	-	(174)
Net profit for the quarter	-	2,564	-	-	-	2,564
<b>At 30 September 2008</b>	128,405	126,016	12,810	1,211	-	268,442
Net loss for the quarter	-	(43,950)	-	-	-	(43,950)
Fair value losses from financial asset	-	-	-	-	(314)	(314)
Translation difference	-	-	-	(118)	-	(118)
Transfer to statutory common reserve	-	(769)	769	-	-	-
<b>At 31 December 2008</b>	128,405	81,297	13,579	1,093	(314)	224,060

<b>Company</b>	<b>Share Capital RMB'000</b>	<b>Retained Earnings/ (Accumulated Losses) RMB'000</b>	<b>Statutory Common Reserve RMB'000</b>	<b>Exchange Translation Reserve RMB'000</b>	<b>Total RMB'000</b>
<b><u>Unaudited</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
Translation difference	-	-	-	(2,007)	(2,007)
Net loss for the quarter	-	(2,396)	-	-	(2,396)
<b>At 30 September 2008</b>	128,405	(4,377)	-	(2,186)	121,842
Translation difference	-	-	-	(838)	(838)
Net loss for the quarter	-	(1,736)	-	-	(1,736)
<b>At 31 December 2008</b>	128,405	(6,113)	-	(3,024)	119,268

- 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 fourth quarter ended 31 December 2008 and no outstanding convertibles or treasury shares held as at 31 December 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.**

	31/12/08	31/12/07
Total number of issued 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 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 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 4th Quarter 2008 (RMB)		Unaudited 4th Quarter 2007 (RMB)		Actual 12 Months 2008 (RMB)		Audited 12 Months 2007 (RMB)	
(i) Based on existing issued share capital	(18.16)	cents	5.63	cents	0.16	cents	30.26	cents
(ii) On a fully diluted basis	(18.16)	cents	5.63	cents	0.16	cents	30.26	cents

The computation is based on weighted average number of shares issued in 2008, 242,000,000 ordinary shares (2007 : 235,545,000)

**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 31/12/2008 (RMB)		Unaudited As at 31/12/2007 (RMB)	
	For the Company	49.28	cents	58.71
For the Group	92.59	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 decreased by approximately 74.56% from RMB 88.9 million in 4Q 2007 to RMB 22.6 million in 4Q 2008, and decreased by approximately 11.93% from RMB 396.0 million to RMB 348.8 million for the 12 months ended 31 December 2008 ("FY2008"). The decrease in 4Q 2008 revenue was due to the decrease in sales volume for farm equipment, diesel engines, agricultural trucks and driver cabins as a result of the prevailing general economy down turn.

The termination of leasing and management arrangement with Hunan Juzhou Automobile Manufacturing Co., Ltd. ("Juzhou") during the quarter also contributed to the decrease in revenue from the sales of agricultural trucks and driver cabins.

#### Cost of Sales

Cost of sales decreased by approximately 78.33% from RMB 71.5 million in 4Q 2007 to RMB15.5 million in 4Q 2008, and decreased by approximately 11.06% from RMB 291.6 million to RMB259.4 million for FY2008. The decrease in cost of sales was in line with the decline in revenue.

#### Gross Profit Margin

Overall gross profit margin increased from 19.49% in 4Q 2007 to 31.43% in 4Q 2008, and decreased from 26.36% to 25.64% for FY2008. The increase in gross margin during the quarter under review was attributable to the following :

- (i) Lesser contributions from sales of agricultural trucks which generally yielded lower profit margin; and
- (ii) Lower raw material costs.

#### Other Operating Income

Other operating income decreased by approximately 60.56% from RMB 5.5 million in 4Q 2007 to RMB 2.2 million in 4Q 2008, and decreased by approximately 31.63% from RMB 10.9 million to RMB 7.4 million for FY2008. The decrease in 4Q 2008 was due mainly to the decrease in interest income and sale of spare parts and components.

#### Operating Expenses

##### (a) Selling and distribution expenses

Selling and distribution expenses increased by approximately 284.73% from RMB 5.3 million in 4Q 2007 to RMB 20.4 million in 4Q 2008, and increased by approximately 72.87% from RMB 20.0 million to RMB 34.6 million for FY2008. The increase in 4Q 2008 was due mainly to an increase in selling and promotional expenses as well as transportation and travelling expenses. Higher selling and promotional expenses of RMB6.9 million were incurred during the quarter under review as a result of exploring and developing the new domestic market.

##### (b) Administrative expenses

Administrative expenses decreased by approximately 13.15% from RMB 4.2 million in 4Q 2007 to RMB 3.6 million in 4Q 2008, and increased by approximately by 21.68% from RMB 22.5 million to RMB 27.3 million for FY2008. The decrease in 4Q2008 was due mainly to a decrease in travelling expenses and advertisement expenses whilst the increase during the year was due mainly to professional fees and travelling expenses incurred by the holding company.

##### (c) Other expenses

Other expenses was due mainly to allowance for impairment of receivables and inventories written down of RMB31.0 million pertaining to the termination of leasing and management arrangement entered into between the Group and Hunan Juzhou Automobile Manufacturing Co., Ltd ("Juzhou") together with Juzhou's shareholders during the quarter under review. The remaining RMB1.0 million was attributable to the allowance for impairment of receivables arising from sale of farm equipment.

(d) Finance expenses

Finance expenses increased by approximately 385.0% from RMB 0.04 million in 4Q 2007 to RMB 0.2 million in 4Q 2008, and decreased by approximately 35.10% from RMB 1.5 million to RMB 1.0 million for FY2008. The increase in finance expenses during the quarter under review was attributable to the utilisation of bill payables in raw material purchases. The overall decrease in finance expenses was mainly due to the decrease in outstanding bill payables.

(e) Income tax expense

Income tax expense refers to the estimated People's Republic of China ("PRC") income tax payable for the Group's subsidiary as at 31 December 2008. There was an overprovision of RMB3.0 million for tax payable as a result of lower taxable profit at the Group's subsidiary level during the quarter under review.

As a result of the above, net profit attributable to shareholders decreased by approximately 431.50% from RMB 13.3 million in 4Q 2007 to a loss of RMB 43.9 million for 4Q 2008, and 99.47% from RMB 71.3 million to RMB 0.4 million for FY2008.

## **BALANCE SHEET**

### Assets

As at 31 December 2008, non-current assets amounted to RMB 78.7 million, an increase of approximately RMB 32.2 million compared to RMB 46.5 million in the previous corresponding period. 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 31 December 2008, current assets amounted to RMB 203.4 million, comprised mainly the following:

- (a) Inventories of approximately RMB 46.7 million; an increase of approximately RMB 3.7 million compared to RMB 43.0 million as at 31 December 2007. This was due to the purchases of raw materials during the quarter when the price of raw materials was weakening;
- (b) Trade and other receivables of approximately RMB 106.4 million; an increase of approximately RMB 2.0 million from RMB 104.4 million as at 31 December 2007. This was mainly due to higher other receivables as at year end. Included in the trade and other receivables were trade receivables of approximately RMB67.9 million, receivables from government of approximately RMB5.3 million, advance payment to suppliers of approximately RMB4.9 million and other receivables of approximately RMB28.3 million as at 31 December 2008;
- (c) Other current asset of approximately RMB 0.1 million; a decrease of approximately RMB 0.1 million from RMB 0.2 million as at 31 December 2007. This was the charging of prepaid expenses to the income statement;
- (d) Cash and cash equivalents of approximately RMB 50.2 million; a decrease of approximately RMB 41.4 million from RMB 91.6 million as at 31 December 2007.

### Liabilities

As at 31 December 2008, the Group's current liabilities amounted to RMB 58.0 million and comprised mainly the following:

- (a) Trade and other payables of approximately RMB 46.6 million; an increase of RMB 7.5 million from RMB 39.1 million as at 31 December 2007 as a result of an increase in advances received from customers. Included in the trade and other payables were trade payables of approximately RMB12.3 million, advances from customers of approximately RMB20.2 million and other payables and accrual of approximately RMB14.1 million as at 31 December 2008.
- (b) Current income tax liabilities refer to tax payables of approximately RMB 1.5 million for the Group's subsidiary, Zhongtian Dragon Boat;
- (c) Borrowings of RMB 10.0 million pertained 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 8.6 million for 4Q 2008, and a net cash decrease of approximately RMB 38.2 million for FY2008.

Net cash generated from operations during 4Q 2008 amounted to RMB 24.1 million, an increase of approximately RMB 0.3 million compared to RMB 23.8 million in 4Q 2007. Net cash generated from operations for FY2008 amounted to RMB 2.8 million, a decrease of approximately RMB 11.0 million compared to RMB 13.8 million for FY2007. The decrease was mainly due to higher other receivables and deposit as well as inventory during the year.

Net cash used in investing activities during 4Q 2008 amounted to RMB 13.9 million, an increase of approximately RMB 9.6 million compared to RMB 4.3 million in 4Q 2007, and for FY2008 amounted RMB 33.5 million, a decrease of approximately RMB 10.4 million compared to RMB 43.9 million for FY2007. The decrease was due to the acquisition of land use rights in the previous corresponding period.

Net cash used in financing activities during 4Q 2008 amounted to RMB 1.5 million. Net cash used in financing activities for FY2008 amounted to RMB 7.5 million arose from the payment of dividend. Net cash provided by financing activities for FY2007 amounted to RMB 75.0 million due mainly to the proceeds received from the issuance of new shares on 9 February 2007 pursuant to the Company's initial public offering.

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

Results are in line with the Company's announcement on 20 February 2009 that it was expected to register a significantly lower profit for FY2008 due to the termination of leasing and management arrangement that the Group entered into with Juzhou and Juzhou's shareholders.

**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.**

Since October 2008, the PRC government has announced a series of extensive plans for rural reform and developments to be implemented in the mid to long term. The agricultural sector is perceived to play a critical role in boosting the domestic demand, which in turn will help to support the overall economic growth in the PRC .

With the expected increase in the PRC's government expenditure on the agricultural sector, the Group stands to benefit from the higher government subsidies and bigger scale commercial farming, which is likely to generate more demand for agricultural machinery in the long term. However, in light of the current global economic turmoil, consumerism has weakened with local farmers getting cautious before placing their orders for agricultural machinery.

Going forward, the Group will continue to focus on its core products and businesses, namely the combined harvesters, plough machines and diesel engines. By capitalizing on its well-recognized and reputable brands, the Group hopes to maintain its competitiveness in the market via competitive pricing, effective cost control measures and continuous research and development efforts.

The Group is expected to remain profitable in the next 12 months. However, if the global economy continued to deteriorate further and the above measures proposed by the PRC Government are not implemented or are not effective in stimulating farmers' demand for farm equipment, then the Group's financial performance for FY2009 may be adversely affected.

**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?

Yes

Name of Dividend	First and final paid 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

***(c) Date payable***

Not applicable.

***(d) Books closure date***

Not applicable.

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

No dividend has been declared/recommendeded for the year ended 31 December 2008.

**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 and farm diesel engines; no reporting by business is presented.

As 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	230,500	183,450	25.65%
(b) Operating profit after tax before deducting minority interests reported for first half year	41,763	37,064	12.68%
(c) Sales reported for second half year	118,287	212,567	(44.35)%
(d) Operating (loss)/profit after tax before deducting minority interests reported for second half year	(41,386)	34,234	(220.89)%

- 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)
<b>Ordinary</b>	-	12,388
<b>Preference</b>	-	-
<b>Total:</b>	-	12,388

**17. Interested Person Transactions (“IPTs”)**

Name of interested person and nature of transactions	Aggregate value of all IPTs during the financial year under review [excluding transactions less than \$100,000 and transactions pursuant to the IPT Mandate (or a shareholders’ mandate for IPTs under Rule 920 of the New Listing Manual)]	Aggregate value of all IPTs under the IPT Mandate (or a shareholders’ mandate for IPTs under Rule 920 of the New Listing Manual) during the financial year under review (excluding transactions less than \$100,000)
	RMB	RMB
Lease agreement with Hunan New Binhu for land use rights and buildings at 81, East Xiufeng Road, Yiyang City, Hunan Province, PRC	1,500,000	-
Lease agreement with Zhongtian Technology for land use rights and buildings at Miluo River Ecology Industrial Park, Hunan Province, PRC	1,700,000	-
Lease agreement with Zhongtian Technology in respect of the land use rights and buildings at No. 1, Gongnong Road, Chengguan Town, Miluo City, Hunan Province, PRC	550,000	-
<b>Total</b>	<b>3,750,000</b>	

**BY ORDER OF THE BOARD**

Wang Shuping  
Chairman and CEO

27 February 2009