

OPERATIONAL REVIEW

Economies around the world took a downward turn following the global financial crisis. This affected the prospects of many businesses. Asia, which had previously enjoyed rapid growth, had also been adversely affected.

The contraction of business activities in general and credit tightening by financial institutions dampened demand for our parts. This resulted in a 10.2% year-on-year decline in sales of goods to \$134.8 million for FY2009.

Sales from Malaysia decreased by 16.8% from \$41.2 million to \$34.3 million as a result of lower demand for parts from the timber and palm oil industries. Although sales from these sectors declined by \$6.9 million year-on-year, Malaysia continued to be Kian Ann's main sales generator, contributing 25.5% to the Group's total sales in FY2009.

Singapore remained the second largest sales generator at 19.9% with sales of \$26.8 million in FY2009. Sales declined by \$2.2 million mainly due to the broad-based weakening in demand since the second quarter of FY2009.

The Group reported relatively stable sales growth of 16.2% in Other ASEAN Countries for FY2009. Sales increased from \$26.0 million to \$30.2 million. This was largely due to the full-year contribution from our Indonesian subsidiary, PT. Haneagle Heavyparts, which commenced business in February 2008.

Sales from Other Asian Countries, especially China and India, declined by \$5.3 million to \$15.1 million as a result of weakened demand.

Sales from Non-Asian Countries including Australia, Canada and New Zealand, declined by 15.6% to \$28.3 million compared to \$33.6 million in FY2008. This was primarily due to lower demand for our parts used for infrastructure, mining and construction projects.

One of the Group's subsidiaries, Kian Chue Hwa (Industries) Pte Ltd, which specialises in the distribution of commercial and industrial vehicles parts, increased its sales and consequently reported net profit growth for FY2009. This was principally due to the introduction of new products which were well received by its customers.

In line with the lower sales reported in FY2009, the Group's gross profit decreased by 8.1% to \$35.5 million compared to \$38.6 million in FY2008.

Nonetheless, gross profit margin for FY2009 was higher at 26.3% compared with 25.7% recorded in the previous financial year.

BY GEOGRAPHICAL SEGMENTS

	FY2009		FY2008		Changes	
	\$'000	%	\$'000	%	\$'000	%
Singapore	26,821	19.9	29,006	19.3	(2,185)	(7.5)
Malaysia	34,311	25.5	41,233	27.5	(6,922)	(16.8)
Other ASEAN Countries	30,193	22.4	25,985	17.3	4,208	16.2
Other Asian Countries	15,140	11.2	20,410	13.6	(5,270)	(25.8)
Non-Asian Countries	28,339	21.0	33,564	22.3	(5,225)	(15.6)
Sale of Goods	134,804	100.0	150,198	100.0	(15,394)	(10.2)

