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LETTER TO SHAREHOLDERS

Dear Shareholders,

FINANCIAL PERFORMANCE

I am pleased to announce that Kian Ann's net profit rose by 29.3% to a record high of \$17.6 million for FY2011 as global economies improved from a challenging 2010. This is a continuation of the stable growth trend over the last few years.

The Group had a record year with sales of \$162.3 million, representing an increase of 8.7% over the previous corresponding year. With strong sales performance, gross profit margin increased from 25.4% to 28.4% as demand for parts remained strong. For the year under review, the Group registered gross profit of \$46.1 million compared to \$37.9 million for the previous corresponding year, representing an improvement of 21.6%.

In line with the improvement in gross profit, the Group's profit before tax rose 25.7% to \$20.8 million in FY2011.

For the year under review, the Group's subsidiary companies reported profitable results that contributed to our record sales and profit collectively.

We have remained focused on managing costs and cash flow. As at 30 June 2011, the Group's liquidity position remained healthy with cash and cash equivalents of \$22.7 million.

Total equity attributable to owners of the parent increased by \$11.6 million to \$140.5 million as at 30 June 2011.

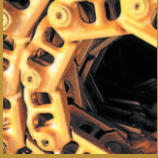
Net asset value per ordinary share increased from 29.43 cents as at 30 June 2010 to 32.08 cents as at 30 June 2011.

Earnings per share for FY2011 was 3.83 cents (FY2010: 3.02 cents).

DIVIDENDS

In view of the Group's strong performance, the Board has proposed a final dividend of 0.775 cent per share, subject to shareholders' approval at the forthcoming Annual General Meeting. Together with the interim dividend of 0.325 cent which was paid in April 2011, total dividend for FY2011 will amount to 1.1 cents per share or 28.7% of the FY2011 net profit.

Going forward, the Group is also adopting an annual dividend policy of at least 25% of the consolidated Group net profit attributable to owners of the parent, subject to the Board's recommendation.



UNDERCARRIAGE

Undercarriage forms a substantial bulk of the operating costs of a machine. As one of the largest distributors, Kian Ann offers multiple choices and a wide range of undercarriage parts to suit customers' exacting needs.



DIESEL ENGINE PARTS

Kian Ann is stringent in our quality control and selection of brands. We continually source for engine parts that are able to operate under incredible stresses and extreme temperatures.

PROSPECTS FOR YEAR 2012

The global economic outlook remains uncertain as a result of recent developments in Europe and the USA. However, with more than 80% of our customer base in Asia Pacific, we believe we will continue to enjoy a steady stream of demand from mining, forestry, agriculture and infrastructure sectors in this region.

Going forward, we will remain highly focused on raising internal efficiencies, maintaining a healthy cash flow, and leveraging on our sourcing abilities to expand our market reach. We will continue to source for new business opportunities to broaden our revenue stream, particularly in developing economies.

Kian Ann's core brand value to its customers, staff and investors remains the same, which is to be the trusted name in heavy machinery and diesel engine parts that continues to deliver superior results to all its stakeholders.

ACKNOWLEDGEMENT

I wish to express my deep appreciation to our Board members for their invaluable contributions.

To our management and staff, I also wish to thank them for their contributions and commitment to always rise up to challenges.

Our appreciation also extends to our customers, business partners and shareholders for their continued support and belief in us. I am confident that the solid foundation, strong partnerships and our competent team will propel the Group to greater heights.

LOW HAN CHEONG
CHAIRMAN