

Media Release

KIAN ANN DECLARES INTERIM DIVIDEND OF 0.33 CENT PER SHARE WITH 23.6% GROWTH ON 1st HALF FY2012 NET PROFIT

- *The Board declares an interim dividend of 0.33 cent per share*
- *1st half FY2012 sale of goods grew by 10.0% to S\$86.2 million and net profit over the same period increased by 23.6% to S\$10.1 million*

Financial Highlights:

S\$ (million)	6 months FY2012	6 months FY2011	Change
Sales of goods	86.2	78.4	↑ 10.0%
Gross profit	24.1	22.3	↑ 7.8%
Profit before tax	12.2	9.8	↑ 24.8%
Net profit	10.1	8.2	↑ 23.6%

SINGAPORE – 14 February 2012 – Mainboard listed **Kian Ann Engineering Limited** (“**Kian Ann**”), one of the world’s largest independent distributors of heavy machinery parts, today announced its financial results for the 6 months ended 31 December 2011 (“1HFY2012”). Net profit grew by 23.6% to S\$10.1 million in 1HFY2012 while net profit margin improved to 11.7%, a 1.3 percentage point increase from 10.4% in the corresponding period of 6 months ended 31 December 2010 (“1HFY2011”).

In 1HFY2012, the Group’s sales of goods increased by 10.0% to S\$86.2 million from S\$78.4 million in 1HFY2011. The growth in sales of goods was mainly driven by the growing demand of parts from the mining sector of Indonesia as well as the stronger growth experienced in “Non-Asian Countries”, mainly from Australia, Papua New Guinea, Brazil and the United Kingdom.

Performance of Geographical Segments

	1HFY2012 S\$'000	1HFY2011 S\$'000	Changes %
Singapore	14,850	14,763	0.6
Malaysia	24,824	25,651	(3.2)
Indonesia	14,258	12,498	14.1
Other ASEAN Countries	3,241	3,155	2.7
Other Asian Countries	7,080	6,184	14.5
Non-Asian Countries	21,931	16,112	36.1
Sales of Goods	86,184	78,363	10.0

For the period under review, gross profit margin remained stable at 27.9%. The Group's profit before tax rose 24.8% from S\$9.8 million in 1HFY2011 to S\$12.2 million in 1HFY2012. Net profit rose at a faster pace. It increased by 23.6% to S\$10.1 million in 1HFY2012, while net profit margin increased from 10.4% in 1HFY2011 to 11.7% in 1HFY2012.

Committed to Rewarding Shareholders

In view of its financial performance for 1HFY2012, the Board has declared an interim dividend of 0.33 cent per share.

Since October 2011, the Group has adopted a dividend policy of paying annual dividends of at least 25% of the consolidated net profit attributable to owners of the parent of Kian Ann Group. For its last financial year (FY2011), total dividend amounted to 1.1 cents per share.

2nd Quarter FY2012

The Group's sales of goods continued to rise on the back of a strong 2nd quarter in FY2011 ("Q2FY2011"). The sales of goods in the 2nd quarter FY2012 ("Q2FY2012") improved marginally by 3.4% to S\$42.0 million, from S\$40.6 million in Q2FY2011. Gross profit margin decreased slightly from 28.5% in Q2FY2011 to 27.4% in Q2FY2012. The decline in the gross profit margin was mainly due to stronger market competition which affected the sales of some of its parts during the quarter under review. Net profit margin remained stable at 11.0% in Q2FY2012. Net profit rose by 9.1% to S\$4.7 million in Q2FY2012, as compared with S\$4.3 million for the corresponding period last year.

Expanded Warehouse Capacity

Since December 2011, the Group started extending its warehouse located at Changi South, Singapore. Approximately more than 7,600 square metres of gross floor area will be added, increasing the total warehousing space by about 46% to more than 24,200 square metres. The Group targets to complete the extension in the 2nd quarter of FY2013.

This additional warehousing space will further increase the Group's competitive advantage in its distribution capacity allowing it to widen the range of parts that it carries and contribute more significantly to its customers' inventory management processes.

Business Outlook

In the near term, the Group's operating environment may be affected by global economic uncertainties. Going forward, Kian Ann will remain vigilant in its operational and financial management while seeking for new opportunities to broaden its range of goods and expanding its market presence beyond ASEAN into new and emerging markets.

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About Kian Ann Engineering Ltd

Established since 1965, **Kian Ann Engineering Ltd (建安机械有限公司)** is one of the world's largest independent distributors of heavy machinery parts and diesel engine components. Our products are used for excavators, bulldozers, wheel loaders, motor graders, trucks, power generation sets and marine engines. The machine brands that the Group's products support include Caterpillar, Komatsu, Cummins, Hitachi, Kobelco, Sumitomo, Mercedes Benz, Volvo, Hyundai and Doosan. The Group has the capacity to distribute more than 1.3 million item lines covering over 270 brands from 220 suppliers, to a global customer base of dealers and end-users in diverse industries ranging from infrastructure development, construction, forestry, agriculture and mining to marine industries. Kian Ann distributes to over 50 countries covering Southeast Asia, Central Asia, China, Australia, New Zealand, Europe, Russia, the Middle East, South Africa, Papua New Guinea, the Solomon Islands, North America and beyond.

For over four decades, Kian Ann has strived to offer the widest range of quality products at the most competitive prices. We continually leverage on new technologies to enhance our operations. As a global ONE-STOP SOURCE, we are able to offer our customer's variety, choice, competitive pricing, convenience, fast and reliable service. Kian Ann's corporate philosophies are, to maintain a high standard of professionalism towards our shareholders and to ensure good returns on a sound investment, develop and continue long term relationships with our customers based on service excellence, and to provide our employees with a promising and secure future.
