

LAND SYSTEMS

A stream of innovative products enabled the Land Systems sector to secure breakthrough contracts in both the defence and commercial arenas.

DEMONSTRATING RESILIENCE AND READINESS FOR THE UPTURN

With customers in over 30 countries worldwide, ST Kinetics is the leading land systems company in Southeast Asia. Its capabilities cover the entire value chain, including the design, development, production, operation and through-life support of specialised land systems equipment and specialty vehicles.

As the economic downturn persisted, the impact was felt particularly in the specialty vehicles market, notably in the US. Several countries introduced stimulus packages during the year, but the effects in related industries only began to materialise towards the latter half of 2009. Nevertheless, ST Kinetics demonstrated its resilience in weathering these poor market conditions, with VT LeeBoy announcing a breakthrough contract for the supply of pavers to the US Army, and VT SVC receiving several significant orders for its Ultra Temp hybrid refrigerated bodies.

Highlights of the year included the commencement of delivery to the UK MOD of the Warthog all terrain vehicles, a variant of the highly successful Bronco All Terrain Tracked Carriers. In addition, ST Kinetics delivered the Terrex 8x8 Infantry Carrier Vehicles and Trailblazer Countermine Vehicles to the SAF. Three ammunition supply contracts were also announced: two for the UK MOD and one for the Swedish Defence Materiel Administration, Försvarets Materielverk.



Land Systems & Solutions

Building on the momentum of the Warthog contract win in December 2008, participation in various exhibitions and conferences further raised the company's profile.

There was heightened interest in the Bronco and Total 40mm Solutions after ST Kinetics showcased them in February at the International Defence Exhibition & Conference (IDEX) in Abu Dhabi, UAE. They were similarly well received at UK exhibitions Defence Vehicle Dynamics and Defence System and Equipment International, followed by two exhibitions in the US, namely Modern Day Marine 2009 and the Association of the US Army Annual Meeting and Exposition. Throughout the year, the Bronco was showcased at the Forum Entreprises Defense in Versailles, France; the Armoured Combat Mobility Conference in London, UK; and Armoured Vehicles Australia in Canberra, Australia.

Besides the Bronco and Total 40mm Solutions, ST Kinetics displayed small arms and the HMX 1100 transmission at IDEX. A wide range of solutions was also exhibited at Armoured Vehicles Asia 2009, a conference held in Singapore. These included the Warthog, Terrex, Trailblazer, Spider LSV, Total 40mm Solutions, 120mm SRAMS and small arms such as the SAR21, Ultimex 100 and CPW.

Specialty Vehicles & Services

The Land Systems sector furthered its efforts to grow sales of specialty vehicles to the construction and related industries, strengthening its market reach internationally. In April, ST Kinetics extended its operations to Mexico, with the formation of a joint venture company, GFM Maquinaria, S.A.P.I. de C.V. The joint venture gains ST Kinetics a beachhead in the Latin American market and is the Group's second collaboration with



*Left to right:
The delivery of Warthog to the UK MOD commenced at year's end.*

Trailblazer – the only armoured countermine vehicle in its weight class.

The Terrex ICV is one of the world's most advanced 8x8 armoured vehicles.

ST KINETICS DEMONSTRATED RESILIENCE IN POOR MARKET CONDITIONS, WITH VT LEEBOY ANNOUNCING A CONTRACT FOR THE SUPPLY OF PAVERS TO THE US ARMY, AND VT SVC RECEIVING SIGNIFICANT ORDERS FOR ITS ULTRA TEMP HYBRID REFRIGERATED BODIES.

ST KINETICS ACHIEVED MILESTONES IN THE GREEN VEHICLES ARENA WHEN IT LAUNCHED SINGAPORE'S FIRST COMMERCIAL DIESEL-ELECTRIC HYBRID BUS AND THE WORLD'S FIRST HYBRID HYDRAULIC DRIVE ENHANCED PORT PRIME MOVER.



Grupo Ferrominero, S.A. de C.V., a Mexican company with diverse interests.

The following month, ST Kinetics added to its presence in China with the acquisition of Zhenjiang Huachen Huatong Road Machinery Co., Ltd. and Zhenjiang Huatong Aran Machinery Co., Ltd. Both companies are leading players in China's road construction and maintenance equipment market, and export their products to more than 20 countries.

Guizhou Jonyang Kinetics and Beijing Zhonghuan Kinetics showcased their construction equipment at the 10th Beijing International Construction Machinery Exhibition & Seminar in November.

ST Kinetics achieved two significant milestones in the green vehicles arena when, in collaboration with its strategic partners, it launched Singapore's first commercial diesel-electric hybrid bus and the world's first hybrid hydraulic drive enhanced port prime mover. Its environmentally friendly and emission responsible hybrid solutions received strong endorsement when local transport

operator, Brickston Transport Service, and port operator, PSA Singapore Terminals, inked memoranda of understanding on their intent to testbed a fleet of the hybrid bus and hybrid hydraulic drive prime mover respectively.

Total Support & Services

Leveraging the rising demand for reliable, value-for-money automotive services during the economic downturn, ST Kinetics expanded its automotive services with the April opening of STAR Ubi, a new mega service centre in the eastern part of Singapore. Among its comprehensive service brands are STAR BLACK and STAR J, high quality and competitively priced services catering to premium German marques and Japanese cars respectively.

In December, the company's third and largest vehicle servicing and accident repair complex in Singapore opened at Jalan Boon Lay. This location offers convenience to motorists, fleet operators and commercial vehicle owners in the western part of the island. In addition, STAR Jalan Boon Lay features a first-of-

its-kind vehicle repair training academy in collaboration with Car-O-Liner (collision repair systems), DuPont (spray painting solutions) and the Institute of Technical Education.

ST Kinetics also grew its vehicle inspection business in 2009. Building on the success of the inspection centres at Sin Ming and Ayer Rajah, the company launched a third centre at Jalan Boon Lay. Besides the full range of independent vehicle inspection services, the centre provides insurance quotations from a number of insurers, road tax renewal and other related services, making it a one-stop shop for motorists.

Acquisitions

ST Kinetics completed its acquisitions of Zhenjiang Huachen Huatong Road Machinery Co., Ltd. and Zhenjiang Huatong Aran Machinery Co., Ltd. in April. To align them with ST Kinetics' branding, the companies were subsequently renamed Jiangsu Huatong Kinetics Co., Ltd. and Jiangsu Huaran Kinetics Co., Ltd. Their acquisitions are joint ventures with





Left to right:
Market leading products from Jiangsu Huatong Kinetics include the asphalt paver and road milling machine.

Jiangsu Huatong Machinery Co., Ltd., a subsidiary of Zhenjiang State-owned Assets Supervision and Administration Commission.

Major Projects

During the year, ST Kinetics delivered specialised truck bodies and trailers, road construction and maintenance equipment, off-road dump trucks and excavators to commercial customers. The company received its single largest order for its Ultra Temp hybrid refrigerated truck bodies. The contract from Idealease Inc., on behalf of its client Schwan Food Company, is for 248 units of the energy-efficient and environmentally friendly hybrid refrigerated truck bodies.

In the areas of defence and homeland security, ST Kinetics delivered the Pegasus, 120mm SRAMS and various munitions products as well as the Bionix II, Trailblazer and Terrex. ST Kinetics was awarded three contracts to supply 40mm ammunition to defence forces, comprising an €8m (about \$15.6m) contract with the Swedish FMV, and two contracts worth £9.5m (about \$20.7m) and £2.8m (about \$6.6m) respectively with the UK MOD.

The company also won a contract worth over US\$11m (about \$15.8m) from the US Army Contracting Command for the supply of asphalt paving equipment over a five-year timeframe beginning in 2010.

The year ended with commencement of delivery of the Warthog to the UK MOD. This is part of the £150m order made in December 2008 for over 100 Warthogs, the first sale of a Singapore designed and produced armoured vehicle to one of the world's leading defence forces.

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FY2008, LAND
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FY2009 WAS HIGHER
BY 13% OR \$10.7M.**

Half Yearly Performance

Turnover of the Land Systems sector in 2H2009 of \$652m was 27% or \$137m higher than that achieved in 1H2009, due mainly to higher munitions sales.

Compared to 1H2009, 2H2009 PBT increased by 19% or \$8.1m to \$51.8m. The higher PBT was mainly attributable to higher turnover, but this was partially offset by higher operating expenses mainly from the subsidiaries acquired.

Full Year Performance

Land Systems sector's FY2009 turnover of \$1,167m was lower than that achieved in FY2008 by 8% or \$107m, attributable mainly to lower sales from the Auto business group's US operations.

Compared to FY2008, Land Systems sector's PBT of \$95.4m for FY2009 was higher by 13% or \$10.7m. Despite lower turnover, PBT was higher due mainly to better product mix, but this was partially offset by higher other operating expenses mainly from the subsidiaries acquired. There was an impairment in value of a quoted investment in FY2008.



Left to right:
Significant orders were secured for the Ultra Temp hybrid refrigerated body.

New "green" fuel saving and emission responsible products launched included the Hybrid Diesel-Electric Bus and Hybrid Hydraulic Drive enhanced port prime mover.