



SMB UNITED LIMITED
Co. Reg. No. 199506364D

Second Quarter and Half Year Financial Statement for the Period Ended June 30, 2011

**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 STATEMENT OF COMPREHENSIVE INCOME
Period ended June 30, 2011

	Group					
	Second Quarter			Half Year		
	Jun 30, 2011 \$'000	Jun 30, 2010 \$'000	Change %	Jun 30, 2011 \$'000	Jun 30, 2010 \$'000	Change %
Revenue	71,396	60,555	17.9	130,372	107,243	21.6
Cost of sales	<u>(48,579)</u>	<u>(41,687)</u>	16.5	<u>(90,257)</u>	<u>(73,406)</u>	23.0
Gross profit	22,817	18,868	20.9	40,115	33,837	18.6
Other operating income	395	869	(54.5)	786	1,375	(42.8)
Selling expenses	(1,274)	(783)	62.7	(2,318)	(1,461)	58.7
General and administrative expenses	(12,173)	(9,347)	30.2	(22,543)	(18,061)	24.8
Other operating expenses	(1,266)	(930)	36.1	(2,160)	(1,848)	16.9
Other gains and (losses)	350	(1,249)	NM	(446)	(1,212)	(63.2)
Share of losses of associates	(28)	(110)	(74.5)	(216)	(199)	8.5
Share of gains (losses) of joint venture	201	(99)	NM	193	(147)	NM
Finance cost	<u>(190)</u>	<u>(140)</u>	35.7	<u>(346)</u>	<u>(245)</u>	41.2
Profit before income tax	8,832	7,079	24.8	13,065	12,039	8.5
Income tax expense	<u>(1,698)</u>	<u>(1,509)</u>	12.5	<u>(2,737)</u>	<u>(2,581)</u>	6.0
Profit for the period	<u>7,134</u>	<u>5,570</u>	28.1	<u>10,328</u>	<u>9,458</u>	9.2
Other comprehensive income:						
Exchange differences arising on translating foreign operations	(184)	(837)	(78.0)	(363)	(27)	1,244.4
Available-for-sale financial assets	<u>-</u>	<u>(5)</u>	NM	<u>-</u>	<u>(43)</u>	NM
Other comprehensive income for the period, net of tax	<u>(184)</u>	<u>(842)</u>	(78.1)	<u>(363)</u>	<u>(70)</u>	418.6
Total comprehensive income for the period	<u>6,950</u>	<u>4,728</u>	47.0	<u>9,965</u>	<u>9,388</u>	6.1
Profit attributable to:						
Owners of the company	5,673	4,608	23.1	7,814	7,269	7.5
Non-controlling interests	<u>1,461</u>	<u>962</u>	51.9	<u>2,514</u>	<u>2,189</u>	14.8
	<u>7,134</u>	<u>5,570</u>	28.1	<u>10,328</u>	<u>9,458</u>	9.2
Total comprehensive income attributable to:						
Owners of the company	5,450	4,072	33.8	7,466	7,442	0.3
Non-controlling interests	<u>1,500</u>	<u>656</u>	128.7	<u>2,499</u>	<u>1,946</u>	28.4
	<u>6,950</u>	<u>4,728</u>	47.0	<u>9,965</u>	<u>9,388</u>	6.1

Profit for the period is arrived at after charging/(crediting) the following:

	Group			
	Second Quarter		Half Year	
	Jun 30,	Jun 30,	Jun 30,	Jun 30,
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Allowance for (Reversal of allowance):				
Doubtful trade receivables	-	(669)	-	(632)
Doubtful non-trade receivables	-	(22)	-	15
Foreseeable losses on contracts	(3)	-	-	-
Inventories	659	394	659	394
Amortisation of intangible assets	15	-	19	-
Amount written off (recovered):				
Receivables	-	27	(10)	18
Inventories	264	82	327	82
Depreciation of property, plant and equipment	1,046	969	2,078	1,868
Depreciation of assets on lease	27	15	53	29
Loss (Gain) on disposal of property, plant and equipment	11	(10)	16	(14)
Gain on disposal of available-for-sale investments	-	-	-	(47)
Reclassification to profit or loss from equity on disposal of available-for-sale investment	-	-	-	(44)
Changes in fair value of financial derivative instruments	-	-	(112)	-
Interest income	(59)	(46)	(142)	(68)
Net foreign exchange (gain) loss	(360)	1,260	543	1,318
Research costs	1,265	963	2,158	1,816
Share option expense	-	49	12	99
(Over) Under provision of income tax expense in prior years	(67)	26	(125)	(54)

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.

STATEMENTS OF FINANCIAL POSITION

June 30, 2011

	Group		Company	
	Jun 30,	Dec 31,	Jun 30,	Dec 31,
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Current assets				
Cash and bank balances	49,952	62,122	6,393	10,554
Trade receivables	75,640	75,454	-	-
Other receivables and prepayments	5,855	4,333	10,610	11,887
Inventories	70,032	50,211	-	-
Contract work-in-progress	2,459	2,390	-	-
Total current assets	203,938	194,510	17,003	22,441
Non-current assets				
Property, plant and equipment	42,971	38,592	673	509
Assets on lease	234	269	-	-
Subsidiaries	-	-	101,577	74,293
Associates	1,276	1,489	-	-
Joint venture	979	463	-	-
Available-for-sale investments	75	75	75	75
Other receivables	1,009	1,009	-	-
Intangible assets	6,491	6,311	-	-
Deferred tax assets	1,753	1,754	-	-
Total non-current assets	54,788	49,962	102,325	74,877
Total assets	258,726	244,472	119,328	97,318
LIABILITIES AND EQUITY				
Current liabilities				
Bank borrowings	14,670	10,530	14,530	-
Trade payables	42,235	32,393	-	-
Other payables	13,641	14,072	12,937	2,220
Contract work-in-progress	1,721	1,209	-	-
Current portion of finance leases	342	456	76	94
Income tax payable	4,356	4,834	2	165
Total current liabilities	76,965	63,494	27,545	2,479
Non-current liabilities				
Other payables	-	1,222	-	-
Finance leases	797	498	118	-
Long-term loans	22,515	5,529	-	-
Deferred tax liabilities	2,005	2,001	5	5
Financial guarantee contracts	-	-	295	319
Total non-current liabilities	25,317	9,250	418	324
Capital, reserves and non-controlling interests				
Share capital	75,113	75,113	75,113	75,113
Reserves	65,469	66,862	16,252	19,402
Equity attributable to owners of the company	140,582	141,975	91,365	94,515
Non-controlling interests	15,862	29,753	-	-
Total equity	156,444	171,728	91,365	94,515
Total liabilities and equity	258,726	244,472	119,328	97,318

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

June 30, 2011		December 31, 2010	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
7,023	7,989	7,003	3,983

Amount repayable after one year

June 30, 2011		December 31, 2010	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
18,909	4,403	1,494	4,533

Details of any collateral

Certain land and buildings, investment property and motor vehicles from the Group with a net book value of \$9,493,000 (FY2010: \$9,323,000), cash and fixed deposits amounting to \$549,000 (FY2010: \$590,000), and shares of a subsidiary are pledged to financial institutions to obtain bank loans and credit facilities.

- 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 STATEMENT OF CASH FLOWS

Period ended June 30, 2011

	Group			
	Second Quarter		Half Year	
	Jun 30,	Jun 30,	Jun 30,	Jun 30,
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Operating activities				
Profit before income tax	8,832	7,079	13,065	12,039
Adjustments for:				
Share of losses of associates	28	110	216	199
Share of (gains) losses of joint venture	(201)	99	(193)	147
Amortisation of intangible assets	15	-	19	-
Depreciation of property, plant and equipment	1,046	969	2,078	1,868
Depreciation of assets on lease	27	15	53	29
Dividend income	(5)	(4)	(5)	(4)
Interest expense	190	140	346	245
Reversal of doubtful trade receivables	-	(669)	-	(632)
(Reversal of) Allowance for doubtful non-trade receivables	-	(22)	-	15
Allowance for inventories	659	394	659	394
Reversal of foreseeable losses on contracts	(3)	-	-	-
Loss (Gain) on disposal of property, plant and equipment	11	(10)	16	(14)
Interest income	(59)	(46)	(142)	(68)
Gain on disposal of available-for-sale investments	-	-	-	(47)
Reclassification to profit or loss from equity on disposal of available-for-sale investment	-	-	-	(44)
Changes in fair value of financial derivative instruments	-	-	(112)	-
Share option expense	-	49	12	99
Operating cash flows before movements in working capital	10,540	8,104	16,012	14,226
Trade receivables	49	(6,060)	(186)	(3,337)
Other receivables and prepayments	82	(2,596)	(1,072)	(3,231)
Inventories	(9,661)	(1,937)	(20,480)	(7,914)
Contract work-in-progress	492	(676)	443	73
Trade payables	2,205	7,270	9,842	4,198
Other payables	(647)	(1,594)	(1,541)	(3,104)
Cash generated from operations	3,060	2,511	3,018	911
Income tax paid	(2,985)	(2,590)	(3,652)	(3,282)
Interest paid	(190)	(140)	(346)	(245)
Net cash used in operating activities	(115)	(219)	(980)	(2,616)
Investing activities				
Interest received	59	46	142	68
Purchase of property, plant and equipment (Note A)	(5,323)	(942)	(6,339)	(1,876)
Proceeds on disposal of property, plant and equipment	15	99	121	104
Acquisition of investment in joint venture	(307)	-	(307)	(250)
Proceeds on disposal of available-for-sale investments	-	-	-	576
Expenditure on product development	(114)	(9)	(146)	(14)
Dividends received	5	4	5	4
Net cash used in investing activities	(5,665)	(802)	(6,524)	(1,388)

	Group			
	Second Quarter		Half Year	
	Jun 30,	Jun 30,	Jun 30,	Jun 30,
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Financing activities				
Repayment of finance leases	(160)	(204)	(342)	(234)
Repayment of bank loans	(167)	(99)	(273)	(198)
New bank loans raised	16,965	3,314	21,145	4,314
Net repayment of trust receipts and banker's acceptance	(2,170)	(582)	(235)	(223)
Decrease in cash deposits pledged to bank	46	80	41	63
Dividends paid to equity holders of the company	(4,797)	(7,196)	(4,797)	(7,196)
Dividends paid to non-controlling interests of subsidiaries	(1,010)	(1,330)	(1,010)	(1,330)
Acquisition of equity and unexercised employee share options in a subsidiary from non-controlling interests	(15,576)	(8)	(20,589)	(8)
Proceeds from exercise of employee share options of a subsidiary	1,135	94	1,135	159
Net cash used in financing activities	<u>(5,734)</u>	<u>(5,931)</u>	<u>(4,925)</u>	<u>(4,653)</u>
Net decrease in cash and cash equivalents	(11,514)	(6,952)	(12,429)	(8,657)
Cash and cash equivalents at beginning of the period	57,461	55,868	58,455	57,426
Effect of foreign exchange rate changes	(110)	(263)	(189)	(116)
Cash and cash equivalents at end of the period	<u>45,837</u>	<u>48,653</u>	<u>45,837</u>	<u>48,653</u>
Cash and cash equivalents consist of:				
Cash at bank	49,090	43,325	49,090	43,325
Fixed deposits	313	7,816	313	7,816
Bank overdrafts	(3,566)	(2,488)	(3,566)	(2,488)
	<u>45,837</u>	<u>48,653</u>	<u>45,837</u>	<u>48,653</u>

Notes to Consolidated Statement of Cash Flows

- A. During the financial period ended June 30, 2011, the group acquired property, plant and equipment with an aggregate cost of \$6,866,000 (6 months 2010 : \$1,949,000) of which \$527,000 (6 months 2010 : \$73,000) was acquired under finance lease agreement. Cash payments of \$6,339,000 (6 months 2010 : \$1,876,000) was made to purchase property, plant and equipment.

1(d)(i) A statement (for the issuer and group) 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.

STATEMENTS OF CHANGES IN EQUITY

Period ended June 30, 2011

	Share capital \$'000	Share option reserve \$'000	Other capital reserve \$'000	Investment revaluation reserve \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Attributable to owners of the company \$'000	Non-controlling interests \$'000	Total \$'000
Group									
Balance at January 1, 2011	75,113	648	(71)	(42)	(669)	66,996	141,975	29,753	171,728
Total comprehensive income for the period	-	-	-	-	(125)	2,141	2,016	999	3,015
Recognition of share-based payments	-	7	-	-	-	-	7	5	12
Effects of acquiring part of non-controlling interests in a subsidiary	-	-	(719)	-	-	-	(719)	(4,294)	(5,013)
Balance at March 31, 2011	75,113	655	(790)	(42)	(794)	69,137	143,279	26,463	169,742
Total comprehensive income for the period	-	-	-	-	(216)	5,673	5,457	1,500	6,957
Dividends	-	-	-	-	-	(4,797)	(4,797)	(1,010)	(5,807)
Exercise of a subsidiary's employee share options	-	-	(654)	-	-	-	(654)	1,789	1,135
Effects of acquiring part of non-controlling interests in a subsidiary	-	-	(2,696)	-	-	-	(2,696)	(12,880)	(15,576)
Balance at June 30, 2011	75,113	655	(4,140)	(42)	(1,010)	70,013	140,589	15,862	156,451
2010									
Balance at January 1, 2010	75,113	532	-	(35)	(990)	60,874	135,494	24,554	160,048
Total comprehensive income for the period	-	-	-	(18)	727	2,661	3,370	1,290	4,660
Recognition of share-based payments	-	29	-	-	-	-	29	21	50
Exercise of a subsidiary's employee share options	-	-	(37)	-	-	-	(37)	102	65
Balance at March 31, 2010	75,113	561	(37)	(53)	(263)	63,535	138,856	25,967	164,823
Total comprehensive income for the period	-	-	-	(5)	(531)	4,608	4,072	656	4,728
Dividends	-	-	-	-	-	(7,196)	(7,196)	(1,330)	(8,526)
Recognition of share-based payments	-	29	-	-	-	-	29	20	49
Exercise of a subsidiary's employee share options	-	-	(59)	-	-	-	(59)	126	67
Effects of acquiring part of non-controlling interests in subsidiaries	-	-	27	-	-	-	27	(8)	19
Balance at June 30, 2010	75,113	590	(69)	(58)	(794)	60,947	135,729	25,431	161,160

	Share	Investment	Retained	Total
	capital	revaluation	earnings	
	\$'000	\$'000	\$'000	\$'000
Company				
Balance at January 1, 2011	75,113	(42)	19,444	94,515
Total comprehensive income for the period	-	-	142	142
Balance at March 31, 2011	75,113	(42)	19,586	94,657
Total comprehensive income for the period	-	-	1,505	1,505
Dividends	-	-	(4,797)	(4,797)
Balance at June 30, 2011	75,113	(42)	16,294	91,365
Balance at January 1, 2010	75,113	(60)	13,991	89,044
Total comprehensive income for the period	-	7	352	359
Balance at March 31, 2010	75,113	(53)	14,343	89,403
Total comprehensive income for the period	-	(5)	333	328
Dividends	-	-	(7,196)	(7,196)
Balance at June 30, 2010	75,113	(58)	7,480	82,535

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.

None.

1(d)(iii) To show the 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.

The number of ordinary shares issued as at June 30, 2011 is 479,751,999 (FY 2010: 479,751,999).

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 and have not been reviewed.

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 in the financial statements for the current financial period compared with those of the audited financial statements as at December 31, 2010.

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.**

The adoption of the new/revised FRS does not have a material impact on the Group and Company.

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.**

	Group			
	Second Quarter		Half Year	
	Jun 30, 2011	Jun 30, 2010	Jun 30, 2011	Jun 30, 2010
Basic earnings per share based on the weighted average number of ordinary shares in issue (cents)	<u>1.18</u>	<u>0.96</u>	<u>1.63</u>	<u>1.52</u>
On a fully diluted basis (cents)	<u>1.18</u>	<u>0.96</u>	<u>1.63</u>	<u>1.52</u>

Basic earnings per share is computed based on the weighted average number of ordinary shares of 479,752,000 (2Q2010: 479,752,000).

Diluted earnings per share is computed based on the weighted average number of ordinary shares of 479,752,000 (2Q2010: 479,752,000).

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	Jun 30, 2011	Dec 31, 2010	Jun 30, 2011	Dec 31, 2010
	Net asset value per ordinary share based on issued share capital at the end of the period (cents)	<u>29.3</u>	<u>29.6</u>	<u>19.0</u>

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 cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The Group registered a turnover of \$71.4 million in 2Q2011, representing an increase of 17.9% from the previous corresponding financial period. Higher overseas sales to Oceania, Europe and Africa regions contributed to this improved performance.

Selling expenses increased by \$0.5 million due to higher overseas marketing expenses and an increase in the amount of travelling as a result of the higher overseas deliveries.

General and administrative expenses increased by 30.2% to \$12.2 million. Besides higher bonus accruals and increments at the beginning of the year, the increase was also due to new hires in new subsidiaries as we expand our overseas production capacity.

Other operating expenses increased to \$1.3 million for the second quarter mainly due to the increase in R&D headcount by our Power & Technology division.

As a result of the appreciation of the New Zealand and Australian dollar, the Group recorded foreign exchange gain of \$0.4 million as reflected under other gains and losses.

On a quarter-to-quarter basis, the improvement in the Group's 2Q2011 bottomline of 23.1% is in line with the improvement in turnover. Overall, the Group managed to record profit attributable to shareholders of \$7.8 million for the first half of 2011, of which \$5.7 million was recorded in the second quarter, a jump of 165% over the first quarter.

Group balance sheet and cash flow statement- explanation of significant variances

Inventories increased by \$19.8 million to \$70.0 million. This was due to raw materials being accumulated for production in anticipation of orders to be fulfilled in the coming months. The purchase of these raw materials resulted in an increase in our trade payables by \$9.8 million to \$42.2 million.

Property, plant and equipment increased by \$4.4 million and this was mainly due to the purchase of a property in Malaysia as we look to further increase our production capacity.

The Group's borrowings increased by \$21.3 million and this included funds that was borrowed for the purchase of EDMI Limited's shares that are not already owned by the Group.

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

There were no forecast or prospect statement previously disclosed to 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.

The Ministry of Trade and Industry (MTI) in Singapore had earlier announced that the Singapore economy grew by 0.9% on a year-on-year basis in the second quarter of 2011, which is far lower than the 9.3% growth that was achieved in the preceding quarter. The slowdown in growth was mainly attributed to the contraction in the manufacturing sector. Against the uncertain economic backdrop, margins of our products and services in the local market is expected to remain under pressure.

Our overseas markets, on the other hand, continue to see healthy demand for our products and services and this trend should continue unless the volatile global economy further sours the markets that we operate in.

With growing interest in energy management and energy efficiency of buildings, the Group is also exploring new opportunities in energy management solutions, particularly in the local market. The recently announced green certification of the M-Cube switchgear will also allow for opportunities to be tapped in the local building and construction industry in its drive to be more environmentally friendly and sustainable.

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? No

(c) Date Payable

Not applicable

(d) Book Closure Date

Not applicable

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

Not applicable

BY ORDER OF THE BOARD

Toh Kian Poh

Company Secretary

August 12, 2011

13. CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(4) OF THE LISTING MANUAL

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the 2Q2011 and 1H2011 financial results to be false or misleading.

On behalf of the Board of Directors

Lee Phuan Weng
Director

Lee Wee Hian
Director

August 12, 2011