



**SMB UNITED LIMITED**  
**Co. Reg. No. 199506364D**

**Management Discussion and Analysis for the Third Quarter and Nine Months Financial Information for the Period Ended September 30, 2011**

1. **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 \$70.6 million in 3Q2011, representing an increase of 16.3% from the previous corresponding financial period. Gross profit margin has remained healthy with the improved turnover.

General and administrative expenses increased by 22.8% to \$11.9 million. The increase was mainly due to higher headcount in our Power & Technology division to boost its production capacity, higher bonus provisions in line with the higher profits, as well as the accounting for the cost of the EDMI Limited delisting exercise which has been concluded in the third quarter.

Finance cost has also increased due to the full drawdown of the loan facility used to fund the delisting exercise.

Overall, the Group managed to record profit attributable to shareholders of \$14.7 million for the nine months ended 30 September 2011, of which \$6.9 million was recorded in the third quarter. This is a 38.7% jump in net profit from the previous nine months.

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

Trade receivables increased by \$6.1 million to \$81.6 million while trade payables increased by \$4.2 million to \$36.6 million. These increases were in line with higher purchase of materials and deliveries of goods made in 2Q2011.

Inventories increased by \$19.2 million to \$69.4 million. This was due to our Power & Technology division holding higher levels of stocks due to extension of lead times of raw materials as well as stocking up of finished goods in order to meet short deliveries to customers and consignment stocks held by the customers.

The Group's borrowings increased by \$40.9 million mainly to fund the delisting exercise as mentioned above as well as for capital expenditure requirements on the new factory in Johor.

2. **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.

3. **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.**

According to BCA forecasts, the total forecasted construction demand for both the private and public sectors in Singapore for 2011 stood at between \$24.0 - \$30.0 billion, of which a cumulative demand of \$21.55 billion was achieved up to Aug 2011. Despite the stable construction forecast, the switchgear industry remains challenging especially in the local environment. Nonetheless, there are growth opportunities in the overseas market and the Group is conscientiously looking at possibilities to expand its geographical reach.

The outlook for smart meters being manufactured and marketed by the Group's Power & Technology division continues to remain positive, with steady roll-outs of smart meters and advanced metering infrastructure around the world as the global push towards energy efficiency in buildings and other applications gain greater urgency.

**BY ORDER OF THE BOARD**

Toh Kian Poh  
Company Secretary  
November 24, 2011