

**CIRCULAR DATED 27 JANUARY 2012**

**THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS OF SMB UNITED LIMITED AND THE ADVICE OF ERNST & YOUNG CORPORATE FINANCE PTE LTD. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

This Circular is issued by SMB United Limited (the “**Company**”). If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

If you have sold or transferred all your issued and paid-up ordinary shares in the capital of the Company, you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



**SMB UNITED LIMITED**  
(Company Registration Number: 199506364D)  
(Incorporated in the Republic of Singapore)

**CIRCULAR TO SHAREHOLDERS**

in relation to the

**VOLUNTARY CONDITIONAL CASH OFFER**

by

**DAIWA CAPITAL MARKETS SINGAPORE LIMITED**  
(Company Registration Number: 197200705R)  
(Incorporated in the Republic of Singapore)

for and on behalf of

**OSAKI ELECTRIC CO., LTD.**  
(Incorporated in Tokyo, Japan)

to acquire all the ordinary shares in the capital of the Company

*Independent Financial Adviser to the Independent Directors of the Company*

**ERNST & YOUNG**

**ERNST & YOUNG CORPORATE FINANCE PTE LTD**  
(Company Registration Number: 199702967E)  
(Incorporated in the Republic of Singapore)

*Financial Adviser to the Company*

**LAZARD**

**LAZARD ASIA LIMITED**  
(Company Registration Number: 199408508H)  
(Incorporated in the Republic of Singapore)

**SHAREHOLDERS SHOULD NOTE THAT THE OSAKI OFFER WILL CLOSE AT 5.30 P.M. ON 13 FEBRUARY 2012 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF OSAKI.**

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## TABLE OF CONTENTS

	<b>Page</b>
DEFINITIONS.....	2
SUMMARY TIMETABLE.....	6
SUMMARY PROCEDURES FOR ACCEPTANCE OF THE OSAKI OFFER .....	7
LETTER FROM THE BOARD OF DIRECTORS TO SHAREHOLDERS .....	12
1. INTRODUCTION.....	12
2. THE OSAKI OFFER.....	13
3. INFORMATION ON OSAKI.....	15
4. IRREVOCABLE UNDERTAKINGS.....	15
5. RATIONALE FOR THE OSAKI OFFER AND OSAKI'S INTENTIONS IN RELATION TO THE COMPANY .....	17
6. LISTING STATUS AND COMPULSORY ACQUISITION .....	18
7. DIRECTORS' INTERESTS AND INTENTIONS.....	19
8. INDEPENDENT DIRECTORS' RECOMMENDATION .....	21
9. ACTION TO BE TAKEN BY SHAREHOLDERS.....	24
10. OVERSEAS SHAREHOLDERS.....	24
11. DIRECTORS' RESPONSIBILITY STATEMENT .....	25
APPENDIX I LETTER FROM EYCF TO THE INDEPENDENT DIRECTORS.....	I-1
APPENDIX II ADDITIONAL GENERAL INFORMATION .....	II-1
APPENDIX III STATEMENT OF PROSPECTS FOR 4Q2011 AND FY2011.....	III-1
APPENDIX IV LETTER FROM THE INDEPENDENT AUDITORS ON THE STATEMENT OF PROSPECTS FOR 4Q2011 AND FY2011 IN CONNECTION WITH THE OSAKI OFFER.....	IV-1
APPENDIX V LETTER FROM EYCF ON THE STATEMENT OF PROSPECTS FOR 4Q2011 AND FY2011.....	V-1

## DEFINITIONS

In this Circular, the following definitions apply throughout except where the context otherwise requires:

### GENERAL

- “3Q2011 Results”** : The unaudited interim condensed financial information of the Group for the third quarter and nine months ended 30 September 2011, which was announced by the Company on 24 November 2011
- “4Q2011”** : The fourth quarter ended 31 December 2011
- “Articles of Association”** : The articles of association of the Company
- “Awards”** : Contingent awards of Shares granted under the SMB Performance Share Plan
- “Board”** : Board of Directors of the Company
- “Boer Offer”** : The voluntary conditional cash offer previously made by PPCF, for and on behalf of Profit Sea, to acquire all the issued and fully paid-up Shares, other than those already owned, controlled or agreed to be acquired by Profit Sea, on the terms and subject to the conditions set out in the Boer Offer Document, and which offer has since been withdrawn
- “Boer Offer Announcement”** : The announcement of the Boer Offer by PPCF, for and on behalf of Profit Sea, on the Boer Offer Announcement Date
- “Boer Offer Announcement Date”** : 31 October 2011, being the date of the Boer Offer Announcement
- “Boer Offer Document”** : The offer document dated 21 November 2011 issued by PPCF, for and on behalf of Profit Sea, in respect of the Boer Offer
- “Boer Offeree Circular”** : The circular dated 2 December 2011 issued by the Company to Shareholders in relation to the Boer Offer
- “Circular”** : This circular to Shareholders in relation to the Osaki Offer setting out, *inter alia*, the recommendation of the Independent Directors and the advice of EYCF to the Independent Directors in respect of the Osaki Offer
- “Code”** : The Singapore Code on Take-overs and Mergers
- “Companies Act”** : The Companies Act, Chapter 50 of Singapore
- “CPF Agent Banks”** : Agent banks included under the CPFIS
- “CPFIS”** : Central Provident Fund Investment Scheme
- “CPFIS Investors”** : Investors who have purchased Shares using their Central Provident Fund contributions pursuant to the CPFIS
- “Directors”** : The directors of the Company (including the Independent Directors) as at the Latest Practicable Date
- “FAA”** : Form of Acceptance and Authorisation for Shares in respect of the Osaki Offer, which forms part of the Osaki Offer Document and is applicable to depositors

<b>“FAT”</b>	: Form of Acceptance and Transfer for Shares in respect of the Osaki Offer, which forms part of the Osaki Offer Document and is applicable to Shareholders whose Shares are held in scrip form
<b>“FY”</b>	: Financial year ended or ending on, as the case may be, 31 December
<b>“IFA Letter”</b>	: The letter dated 27 January 2012 from EYCF to the Independent Directors in respect of the Osaki Offer as set out in Appendix I to this Circular
<b>“Independent Directors”</b>	: The Directors who are considered independent for the purposes of making recommendations to the Shareholders in respect of the Osaki Offer and previously, the Boer Offer, namely, Mr Lee Phuan Weng, Mr Goh Ban Kin, Mr Lee Yong Heng, Mr Lawrence Lee Wee Hian, Mr Lee Kwang Mong, Mr Henry Hoe Leong Seng, Mr Koh Ah Huat and Dr Tay Teng Tiow
<b>“Irrevocable Undertakings”</b>	: Has the meaning ascribed to it in Section 4 of this Circular
<b>“Latest Practicable Date”</b>	: 18 January 2012, being the latest practicable date prior to the printing of this Circular, save that where parts of the Osaki Offer Document (including the letter from Daiwa to the Shareholders in the Osaki Offer Document) are reproduced, references to the “Latest Practicable Date” in such reproduction shall mean the Osaki Offer Document LPD
<b>“Listing Manual”</b>	: The Listing Manual of the SGX-ST
<b>“Market Day”</b>	: A day on which the SGX-ST is open for trading of securities
<b>“Osaki Offer”</b>	: The voluntary conditional cash offer by Daiwa, for and on behalf of Osaki, to acquire all the Shares on the terms and subject to the conditions set out in the Osaki Offer Document, the FAA and the FAT, as such offer may be amended, extended and/or revised from time to time by or on behalf of Osaki
<b>“Osaki Offer Announcement”</b>	: The announcement of the Osaki Offer by Daiwa, for and on behalf of Osaki, on the Osaki Offer Announcement Date
<b>“Osaki Offer Announcement Date”</b>	: 28 December 2011, being the date of the Osaki Offer Announcement
<b>“Osaki Offer Closing Date”</b>	: <b>5.30 p.m. on 13 February 2012</b> or such later date(s) as may be announced from time to time by or on behalf of Osaki, being the last date and time for the lodgement of acceptances of the Osaki Offer
<b>“Osaki Offer Document”</b>	: The offer document dated 16 January 2012 issued by Daiwa, for and on behalf of Osaki, in respect of the Osaki Offer
<b>“Osaki Offer Document LPD”</b>	: 10 January 2012, stated in the Osaki Offer Document to be the latest practicable date prior to the printing of the Osaki Offer Document
<b>“Osaki Offer Price”</b>	: S\$0.40 in cash for each Share, being the offer price in relation to the Osaki Offer
<b>“Overseas Shareholders”</b>	: Shareholders whose addresses are outside Singapore, as shown in the Register or, as the case may be, in the records of CDP
<b>“PSP Committee”</b>	: The committee comprising Directors who are authorised and appointed by the Board to administer the SMB Performance Share Plan
<b>“Register”</b>	: The register of Shareholders, as maintained by the Registrar

<b>“Securities Account”</b>	: The securities account maintained by a depositor with CDP but not including a securities sub-account
<b>“Securities and Futures Act”</b>	: The Securities and Futures Act, Chapter 289 of Singapore
<b>“Shareholders”</b>	: Persons who are registered as holders of Shares in the Register or depositors who have Shares entered against their names in the depository register
<b>“Shares”</b>	: Ordinary shares in the capital of the Company
<b>“SMB Performance Share Plan”</b>	: The SMB Performance Share Plan, which was approved by Shareholders on 30 April 2009, as modified or altered from time to time
<b>“Statement of Prospects for 4Q2011 and FY2011”</b>	: Has the meaning ascribed to it in Paragraph 8 of Appendix II to this Circular
<b>“S\$” and “cents”</b>	: Singapore dollars and cents, respectively, being the lawful currency of Singapore
<b>“Valuation Letter and Report”</b>	: The letter and report from the Valuer dated 16 November 2011 (including the valuation certificates), as set out in Appendix VI to the Boer Offeree Circular
<b>“%” or “per cent.”</b>	: Percentage or per centum

#### **COMPANIES / ORGANISATIONS**

<b>“CDP”</b>	: The Central Depository (Pte) Limited
<b>“Company” or “SMB”</b>	: SMB United Limited
<b>“Daiwa”</b>	: Daiwa Capital Markets Singapore Limited
<b>“Deloitte &amp; Touche” or “Independent Auditors”</b>	: Deloitte & Touche LLP
<b>“EYCF”</b>	: Ernst & Young Corporate Finance Pte Ltd
<b>“Group”</b>	: The Company and its subsidiaries
<b>“Lazard”</b>	: Lazard Asia Limited
<b>“Osaki” or “Offeror”</b>	: Osaki Electric Co., Ltd.
<b>“PPCF”</b>	: PrimePartners Corporate Finance Pte. Ltd.
<b>“Profit Sea”</b>	: Profit Sea Holdings Limited
<b>“Registrar”</b>	: Boardroom Corporate & Advisory Services Pte. Ltd.
<b>“SGX-ST”</b>	: Singapore Exchange Securities Trading Limited
<b>“SIC”</b>	: Securities Industry Council of Singapore
<b>“Valuer”</b>	: Allied Appraisal Consultants Pte Ltd

Unless otherwise defined, the term “**acting in concert**” and “**associates**” shall have the meaning ascribed to them in the Code.

The terms “**depositor**” and “**depository register**” shall have the meaning ascribed to it in Section 130A of the Companies Act.

The terms “**subsidiary**” and “**related corporation**” shall have the meanings ascribed to them respectively in Section 5 and Section 6 of the Companies Act.

References to “**you**” and “**your**” in this Circular are to the Shareholders.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing one gender shall include the other gender. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined in the Companies Act, the Listing Manual or the Code or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the Listing Manual or the Code or any modification thereof, as the case may be, unless the context otherwise requires.

Any reference to a time of day and date in this Circular is made by reference to Singapore time and date, unless otherwise stated.

Any discrepancies in this Circular between the listed amounts and the total thereof are due to rounding. Accordingly, figures may have been adjusted to ensure that totals reflect an arithmetic aggregation of the figures that precede them.

References in this Circular to the total number of issued Shares are based on 489,151,999 issued and paid-up Shares.

#### Forward-looking Statements

*All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “aim”, “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “potential”, “strategy”, “forecast”, “possible”, “probable” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “should”, “could”, “may” or “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future results, performance, events or achievements and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Given the risks and uncertainties involved, Shareholders and investors should not place undue reliance on such forward-looking statements, and none of the Company, Lazard and EYCF assumes any obligation to update publicly or revise any forward-looking statement.*

## SUMMARY TIMETABLE

- Date of despatch of Osaki Offer Document : 16 January 2012
- Date of despatch of this Circular : 27 January 2012
- Osaki Offer Closing Date : 5.30 p.m. on 13 February 2012 or such later date(s) as may be announced from time to time by or on behalf of Osaki
- Settlement of consideration for valid acceptances of the Osaki Offer : (a) In respect of acceptances of the Osaki Offer which are complete and valid in all respects and are received on or before the date on which the Osaki Offer becomes or is declared to be unconditional in all respects, within ten (10) days of such date; or
- (b) In respect of acceptances of the Osaki Offer which are complete and valid in all respects and are received after the date on which the Osaki Offer becomes or is declared to be unconditional in all respects, but before the Osaki Offer closes, within ten (10) days of the date of such receipt.

## SUMMARY PROCEDURES FOR ACCEPTANCE OF THE OSAKI OFFER

The information on the procedures for the acceptance of the Osaki Offer set out in italics below has been reproduced from Appendix 2 to the Osaki Offer Document (save for Paragraphs 1.1.8 and 1.2.5 of Appendix 2 to the Osaki Offer Document, which have been deliberately omitted in view of the withdrawal of the Boer Offer). All terms and expressions used in the extract below shall have the same meanings as those defined in the Osaki Offer Document, unless otherwise stated.

### **“1. OFFER**

#### **1.1 Depositors**

**1.1.1 Depositors whose Securities Accounts are credited with Shares.** *If you have Shares standing to the credit of your Securities Account, you should receive this Offer Document together with an FAA.*

**1.1.2 Acceptance using the FAA for Depositors whose Securities Accounts are credited with Shares.** *If you wish to accept the Offer, you should:*

(i) *complete the FAA in accordance with this Offer Document and the instructions printed on the FAA. In particular, you must state in Part A of the FAA the number of Shares in respect of which you wish to accept the Offer. If you:*

(a) *do not specify such number; or*

(b) *specify a number which exceeds the number of Shares standing to the credit of the “Free Balance” of your Securities Account as at 5.00 p.m. on the date of receipt of the FAA (or 5.30 p.m. if the date of receipt is on the Closing Date) by CDP, for and on behalf of the Offeror (the “Date of Receipt”) (provided always that the Date of Receipt must fall on or before the Closing Date),*

*you shall be deemed to have accepted the Offer in respect of all the Shares already standing to the credit of the “Free Balance” of your Securities Account as at the Date of Receipt;*

(ii) *sign the FAA in accordance with this **Appendix 2** and the instructions printed on the FAA; and*

(iii) *submit the completed and signed FAA:*

(a) **by hand** to Osaki Electric Co., Ltd. c/o The Central Depository (Pte) Limited, 4 Shenton Way #02-01, SGX Centre 2, Singapore 068807; or

(b) **by post**, in the enclosed pre-addressed envelope at your own risk, to Osaki Electric Co., Ltd. c/o The Central Depository (Pte) Limited, Robinson Road Post Office P.O. Box 1984, Singapore 903934,

***in either case so as to arrive not later than 5.30 p.m. on the Closing Date.*** *If the completed and signed FAA is submitted by post to the Offeror, please use the enclosed pre-addressed envelope and affix adequate postage on the said envelope.*

*If you have sold or transferred all your Shares held through CDP, you need not forward this Offer Document and the accompanying FAA to the purchaser or transferee, as CDP will arrange for a separate Offer Document and FAA to be sent to the purchaser or transferee.*

**1.1.3 Depositors whose Securities Accounts will be credited with Shares.** *If you have purchased Shares on the SGX-ST after the Despatch Date, and such Shares are in the process of being credited to the “Free Balance” of your Securities Account, you should also receive this Offer Document together with an FAA.*

**1.1.4 Acceptance using the FAA for Depositors whose Securities Accounts will be credited with Shares.** *If you wish to accept the Offer, you should, **after** the “Free Balance” of your Securities Account has been credited with such number of Shares:*

(i) *complete and sign the FAA in accordance with **paragraph 1.1.2** of this **Appendix 2** and the instructions printed on the FAA; and*

(ii) *submit the completed and signed FAA:*

(a) **by hand** to Osaki Electric Co., Ltd. c/o The Central Depository (Pte) Limited, 4 Shenton Way #02-01, SGX Centre 2, Singapore 068807; or

(b) **by post**, in the enclosed pre-addressed envelope at your own risk, to Osaki Electric Co., Ltd. c/o The Central Depository (Pte) Limited, Robinson Road Post Office P.O. Box 1984, Singapore 903934,

**in either case so as to arrive not later than 5.30 p.m. on the Closing Date.** *If the completed and signed FAA is submitted by post to the Offeror, please use the enclosed pre-addressed envelope and affix adequate postage on the said envelope.*

**1.1.5 Rejection.** *If upon receipt by CDP, on behalf of the Offeror, of the FAA, it is established that such Shares have not been credited to the “Free Balance” of your Securities Account (for example, where you sell or have sold such Shares), your acceptance will be rejected and none of CDP, Daiwa and the Offeror accept any responsibility or liability for such a rejection, including the consequences of such a rejection. If you purchase Shares on the SGX-ST on a date close to the Closing Date, your acceptance in respect of such Shares will be rejected if the “Free Balance” of your Securities Account is not credited with such Shares by 5.00 p.m. on the Date of Receipt (if the FAA is received by CDP prior to the Closing Date) or 5.30 p.m. on the Closing Date (if the FAA is received by CDP on the Closing Date). None of CDP, Daiwa and the Offeror (nor, for the avoidance of doubt, any of the Offeror’s related corporations) accept any responsibility or liability for such a rejection, including the consequences of such a rejection.*

**1.1.6 Depositors whose Securities Accounts are and will be credited with Shares.** *If you have Shares credited to your Securities Account, and have purchased additional Shares on the SGX-ST which are in the process of being credited to your Securities Account, you may accept the Offer in respect of the Shares standing to the credit of the “Free Balance” of your Securities Account and may accept the Offer in respect of the additional Shares purchased which are in the process of being credited to your Securities Account only **after** the “Free Balance” of your Securities Account has been credited with such number of Shares.*

**1.1.7 Depository Agents.** *If you are a depository agent, you may accept the Offer via the SGX-SSH service provided by CDP as listed in Schedule 3 of the Terms and Conditions for User Services for Depository Agents (the “**Electronic Acceptance**”). Such Electronic Acceptances must be submitted **not later than 5.30 p.m. on the Closing Date.** CDP has been authorised by the Offeror to receive Electronic Acceptances on its behalf. Such Electronic Acceptances submitted will be deemed irrevocable and subject to each of the terms and conditions contained in the FAA and this Offer Document as if the FAA had been completed and delivered to CDP.*

*(Paragraph 1.1.8 of Appendix 2 to the Osaki Offer Document has been deliberately omitted.)*

**1.1.9 General.** No acknowledgement will be given for submissions of the FAA made to CDP. All communications, notices, documents and payments to be delivered or sent to you will be sent by ordinary post at your own risk to your address as it appears in the records of CDP. For reasons of confidentiality, CDP will not entertain telephone enquiries relating to the number of Shares in your Securities Account. You can verify such number through CDP Online if you have registered for the CDP Internet Access Service or through CDP Phone Service if you have a T-PIN.

**1.1.10 Suspense Account.** Upon receipt of the FAA which is complete and valid in all respects, CDP will transfer the Shares in respect of which you have accepted the Offer from the "Free Balance" of your Securities Account to a "Suspense Account". Such Shares will be held in the "Suspense Account" until the Offer becomes or is declared to be unconditional in all respects in accordance with its terms and the consideration for such Shares has been despatched to you.

**1.1.11 Offer Notification.** Upon the Offer becoming or being declared to be unconditional in all respects in accordance with its terms, CDP will send you a notification letter stating the number of Shares debited from your Securities Account together with payment of the Offer Price by way of a S\$ cheque drawn on a bank in Singapore for the appropriate amount, or in such other manner as you may have agreed with CDP for the payment of any cash distributions.

**1.1.12 Lapses.** In the event that the Offer does not become or is not declared to be unconditional in all respects in accordance with its terms, CDP will return the aggregate number of Shares in respect of which you have accepted the Offer and tendered for acceptance under the Offer to the "Free Balance" of your Securities Account as soon as possible but in any event within 14 days from the lapse of the Offer.

**1.1.13 No Securities Account.** If you do not have any existing Securities Account in your own name at the time of acceptance of the Offer, your acceptance as contained in the FAA will be rejected.

## **1.2 Scrip Holders**

**1.2.1 Shareholders whose Shares are not deposited with CDP.** If you hold Shares which are not deposited with CDP ("**in scrip form**"), you should receive this Offer Document together with an FAT.

**1.2.2 FAT.** If you are a Shareholder who holds Shares which are not deposited with CDP, but you do not receive the FAT, you may obtain such an FAT upon production of satisfactory evidence that you are a Shareholder, from (i) Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 or (ii) Daiwa Capital Markets Singapore Limited, 6 Shenton Way #26-08, DBS Building Tower Two, Singapore 068809. Electronic copies of the FAT may also be obtained from the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).

**1.2.3 Acceptance using the FAT for Shareholders whose Shares are not deposited with CDP.** If you wish to accept the Offer, you should:

- (i) complete the FAT in accordance with this Offer Document and the instructions printed on the FAT. If you:
  - (a) do not specify a number in Part (A) of the FAT; or
  - (b) specify a number in Part (A) of the FAT which exceeds the number of Shares represented by the attached share certificate(s),

you shall be deemed to have accepted the Offer in respect of all the Shares comprised in the share certificate(s) accompanying the FAT;

- (ii) sign the FAT in accordance with this **Appendix 2** and the instructions printed on the FAT; and
- (iii) deliver:
  - (a) the completed and signed FAT in its entirety (no part may be detached or otherwise mutilated);
  - (b) the share certificate(s), other document(s) of title and/or relevant document(s) required by the Offeror relating to the Shares in respect of which you wish to accept the Offer. If you are recorded in the Register as holding Shares but do not have the relevant share certificate(s) relating to such Shares, you, at your own risk, are required to procure the Company to issue such share certificate(s) in accordance with the Memorandum and Articles of Association of the Company and then deliver such share certificate(s) in accordance with the procedures set out in this Offer Document and the FAT; and
  - (c) where such Shares are not registered in your name, a transfer form, duly executed by the person in whose name such share certificate(s) is/are registered and stamped, with the particulars of the transferee left blank (to be completed by the Offeror or any person nominated in writing by the Offeror or a person authorised by any of them),

either **by hand** to Osaki Electric Co., Ltd. c/o Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 or **by post**, in the enclosed pre-addressed envelope at your own risk, to Osaki Electric Co., Ltd. c/o Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, **in either case so as to arrive not later than 5.30 p.m. on the Closing Date**. If the completed and signed FAT is delivered by post to the Offeror, please use the enclosed pre-addressed envelope and affix adequate postage on the said envelope.

**1.2.4 Receipt.** No acknowledgement of receipt of any FAT, share certificate(s) or any other document(s) will be given by the Offeror or the Registrar.

(Paragraph 1.2.5 of Appendix 2 to the Osaki Offer Document has been deliberately omitted.)

**1.2.6 Lapses.** If the Offer does not become or is not declared to be unconditional in all respects in accordance with its terms, the FAT, share certificate(s) and any other document(s) will be returned to you as soon as possible but in any event within 14 days of the lapse of the Offer.

## **2 GENERAL**

### **2.1 Disclaimer**

The Offeror, Daiwa, CDP and the Registrar (as the case may be) will be authorised and entitled, at their sole and absolute discretion, to reject any acceptances of the Offer which are not entirely in order or which do not comply with the terms of this Offer Document and the Relevant Acceptance Forms or which are otherwise incomplete, incorrect or invalid in any respect. If you wish to accept the Offer, it is your responsibility to ensure that the FAA and/or the FAT, as the case may be, is properly completed in all respects, signed and all required documents, where applicable, are provided. CDP and the Registrar take no responsibility for any decision made by the Offeror or Daiwa. Any decision to accept or reject any acceptance will be final and binding and none of the Offeror, Daiwa, CDP and the Registrar (as the case may be) accept any responsibility or liability for the consequences of such a decision.

## **2.2 Discretion**

*The Offeror and Daiwa each reserves the right to treat acceptances of the Offer as valid if received by or on behalf of either of them at any place or places determined by them otherwise than as stated in this Offer Document or the Relevant Acceptance Forms, as the case may be, or if made otherwise than in accordance with the provisions of this Offer Document and the instructions printed on the Relevant Acceptance Forms. Any decision to accept or reject any acceptance will be final and binding and none of the Offeror, Daiwa, CDP and the Registrar (as the case may be) accept any responsibility or liability for the consequences of such a decision.*

## **2.3 Scrip and Scripless Shares**

*If you hold some Shares in scrip form and others with CDP, you should complete an FAT for the former and an FAA for the latter in accordance with the respective procedures set out in this **Appendix 2** if you wish to accept the Offer in respect of all such Shares.*

## **2.4 Acceptances received on Saturday, Sunday or public holidays**

*Acceptances in the form of the FAA and/or the FAT received by the Offeror, CDP and/or the Registrar, on a Saturday, Sunday or public holiday will only be processed and validated on the next business day.*

## **2.5 Deposit Time**

*If you hold share certificate(s) in respect of some or all of your Shares and you wish to accept the Offer in respect of those Shares, you should not deposit the share certificate(s) with CDP during the period commencing on the Despatch Date and ending on the Closing Date (both dates inclusive) as the "Free Balance" of your Securities Account may not be credited with such Shares in time for you to accept the Offer. If you wish to accept the Offer in respect of such Shares, you should complete an FAT and follow the procedures set out in **paragraph 1.2** of this **Appendix 2**.*

## **2.6 Correspondences**

*All communications, notices, documents and remittances to be delivered or sent to you (or your designated agent or, in the case of joint accepting Shareholders who have not designated any agent, to the one first named in the Register) will be sent by ordinary post to your respective address as they appear in the records of CDP or the Register, as the case may be, at the risk of the person entitled thereto (or for the purposes of remittances only, to such different name and addresses as may be specified by you in the FAT, as the case may be, at your own risk).*

## **2.7 Evidence of Title**

*Delivery of the duly completed and signed FAA and/or the FAT to CDP and/or the Registrar and/or the Offeror, as the case may be, shall be conclusive evidence in favour of CDP, the Registrar and/or the Offeror of the right and title of the person signing it to deal with the same and with the Shares to which it relates."*

**SMB UNITED LIMITED**  
(Company Registration Number: 199506364D)  
(Incorporated in the Republic of Singapore)

**LETTER FROM THE BOARD OF DIRECTORS TO SHAREHOLDERS**

**Directors:**

Mr Lee Phuan Weng (Executive Chairman)  
Mr Goh Ban Kin (Executive Director)  
Mr Lee Yong Heng (Executive Director)  
Mr Lawrence Lee Wee Hian (Executive Director and Chief Executive Officer)  
Mr Lee Kwang Mong (Non-Executive Director)  
Mr Henry Hoe Leong Seng (Independent Director)  
Mr Koh Ah Huat (Independent Director)  
Dr Tay Teng Tiow (Independent Director)

**Registered Office:**

9 Senoko Drive  
Singapore 758197

27 January 2012

To: The Shareholders of SMB United Limited

Dear Sir/Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY DAIWA, FOR AND ON BEHALF OF OSAKI, FOR THE SHARES**

**1. INTRODUCTION**

**1.1 Osaki Offer**

On the Osaki Offer Announcement Date, Daiwa announced, for and on behalf of Osaki, that Osaki intends to make a voluntary conditional cash offer for the Shares at the Osaki Offer Price.

Shareholders should have by now received a copy of the Osaki Offer Document, despatched on 16 January 2012, setting out, *inter alia*, the terms and conditions of the Osaki Offer. **Shareholders are urged to read the terms and conditions of the Osaki Offer set out in the Osaki Offer Document carefully.**

Copies of the Osaki Offer Announcement and the Osaki Offer Document are available on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).

**1.2 Boer Offer**

The Boer Offer was announced on the Boer Offer Announcement Date and the Boer Offer Document was despatched to Shareholders on 21 November 2011. The Boer Offeree Circular containing, *inter alia*, the recommendation of the Independent Directors and the advice of EYCF to the Independent Directors in respect of the Boer Offer, was despatched to Shareholders on 2 December 2011.

On 17 January 2012, PPCF announced, for and on behalf of Profit Sea, that it was withdrawing the Boer Offer with immediate effect and that Profit Sea had obtained the consent of the SIC for the withdrawal of the Boer Offer (the “**Boer Offer Withdrawal Announcement**”). As stated in the Boer Offer Withdrawal Announcement:

- (a) any acceptances of the Boer Offer made prior to or on the date of the Boer Offer Withdrawal Announcement will be deemed not to have been made and further, any acceptances of the Boer Offer received after the date of the Boer Offer Withdrawal Announcement will be rejected;

- (b) depositors who have earlier accepted the Boer Offer should note that their Form(s) of Acceptance and Authorisation will be deemed null and void with effect from the date of the Boer Offer Withdrawal Announcement. The relevant number of Shares in respect of which depositors have accepted the Boer Offer will be transferred to the “Free Balance” of their Securities Account as soon as possible. Profit Sea will make arrangements with CDP for such transfer to be made not later than three (3) business days from the date of the Boer Offer Withdrawal Announcement; and
- (c) Shareholders who hold Shares represented by share certificate(s) in their own names and who have accepted the Boer Offer will have their Form(s) of Acceptance and Transfer and other documents (including share certificate(s)) returned at the risk of such Shareholders by ordinary post to their addresses as they appear on the Register as soon as possible but in any event not later than three (3) business days from the date of the Boer Offer Withdrawal Announcement.

As the Boer Offer has been withdrawn, as at the Latest Practicable Date, only the Osaki Offer is available for acceptance by Shareholders.

Copies of the Boer Offer Announcement, the Boer Offer Document, the Boer Offeree Circular and the Boer Offer Withdrawal Announcement are available on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).

### 1.3 Financial Adviser and Independent Financial Adviser

The Company had appointed Lazard as its financial adviser on 1 September 2011, prior to the Boer Offer Announcement Date.

EYCF has been appointed as the independent financial adviser to the Independent Directors in respect of the Osaki Offer and previously, the Boer Offer.

### 1.4 Circular

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Osaki Offer and to set out the recommendation of the Independent Directors and the advice of EYCF to the Independent Directors in respect of the Osaki Offer. **Shareholders should consider carefully the recommendation of the Independent Directors and the advice of EYCF to the Independent Directors in respect of the Osaki Offer before deciding whether or not to accept the Osaki Offer.**

## 2. THE OSAKI OFFER

### 2.1 Osaki Offer Terms

Based on the information set out in the Osaki Offer Document, Osaki has offered to acquire all the Shares, on the terms and subject to the conditions set out in the Osaki Offer Document, the FAA and the FAT on the following basis:

- (a) **Consideration for each Share: S\$0.40 in cash**
- (b) The Osaki Offer is extended to all Shares, including any and all Shares owned, controlled or agreed to be acquired by any person acting or deemed to be acting in concert with Osaki, in accordance with Section 139 of the Securities and Futures Act and Rule 15.1 of the Code.
- (c) The Shares will be acquired:
  - (i) fully paid;
  - (ii) free from all claims, charges, mortgages, liens, options, equity, power of sale, hypothecation, retention of title, rights of pre-emption, rights of first refusal or other third party rights or security interests of any kind or any agreements, arrangements or obligations to create any of the foregoing; and

- (iii) together with all rights, benefits and entitlements attached thereto as at the Osaki Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by the Company on or after the Osaki Offer Announcement Date.
- (d) If any dividend, right or other distribution is declared, paid or made by the Company on the Shares on or after the Osaki Offer Announcement Date and Osaki is not entitled to receive such dividend, right or other distribution in full from the Company in respect of any of the Shares tendered in acceptance of the Osaki Offer, the Osaki Offer Price payable in respect of such Shares will be reduced by the amount of such dividend, right or other distribution.

## 2.2 Minimum Acceptance Condition

As stated in the Osaki Offer Document, the Osaki Offer is conditional upon Osaki having received, by the close of the Osaki Offer, valid acceptances (which have not been withdrawn) in respect of such number of Shares which, when taken together with Shares owned, controlled, acquired or agreed to be acquired by Osaki and persons acting in concert with Osaki (whether before or during the Osaki Offer), will result in Osaki and persons acting in concert with Osaki holding such number of Shares carrying more than 50 per cent. of the voting rights attributable to the issued Shares as at the close of the Osaki Offer.

Accordingly, the Osaki Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Osaki Offer, unless at any time prior to the close of the Osaki Offer, Osaki has received valid acceptances in respect of such number of Shares which will result in Osaki and persons acting in concert with Osaki holding such number of Shares carrying more than 50 per cent. of the maximum potential issued shares in the Company. For the purposes of the Osaki Offer, the “**maximum potential issued shares in the Company**” means the total number of Shares, including any Shares which may be issued pursuant to the SMB Performance Share Plan.

The Osaki Offer is unconditional in all other respects.

## 2.3 Awards

As stated in the Osaki Offer Document, since the terms of the SMB Performance Share Plan provide that the Awards are not transferable, except with the prior approval of the PSP Committee, the Osaki Offer will not be extended to grantees of the Awards, save that the Osaki Offer will extend to Shares which are validly allotted and issued to grantees prior to the close of the Osaki Offer, in satisfaction of (and in accordance with the terms of) the Awards.

## 2.4 Warranty

A Shareholder who tenders his Shares in acceptance of the Osaki Offer will be deemed that he sells such Shares as, or on behalf of, the beneficial owner(s) thereof, (i) fully paid, (ii) free from all claims, charges, mortgages, liens, options, equity, power of sale, hypothecation, retention of title, rights of pre-emption, rights of first refusal or other third party rights or security interests of any kind or any agreements, arrangements or obligations to create any of the foregoing and (iii) together with all rights, benefits and entitlements attached thereto as at the Osaki Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by the Company on or after the Osaki Offer Announcement Date.

## 2.5 Osaki Offer Closing Date

**Shareholders should note that the Osaki Offer Document states that the Osaki Offer will close at 5.30 p.m. on 13 February 2012 or such later date(s) as may be announced from time to time by or on behalf of Osaki.**

## 2.6 Details of the Osaki Offer

Appendix 1 to the Osaki Offer Document sets out additional details on the Osaki Offer, namely (a) the duration of the Osaki Offer, (b) the settlement of the consideration for the Osaki Offer, (c) the requirements relating to the announcement(s) of the level of acceptances of the Osaki Offer and (d) the right of withdrawal of acceptances of the Osaki Offer.

## 2.7 Procedures for Acceptance

Appendix 2 to the Osaki Offer Document and the FAA and/or FAT sets out the procedures for acceptance of the Osaki Offer.

## 3. INFORMATION ON OSAKI

The information on Osaki set out in italics below has been extracted from Section 9 of the Osaki Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Osaki Offer Document, unless otherwise stated. Further information on Osaki is set out in Appendix 3 to the Osaki Offer Document.

### **“9. INFORMATION ON THE OFFEROR**

**9.1 Offeror.** *The Offeror was established in January 1937 and is listed on the Tokyo Stock Exchange. The Offeror is in the business of (i) measurement and control equipment, (ii) FPD assembling equipment and (iii) real estate. As at 31 March 2011, the Offeror had capital stock of 4,686 million yen.*

**9.2 Additional Information.** *Appendix 3 to this Offer Document sets out certain additional information on the Offeror.”*

## 4. IRREVOCABLE UNDERTAKINGS

As stated in Section 5 of the Osaki Offer Document, Osaki has obtained irrevocable undertakings from certain Shareholders (the “**Irrevocable Undertakings**”). The information on the Irrevocable Undertakings set out in italics below has been extracted from Section 5 of the Osaki Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Osaki Offer Document, unless otherwise stated.

### **“5. IRREVOCABLE UNDERTAKINGS**

**5.1 Undertaking Shareholders.** *As at the Offer Announcement Date, certain Shareholders (the “**Undertaking Shareholders**”) have each given irrevocable undertakings to the Offeror (“**Irrevocable Undertakings**”) pursuant to which each of the Undertaking Shareholders has agreed to, inter alia, accept the Offer in respect of the Shares held by each of them respectively prior to and up to the close of the Offer and has undertaken to exercise all voting rights attached to their Shares in such manner as to oppose the taking of any action which may preclude, delay, frustrate, restrict or otherwise prejudice the Offer.*

**5.2 Undertaking Shareholders.** *As at the Latest Practicable Date, the Undertaking Shareholders have undertaken to accept the Offer in respect of an aggregate of 183,038,039 Shares held by them as at the Latest Practicable Date, representing approximately 37.42 per cent. of the total number of Shares in issue as at the Latest Practicable Date. A list of the Undertaking Shareholders and the number of Shares to be tendered in acceptance of the Offer by each Undertaking Shareholder pursuant to his or her Irrevocable Undertaking is set out below.*

<b>Name of Undertaking Shareholder</b>	<b>No. of Shares</b>	<b>% of Shares in Issue<sup>(1)</sup></b>	<b>% of maximum potential issued Shares<sup>(2)</sup></b>
Lee Phuan Weng	35,688,544	7.30	6.96
Ang Lucy	7,761,248	1.59	1.51
Lawrence Lee Wee Hian	10,669,000	2.18	2.66 <sup>(3)</sup>
Ang Lai See	744,000	0.15	0.15
Lee Yong Heng	46,170,923	9.44	9.00
Lee Kwang Mong	1,082,000	0.22	0.80 <sup>(4)</sup>
Terri Lee Hwee Choo	11,886,000	2.43	2.61 <sup>(5)</sup>
Lee Soo Chin	19,426,810	3.97	3.79
Lee Yong Siang	3,032,000	0.62	0.59
Goh Ban Kin	22,632,514	4.63	4.41
Foo Juat Eng	10,045,000	2.05	1.96
Goh Woon Keat	7,146,000	1.46	1.39
Goh Woon Peng	6,170,000	1.26	1.20
Henry Hoe Leong Seng	336,000	0.07	0.07
Koh Ah Huat	168,000	0.03	0.03
Tay Teng Tiow	60,000	0.01	0.01
Hung Cheau Ling	20,000	0.00	0.00
<b>Total</b>	<b>183,038,039</b>	<b>37.42</b>	<b>37.13</b>

**Notes:**

- (1) As a percentage of the total number of Shares in issue as at the Latest Practicable Date.
- (2) As a percentage of the maximum potential issued Shares as at the Latest Practicable Date, being 513,101,999 Shares which comprises the issued Shares as at the Latest Practicable Date and the 23,950,000 Shares which may be issued pursuant to Awards outstanding under the SMB Performance Share Plan.
- (3) Comprising 10,669,000 issued Shares and 3,000,000 Shares which may be issued pursuant to an Award under the SMB Performance Share Plan.
- (4) Comprising 1,082,000 issued Shares and 3,000,000 Shares which may be issued pursuant to an Award under the SMB Performance Share Plan.
- (5) Comprising 11,886,000 issued Shares and 1,500,000 Shares which may be issued pursuant to an Award under the SMB Performance Share Plan.

**5.3 Undertaking Directors.** Certain Undertaking Shareholders who are also directors of the Company, have additionally given further undertakings to the Offeror as follows:

**5.3.1** each of Messrs Lee Yong Heng, Lee Phuan Weng, Henry Hoe Leong Seng, Goh Ban Kin, Lee Kwang Mong, Koh Ah Huat, Tay Teng Tiow and Lawrence Lee Wee Hian has undertaken to the Offeror that, subject to (i) the Offer becoming unconditional in all respects and (ii) their fiduciary duties as directors of the Company and all applicable laws, rules and regulations (including but not limited to the rules and regulations of the SGX-ST) and in accordance with the Memorandum and Articles of Association of the Company, each of them shall use their best endeavours to propose and vote in favour of board resolutions of the Company to approve the appointment of such persons as the Offeror may nominate to form a majority of the board of the Company (the "**Nominee Directors**") on (a) the close of the Offer or (b) such earlier date after the Offer has become unconditional in all respects and as may be approved by the SIC; and

**5.3.2** *each of Messrs Lee Yong Heng, Lee Phuan Weng and Goh Ban Kin has undertaken to the Offeror that, subject to (i) the Offer becoming unconditional in all respects and (ii) compliance with Rule 6.3 of the Code, each of them shall tender their respective resignations as directors of the Company, to take effect on the earlier of (a) the appointment of the Nominee Directors (subject to the consent of the SIC, if such appointment takes place prior to the close of the Offer) and (b) the close of the Offer. Given these directors' standing and intimate knowledge of the Company's businesses and operations, it is contemplated that they will be retained in an advisory role in the Company following the close of the Offer, subject to terms to be discussed and mutually agreed with the Offeror.*

**5.4** **Termination.** *The Irrevocable Undertakings shall terminate and cease to have any further force or effect on the date on which the Offer lapses or is withdrawn. Save as aforementioned, the Irrevocable Undertakings remain in full force and effect.*

**5.5** **Inspection.** *Copies of the Irrevocable Undertakings are available for inspection during normal business hours at the registered office of Daiwa at 6 Shenton Way #26-08, DBS Building Tower Two, Singapore 068809 for the period for which the Offer remains open for acceptance."*

## **5. RATIONALE FOR THE OSAKI OFFER AND OSAKI'S INTENTIONS IN RELATION TO THE COMPANY**

The full text of the rationale for the Osaki Offer and Osaki's intentions in relation to the Company has been extracted from Sections 11 and 12.1 of the Osaki Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Osaki Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully.**

### **"11. RATIONALE FOR THE OFFER**

**11.1** **Offeror's intention to delist and privatise the Company.** *As noted in Section 12 below, the Offeror is making the Offer with a view to delisting the Company from the SGX-ST and depending on the outcome of the Offer, the Offeror intends to pursue any rights of compulsory acquisition that may arise under the Companies Act. As a listed entity, the Company has to incur listing, compliance and other related costs associated with continuing listing requirements under the Listing Manual. If the Company is delisted, it will be able to dispense with such costs and the human resources that have to be committed for such compliance as well. Hence, delisting the Company will allow it to focus its resources on its business operations. Further, once the Company is delisted, the Offeror and the Company will have greater operational flexibility without being constrained by market sentiment and price volatility.*

**11.2** **Low trading liquidity – opportunity for Shareholders to exit at a premium.** *The trading volume of the Shares has been low, with an average daily trading volume of approximately 988,619 Shares, representing approximately 0.20 per cent. of all the Shares as at the Latest Practicable Date, for the 12-month period up to the Last Trading Day.*

*As stated in Section 13 below, the Offer Price represents a premium of approximately 46.0 per cent., 52.1 per cent., 54.0 per cent. and 57.4 per cent. over the 1-month, 3-month, 6-month and 12-month VWAP of the Shares respectively prior to the Boer Announcement Date.*

*Through the Offer, the accepting Shareholders will have an opportunity to realise their investments in the Company for a cash consideration at a premium over the market prices of the Shares prior to the Offer Announcement Date without incurring brokerage or other trading costs.*

*The Offer Price also represents a premium of 25.0 per cent. over the Boer Offer Price.*

### **11.3 Potential benefits to the Offeror**

#### **11.3.1 Accelerate overseas expansion**

*Currently, the Offeror mainly conducts its business in Japan. Although the Offeror has ventured overseas and currently sells its products overseas in countries such as Indonesia and various Latin American countries, it still substantially derives its revenues from Japan. The Offeror believes that the Company's established presence and sales channels in various parts of Asia, Australia, New Zealand and Europe will allow the Offeror to accelerate its expansion into the overseas markets.*

#### **11.3.2 Increase product and service offerings**

*The combined product and service offerings will allow the Offeror to better service its customers by offering more comprehensive energy management solutions and being in closer proximity to the customers which will improve its response time and hence, effectively compete with other global players in the global market.*

#### **11.3.3 Enhance research and development capabilities**

*The Offeror is of the view that investments in research and development capabilities are important and necessary for it to compete effectively to meet the needs of its customers in a rapidly changing environment for power distribution and energy management. As such, the Offeror values the Company's track record in developing and customising its products to satisfy the local needs and requirements of its customers in various jurisdictions.*

#### **11.3.4 Expand talent pool**

*The employees of the Company have contributed significantly to the success of the Company and the Offeror considers these employees pivotal to the future of the Company. The Offeror believes that the expanded talent pool resulting from the combination of both organisations will be more effective in executing the Offeror's global strategy.*

## **12. THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY**

**12.1 Future Plans for the Company.** *Based on the Offeror's understanding of the Company, the Offeror currently does not intend to (i) introduce any major changes to the businesses of the Company, (ii) redeploy the fixed assets of the Company or (iii) discontinue the employment of the employees of the SMB Group. Following the close of the Offer, the Offeror will undertake a comprehensive review of the businesses and fixed assets of the SMB Group, and the review will help the Offeror identify all areas in which the Company and the Offeror Group can achieve shareholder value by combining the entities and determine the optimal business strategy for the Company."*

## **6. LISTING STATUS AND COMPULSORY ACQUISITION**

The full text of the intentions of Osaki relating to the listing status of the Company and compulsory acquisition has been extracted from Sections 12.2 and 12.3 of the Osaki Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Osaki Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully.**

**"12.2 Listing Status of the Company.** *Under Rule 1105 of the Listing Manual, in the event that the Offeror and persons acting in concert with it, as a result of the Offer or otherwise, own or control more than 90 per cent. of the Shares (excluding treasury shares), the SGX-ST may suspend the trading of the Shares until such time when the SGX-ST is satisfied that at least 10 per cent. of the Shares (excluding treasury shares) are held by at least 500 shareholders who are members of the public.*

*In addition, under Rule 724 of the Listing Manual, if the percentage of the Shares (excluding treasury shares) held in public hands falls below 10 per cent., the Company*

must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all the Shares. Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90 per cent. of the Shares (excluding treasury shares), thus causing the percentage of the Company's total number of Shares (excluding treasury shares) in public hands to fall below 10 per cent., the SGX-ST will suspend trading of Shares at the close of the Offer.

Rule 725 of the Listing Manual states that the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10 per cent., failing which the Company may be delisted.

**The Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. Accordingly, the Offeror does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10 per cent. of the Shares (excluding treasury shares) are held in public hands.**

**12.3 Compulsory Acquisition Rights.** Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances of the Offer or acquires Shares from the Despatch Date otherwise than through valid acceptances of the Offer, in respect of not less than 90 per cent. of the total number of Shares in issue as at the close of the Offer (other than those already held by the Offeror, its related corporations or their respective nominees as at the Despatch Date), the Offeror would be entitled to exercise the right to, and intends to exercise its right to, compulsorily acquire, at the Offer Price, all the Shares held by the Shareholders who have not accepted the Offer (the **"Non-Assenting Shareholders"**).

Non-Assenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer or otherwise, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90 per cent. or more of the total number of issued Shares as at the close of the Offer. Non-Assenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice."

## 7. DIRECTORS' INTERESTS AND INTENTIONS

### 7.1 Interest in Shares and Awards

Save as disclosed below, as at the Latest Practicable Date, none of the Directors has any interest, direct or indirect, in the Shares and/or Awards:

#### (a) Shares

Directors	Direct interest		Deemed interest		Total interest	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
Lee Phuan Weng	35,688,544	7.30	7,761,248 <sup>(2)</sup>	1.59	43,449,792	8.89
Goh Ban Kin	22,632,514	4.63	10,045,000 <sup>(3)</sup>	2.05	32,677,514	6.68
Lee Yong Heng	46,170,923	9.44	–	–	46,170,923	9.44
Lawrence Lee Wee Hian	10,669,000	2.18	744,000 <sup>(4)</sup>	0.15	11,413,000	2.33
Lee Kwang Mong	1,082,000	0.22	–	–	1,082,000	0.22
Henry Hoe Leong Seng	336,000	0.07	–	–	336,000	0.07
Koh Ah Huat	168,000	0.03	–	–	168,000	0.03
Tay Teng Tiow	60,000	0.01	20,000 <sup>(5)</sup>	Not meaningful	80,000	0.02

**Notes:**

- (1) Based on 489,151,999 issued Shares as at the Latest Practicable Date.
- (2) Lee Phuan Weng is deemed to be interested in 7,761,248 Shares held by his spouse, Ang Lucy.
- (3) Goh Ban Kin is deemed to be interested in 10,045,000 Shares held by his spouse, Foo Juat Eng.
- (4) Lawrence Lee Wee Hian is deemed to be interested in 744,000 Shares held by his spouse, Ang Lai See.
- (5) Tay Teng Tiow is deemed to be interested in 20,000 Shares held by his spouse, Hung Cheau Ling.

(b) **Awards**

Directors	No. of Shares comprised in outstanding Awards	% <sup>(1)</sup>	Date of release of Awards <sup>(2)</sup>
Lawrence Lee Wee Hian	3,000,000	0.61	Between 2012 to 2015 <sup>(3)</sup>
Lee Kwang Mong	3,000,000	0.61	Between 2012 to 2015 <sup>(3)</sup>

**Notes:**

- (1) Based on 489,151,999 issued Shares as at the Latest Practicable Date.
- (2) Under the terms of the SMB Performance Share Plan, a participant who has been granted Award(s) may receive fully-paid Shares, their equivalent cash value or combinations thereof, as may be determined by the PSP Committee, subject to prevailing legislation and the Listing Manual. The specific terms of an Award are set out in the award letter, which will specify, *inter alia*, the number of Shares which are the subject of the Award, the prescribed performance target(s) (if any), the performance period(s) during which the prescribed performance target(s) are to be attained or fulfilled and the extent to which the Shares will be released on satisfaction of the prescribed performance target(s) in the prescribed performance period(s).
- (3) Rule 7.4 of the SMB Performance Share Plan provides that the PSP Committee may amend or waive all or part of the prescribed performance periods, performance targets and/or service conditions which are to be satisfied in respect of any Award if a take-over offer is made for the Shares, and the PSP Committee shall, as soon as practicable, notify participants in the SMB Performance Share Plan of such change or waiver. As the Company is now subject to the Osaki Offer, the PSP Committee is proposing to waive the prescribed performance periods, performance targets and/or service conditions which are to be satisfied in respect of Awards which have been granted under the SMB Performance Share Plan and permit the early vesting of the Awards.

## 7.2 Dealings in Shares

Save as disclosed below, as at the Latest Practicable Date, none of the Directors has dealt for value in the Shares during the period commencing three (3) months prior to the Osaki Offer Announcement Date and ending on the Latest Practicable Date:

- (a) an Award was granted under the SMB Performance Share Plan on 28 October 2011 to Lawrence Lee Wee Hian, pursuant to which 3,000,000 Shares may be allotted and issued; and
- (b) an Award was granted under the SMB Performance Share Plan on 28 October 2011 to Lee Kwang Mong, pursuant to which 3,000,000 Shares may be allotted and issued.

## 7.3 Intentions in respect of the Osaki Offer

Pursuant to the Irrevocable Undertakings as described in Section 4 of this Circular, all the Directors, who collectively hold an aggregate of 116,806,981 Shares, representing approximately 23.88% of the total number of issued Shares as at the Latest Practicable Date, intend to ACCEPT the Osaki Offer in relation to their respective beneficial holdings of the Shares.

## 8. INDEPENDENT DIRECTORS' RECOMMENDATION

### 8.1 EYCF and IFA Letter

EYCF is the independent financial adviser to the Independent Directors in respect of the Osaki Offer. Shareholders should read and consider carefully the advice of EYCF to the Independent Directors in respect of the Osaki Offer as set out in the IFA Letter and the recommendation of the Independent Directors in their entirety before deciding whether or not to accept the Osaki Offer.

### 8.2 Key Factors taken into Consideration by EYCF

In arriving at its advice to the Independent Directors, EYCF has relied on the following key considerations as set out in Section 9 of the IFA Letter and reproduced in italics below. The considerations set out below should be considered and read by Shareholders in conjunction with, and in the context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated.

#### **"9 OUR ADVICE ON THE OSAKI OFFER**

*In arriving at our advice on the Osaki Offer, we have reviewed and deliberated on the factors which we consider to be relevant and to have a significant bearing on our assessment of the Osaki Offer. The factors we have considered in our evaluation, which are based on, among others, representations made by the Company, its Directors and its senior management and discussed in detail in the earlier sections of this letter and which we have relied upon, are as follows:*

- (a) The Boer Offer has been withdrawn and is no longer available for acceptance by the Shareholders;*
- (b) The Osaki Offer Price represents a premium of approximately 26.58% over the VWAP for the 5-year period prior to the announcement of the Boer Offer;*
- (c) The Osaki Offer Price represents premiums of approximately 39.86%, 56.25%, 52.67%, 50.94%, and 45.45% over the VWAPs for the periods 2 years, 1 year, 6 months, 3 months and 1 month prior to the announcement of the Boer Offer, respectively;*
- (d) The Osaki Offer Price represents a premium of approximately 33.33% over the last transacted price prior to the announcement of the Boer Offer;*
- (e) The Osaki Offer Price represents a premium of approximately 18.69% over the period between the Boer Offer Announcement Date and the Latest Practicable Date;*
- (f) The Osaki Offer Price represents a premium of approximately 9.59% over the last transacted price prior to the Osaki Offer Announcement;*
- (g) For the period from five (5) years prior to the announcement of the Boer Offer up to and including the Latest Practicable Date, the Shares were frequently traded; however, the Shares had a thin average daily trading volume;*
- (h) It is highly likely that the market price of the Shares as at the Latest Practicable Date is supported by the Osaki Offer and may not be maintained at such levels after the close of the Osaki Offer (in the event that the Company remains listed after the close of the Osaki Offer) or if the Osaki Offer lapses or is withdrawn;*
- (i) The EV/EBITDA ratio of the Company implied by the Osaki Offer Price is within the range but below the average and median EV/EBITDA ratios of the Metering Comparable Companies, and lower than the EV/EBITDA ratios of the Switchgear Comparable Companies;*

- (j) *The Price/Earnings ratio of the Company implied by the Osaki Offer Price is within the range of Price/Earnings ratios, but below the average and median Price/Earnings ratios, of the Switchgear Comparable Companies and Metering Comparable Companies;*
- (k) *The Price/NTA ratio of the Company implied by the Osaki Offer Price is significantly higher than the Price/NTA ratios of the Switchgear Comparable Companies, and within the range and above the median of Price/NTA ratios (excluding outlier) of the Metering Comparable Companies;*
- (l) *The premiums implied by the Osaki Offer Price over the VWAPs for the 1-month and 3-month periods prior to the announcement of the Boer Offer are within the range and above the median premiums of the Comparable Transactions;*
- (m) *The Osaki Offer Price represents an implied premium of approximately 25.0% over the RNTA per Share;*
- (n) *The price to RNTA ratio implied by the Osaki Offer Price is above the range of Price/NTA ratios of the Switchgear Comparable Companies and within the range of Price/NTA ratios (excluding outlier) of the Metering Comparable Companies. While the RNTA is a relevant basis for our analysis, the Company has confirmed that it has no immediate plans to dispose of the Properties and, as such, the RNTA is not necessarily a realisable value;*
- (o) *The Price/Earnings ratio based on the financial effects of the Proposed Transaction as set out in the EDMI Acquisition Circular implied by the Osaki Offer Price is within the range of the Price/Earnings ratios of the Switchgear Comparable Companies and the Metering Comparable Companies;*
- (p) *The Minimum Acceptance Level condition of the Osaki Offer set out by Osaki and the Irrevocable Undertakings obtained by Osaki representing approximately 37.42% of the total number of Shares in issue as at the Latest Practicable Date;*
- (q) *The current intention of Osaki to undertake, following the close of the Osaki Offer, a comprehensive review of the businesses and fixed assets of the Group, and the review will help Osaki identify all areas in which the Company and Osaki and its subsidiaries can achieve shareholder value by combining the entities and determine the optimal business strategy for the Company;*
- (r) *The current intention of Osaki to privatise the Company and to delist the Company from the Official List of the SGX-ST should such option be available to Osaki, and to exercise any rights of compulsory acquisition that it may have in connection with the Osaki Offer if such rights becomes available; and*
- (s) *The absence of alternative offer from third parties as at the Latest Practicable Date.”*

### 8.3 Advice of EYCF to the Independent Directors

Based on EYCF's assessment of the financial terms of the Osaki Offer from a financial point of view, EYCF has advised the Independent Directors in the terms set out in Section 9 of the IFA Letter and reproduced in italics below. The advice set out below should be considered and read by Shareholders in conjunction with, and in the context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated.

***“In summary, based on our analyses set out in this letter and after having considered carefully the information available to us and based on the market, economic, strategic and other relevant conditions prevailing as at the Latest Practicable Date, we are of the view that Osaki Offer is, on balance, fair and reasonable.*”**

***We advise the Independent Directors to recommend that Shareholders accept the Osaki Offer or sell their Shares in the open market if they can obtain a price higher than the Osaki Offer Price, net of related expenses (such as brokerage and trading costs).***

***We wish to highlight to Shareholders who wish to retain their Shares that, as at the Latest Practicable Date, only the Osaki Offer is available for acceptance by Shareholders as the Boer Offer has been withdrawn. Such Shareholders should also understand that the market price of the Shares as at the Latest Practicable Date appears to be supported by the Osaki Offer, and may not be sustained after the closing date of the Osaki Offer (in the event that the Company remains listed after the close of the Osaki Offer) or if the Osaki Offer lapses or is withdrawn.***

*Further, we wish to highlight to all Shareholders that in the event that the Shares are suspended and/or delisted, certain effects and implications which may occur include (i) the absence of a ready public market for the Shares and the potential difficulty for Shareholders to sell their Shares, (ii) less marketability of the Shares due to the absence of a ready public market, which may result in the Shares being transacted at discounts to the valuation of comparable listed companies, and (iii) non-guarantee that the historical dividend payments of the Company would be maintained in the future.*

*We also wish to highlight to all Shareholders that if Osaki should, as a result of the Osaki Offer, be entitled to exercise its rights under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of the dissenting Shareholders, then the dissenting Shareholders would be compelled to sell their Shares to Osaki at the Osaki Offer Price provided that the requirements in Section 215 of the Companies Act are fulfilled.”*

#### **8.4 Recommendation of the Independent Directors**

The Independent Directors, having considered carefully the terms of the Osaki Offer and the advice given by EYCF, **concur** with the advice by EYCF in respect of the Osaki Offer. Accordingly, the Independent Directors adopt the recommendation in respect of the Osaki Offer as set out in Section 8.3 above.

Shareholders are advised to read the IFA Letter set out in Appendix I to this Circular and other relevant information set out in this Circular carefully before deciding whether to accept or reject the Osaki Offer. **Shareholders should note that EYCF’s advice to the Independent Directors in respect of the Osaki Offer should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Osaki Offer.**

Shareholders should note that the advice by EYCF to the Independent Directors in respect of the Osaki Offer is based on information made available to EYCF prior to, and including, the Latest Practicable Date, and cannot and does not take into account the future trading activity or patterns or price levels that may be established for the Shares after the Latest Practicable Date as these are governed by factors beyond the scope of EYCF’s review.

In rendering the above advice and giving the above recommendation, EYCF and the Independent Directors have not had regard to the specific investment objectives, financial situation, tax position, and/or unique needs and constraints of any Shareholder. **As different Shareholders would have different investment objectives, the Independent Directors recommend that any individual Shareholder who may require specific advice in relation to his Shares should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser.**

## 9. ACTION TO BE TAKEN BY SHAREHOLDERS

### 9.1 Procedures for Acceptance of the Osaki Offer

Shareholders may accept the Osaki Offer in respect of all or any part of their holdings of Shares. Shareholders who wish to accept the Osaki Offer must do so not later than 5.30 p.m. on 13 February 2012 or such later date(s) as may be announced from time to time by or on behalf of Osaki. There are different procedures for acceptance for depositors whose Securities Accounts are and/or will be credited with Shares and for Shareholders who hold Shares which are not deposited with CDP. Shareholders who wish to accept the Osaki Offer should take note of the "Procedures for Acceptance of the Offer" set out in Appendix 2 to the Osaki Offer Document.

### 9.2 Information relating to CPFIS Investors

As stated in the Osaki Offer Document, CPFIS Investors will receive further information on how to accept the Osaki Offer from their respective CPF Agent Banks. CPFIS Investors are advised to consult their respective CPF Agent Banks should they require further information and if they are in any doubt as to the action they should take, CPFIS Investors should seek independent professional advice. CPFIS Investors who wish to accept the Osaki Offer are to reply to their respective CPF Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks. Subject to the Osaki Offer becoming or being declared to be unconditional in all respects in accordance with its terms, CPFIS Investors who accept the Osaki Offer will receive the payment for their Shares in their CPF investment accounts.

## 10. OVERSEAS SHAREHOLDERS

Shareholders whose addresses are outside Singapore, as shown on the Register or, as the case may be, in the records of CDP (each, an "**Overseas Shareholder**") should refer to Section 16 of the Osaki Offer Document, an extract of which is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Osaki Offer Document, unless otherwise stated.

### **"16. OVERSEAS SHAREHOLDERS**

**16.1 Overseas Shareholders.** *The availability of the Offer to Shareholders whose addresses are outside of Singapore as shown in the Register or, as the case may be, in the records of CDP ("**Overseas Shareholders**") may be affected by the laws of the relevant overseas jurisdictions. For the avoidance of doubt, the Offer is made to all Shareholders including those to whom this Offer Document, the Relevant Acceptance Forms and any related document(s) have not been, or will not be, sent, provided that this Offer Document, the Relevant Acceptance Forms and any related document(s) do not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful and the Offer is not being made into any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the laws of such jurisdiction. However, the Offeror may, in its sole and absolute discretion, take such action as it may deem necessary to extend the Offer to Shareholders in any such jurisdiction.*

**16.2 Overseas Jurisdiction.** *It is the responsibility of any Overseas Shareholder who wishes to (i) request for this Offer Document, the Relevant Acceptance Forms and any related document(s) or (ii) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with all other necessary formalities or legal requirements, or the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including Daiwa, CDP and the Registrar) shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or requisite payments that may be required to be paid. In accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror and Daiwa that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. If any Shareholder is in any doubt about his position, he should consult his professional adviser in the relevant jurisdiction.*

**16.3 Copies of this Offer Document.** Shareholders (including Overseas Shareholders) may, subject to compliance with applicable laws, obtain copies of this Offer Document, the Relevant Acceptance Forms and any related document(s), during normal business hours up to 5.30 p.m. on the Closing Date from, as the case may be, (i) the Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, (ii) CDP, 4 Shenton Way #02-01, SGX Centre 2, Singapore 068807 or (iii) Daiwa, 6 Shenton Way #26-08, DBS Building Tower Two, Singapore 068809. Electronic copies of this Offer Document and the Relevant Acceptance Forms may also be obtained from the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).

Alternatively, Shareholders (including Overseas Shareholders) may, subject to compliance with applicable laws, write to the Offeror at Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, to request for this Offer Document, the Relevant Acceptance Forms and any related document(s) to be sent to an address in Singapore by ordinary post at his own risk, up to five Market Days prior to the Closing Date.

**16.4 Notice.** The Offeror and Daiwa each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement on the SGXNET or by paid advertisement in a daily newspaper published and circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement.”

The Articles of Association provide that a Shareholder who does not have a registered address in Singapore shall provide an address in Singapore to the Company for the service of notices by the Company and that in respect of a Shareholder who has not supplied an address in Singapore to the Company for the service of notices, a notice posted up in the registered office of the Company shall be deemed to be duly served upon such Shareholder at the expiration of twenty-four (24) hours after it is so posted up.

Accordingly, this Circular has not been and will not be sent to any Shareholder who has not provided, and will not provide, the Company with an address within Singapore at which notices or documents may be served upon him. Any affected Overseas Shareholder may nonetheless (subject to compliance with applicable laws) attend in person and obtain copies of this Circular during normal business hours and up to the Osaki Offer Closing Date, from the office of the Registrar at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. Alternatively, an Overseas Shareholder may (subject to compliance with applicable laws) write in to the Registrar at the above-stated address to request for the Circular to be sent to an address in Singapore by ordinary post at the Overseas Shareholder's own risk, up to three (3) Market Days prior to the Osaki Offer Closing Date.

## 11. DIRECTORS' RESPONSIBILITY STATEMENT

Save for (a) the IFA Letter, (b) information extracted *in toto* from the Osaki Offer Document, (c) the letter from the Independent Auditors on the Statement of Prospects for 4Q2011 and FY2011 in connection with the Osaki Offer (as set out in Appendix IV to this Circular) and (d) the letter from EYCF on the Statement of Prospects for 4Q2011 and FY2011 (as set out in Appendix V to this Circular), the Directors (including those who may have delegated detailed supervision of this Circular) collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Group in the context of the Osaki Offer and the Directors are not aware of any material facts the omission of which would make any statement in this Circular misleading in any material respect.

In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Group are fair and accurate.

In respect of the letter from the Independent Auditors on the Statement of Prospects for 4Q2011 and FY2011 in connection with the Osaki Offer (as set out in Appendix IV to this Circular), the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Group are fair and accurate and that the documents referred to therein have been accurately reproduced.

In respect of the letter from EYCF on the Statement of Prospects for 4Q2011 and FY2011 (as set out in Appendix V to this Circular), the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Group are fair and accurate and that the documents referred to therein have been accurately reproduced.

Where any information in this Circular has been extracted from the Osaki Offer Document or published or otherwise publicly available sources or obtained from Osaki or Profit Sea, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this Circular in its proper form and context.

Yours faithfully

For and on behalf of the Board of Directors of  
**SMB UNITED LIMITED**

Lee Phuan Weng  
Executive Chairman

## APPENDIX I

### LETTER FROM EYCF TO THE INDEPENDENT DIRECTORS

27 January 2012

**The Independent Directors of  
SMB United Limited**  
9 Senoko Drive  
Singapore 758197

Dear Sirs:

#### **VOLUNTARY CONDITIONAL CASH OFFER BY DAIWA CAPITAL MARKETS SINGAPORE LIMITED FOR AND ON BEHALF OF OSAKI ELECTRIC CO., LTD. TO ACQUIRE ALL THE ORDINARY SHARES IN THE CAPITAL OF SMB UNITED LIMITED**

#### **1 INTRODUCTION**

On 31 October 2011 (the "**Boer Offer Announcement Date**"), PrimePartners Corporate Finance Pte Ltd ("**PPCF**") announced, for and on behalf of Profit Sea Holdings Limited ("**Profit Sea**"), which is an indirect wholly-owned subsidiary of Boer Power Holdings Limited ("**Boer**"), that Profit Sea intends to make a voluntary conditional cash offer (the "**Boer Offer**") for all the issued and fully paid-up ordinary shares (the "**Shares**") in the capital of SMB United Limited ("**SMB**" or the "**Company**"), other than those already owned, controlled or agreed to be acquired by Profit Sea. The Boer Offer was made at an offer price of S\$0.32 in cash for Share. The offer document in relation to the Boer Offer was despatched to shareholders of the Company (the "**Shareholders**") on 21 November 2011 and the offeree circular in relation to the Boer Offer was despatched to Shareholders on 2 December 2011.

On 19 December 2011, PPCF announced, for and on behalf of Profit Sea, that the closing date of the Boer Offer will be extended from 5.30 p.m. on 19 December 2011 to 5.30 p.m. on 20 January 2012.

On 28 December 2011 (the "**Osaki Offer Announcement Date**"), Daiwa Capital Markets Singapore Limited ("**Daiwa**") announced, for and on behalf of Osaki Electric Co., Ltd. ("**Osaki**" or the "**Offeror**"), that Osaki intends to make a voluntary conditional cash offer (the "**Osaki Offer**") for all the Shares in the capital of the Company (the "**Offer Shares**"). Shareholders should have received by now a copy of the offer document dated 16 January 2012 (the "**Osaki Offer Document**") setting out, *inter alia*, the terms and conditions of the Osaki Offer.

On 17 January 2012, PPCF announced, for and on behalf of Profit Sea, that Profit Sea is withdrawing the Boer Offer with immediate effect (the "**Boer Offer Withdrawal Announcement**"). Profit Sea has obtained the consent of the Securities Industry Council of Singapore (the "**SIC**") for the withdrawal of the Boer Offer.

Accordingly, as at the latest practicable date, being 18 January 2012 (the "**Latest Practicable Date**"), only the Osaki Offer is available for acceptance by the Shareholders.

Ernst & Young Corporate Finance Pte Ltd ("**EYCF**") is the independent financial adviser to the Directors who are considered independent in relation to the Osaki Offer (the "**Independent Directors**"), for the purpose of advising on the Osaki Offer.

This letter sets out, *inter alia*, our evaluation of the financial terms of the Osaki Offer and our advice thereon. It forms part of the circular to Shareholders dated 27 January 2012 which provides, *inter alia*, the details of the Osaki Offer and the recommendation of the Independent Directors in relation to the Osaki Offer (the “**Circular**”). Unless otherwise defined, all terms defined in the Circular have the same meaning in this letter.

## 2 TERMS OF REFERENCE

EYCF has been appointed to advise the Independent Directors on the financial terms of the Osaki Offer and to make a recommendation for or against acceptance of the Osaki Offer, pursuant to Rules 7.1 and 24.1(b) of The Singapore Code on Take-overs and Mergers (the “**Code**”).

Our views as set forth in this letter are based on the prevailing market conditions, economic conditions, and financial conditions, and our evaluation of the financial terms of the Osaki Offer, as well as information provided to us by the Company and its management, as at the Latest Practicable Date. Accordingly, our opinion shall not take into account any event or condition which occurs after the Latest Practicable Date. Shareholders should take note of any announcement and/or event relevant to their consideration of the Osaki Offer which may be released after the Latest Practicable Date.

We have confined our evaluation and analysis of the Osaki Offer to the financial terms thereof. It is not within our terms of reference to assess the rationale for, commercial merits and/or commercial risks of the Osaki Offer, and to comment on the financial merits and/or financial risks of the Osaki Offer where the assessment of such financial merits and/or financial risks involves our reviewing of non-publicly available information of the companies involved to which we have no access and with which we have not been furnished. It is also not within our terms of reference to compare the relative merits of the Osaki Offer vis-à-vis any alternative transactions that the Company may consider in the future, and as such, we do not express an opinion thereon. We have not been requested or authorised to solicit, and we have not solicited, any indication of interest from any third party with respect to the Offer Shares.

The scope of our appointment does not require us to express, and we do not express, a view on the future prospects of the Company and its subsidiaries (the “**Group**”). We are, therefore, not expressing any view herein as to the prices at which the Shares may trade or on the future financial performance of the Group upon completion of the Osaki Offer. No financial or profit forecasts, business plans or management accounts of the Group have been specifically prepared for the purpose of evaluating the Osaki Offer. Accordingly, we will not be able to comment on the expected future performance or prospects of the Group. However, we may draw upon the views of the Directors and/or the senior management of the Company, to the extent deemed necessary and appropriate by us, in arriving at our opinion as set out in this letter.

In the course of our evaluation of the Osaki Offer, we have held discussions with the Directors and senior management of the Company. We have also examined and relied on publicly available information in respect of the Group collated by us as well as information provided to us by the Company, including information in relation to the Osaki Offer. We have not independently verified such information furnished by the Directors and/or senior management of the Company or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. Nevertheless, the Directors have confirmed to us, after making all reasonable enquiries that, to the best of their knowledge and belief, all material information relating to the Group has been disclosed to us, that such information constitutes a full and true disclosure, in all material respects, of all material facts about the Group in the context of the Osaki Offer and there is no material information the omission of which would make any of the information contained herein or in the Circular (other than those relating to the Osaki Offer and the Valuation Reports (as defined below)) misleading in any material respect. The Directors have jointly and severally accepted such responsibility accordingly.

We have also made reasonable enquiries and exercised reasonable judgement in assessing such information and have found no reason to doubt the reliability of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in relation to the Osaki Offer have been reasonably made after due and careful enquiry. We have not conducted a comprehensive review of the business, operations and financial condition of the Group or any of its associated or joint venture companies. We have not made an independent valuation or appraisal of the assets and liabilities of the Company, its subsidiaries or any of its associated or joint venture companies. However, we have been furnished with the valuation report (including the valuation certificates) from Allied Appraisal Consultants Pte Ltd ("**Allied Appraisal**" or the "**Valuer**") dated 16 November 2011 in respect of certain properties of the Group in Singapore and Malaysia (the "**Valuation Reports**"). The Valuation Reports are referenced in Appendix II of the Circular and are reproduced in Appendix VI of the offeree circular in connection with the Boer Offer. We are not experts and do not regard ourselves to be experts in the appraisal and evaluation of the aforementioned properties held by the Group, and have relied solely on the Valuation Reports.

In preparing this letter, we have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any Shareholder. As different Shareholders would have different investment objectives, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his Shares should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

This letter and our opinion are addressed solely for the use and benefit of the Independent Directors in connection with and for the purpose of their consideration of the Osaki Offer, and the recommendations made by them to the Shareholders shall remain the responsibility of the Independent Directors.

The Company has been separately advised in the preparation of the Circular (other than this letter). We were not involved and have not provided any advice, whether financial or otherwise, in the preparation, review and verification of this Circular (other than this letter). Accordingly, we do not take any responsibility for, and express no views on, whether expressed or implied, the contents of the Circular (other than this letter).

Our opinion in relation to the Osaki Offer should be considered in the context of the entirety of this letter and the Circular.

### **3 WITHDRAWAL OF THE BOER OFFER**

On 17 January 2012, PPCF announced, for and on behalf of Profit Sea, that Profit Sea is withdrawing the Boer Offer with immediate effect. Profit Sea has obtained the consent of the SIC for the withdrawal of the Boer Offer.

As stated in the Boer Offer Withdrawal Announcement:

- (i) any acceptances of the Boer Offer made prior to or on the date of the Boer Offer Withdrawal Announcement will be deemed not to have been made and further, acceptances of the Boer Offer received after the date of the Boer Offer Withdrawal Announcement will be rejected;
- (ii) depositors who have earlier accepted the Boer Offer should note that their relevant form(s) of acceptance and authorisation will be deemed null and void with effect from the date of the Boer Offer Withdrawal Announcement. The relevant number of Shares in respect of which depositors have accepted the Boer Offer will be transferred to the "Free Balance" of their Securities Account as soon as possible. Profit Sea will make arrangements with CDP for such transfer to be made not later than three (3) business days from the date of the Boer Offer Withdrawal Announcement; and

- (iii) Shareholders who hold Shares represented by share certificate(s) in their own names and who have accepted the Boer Offer will have their relevant form(s) of acceptance and transfer and other documents (including share certificate(s)) returned at the risk of such Shareholders by ordinary post to their addresses as they appear on the Register as soon as possible but in any event not later than three (3) business days from the date of the Boer Offer Withdrawal Announcement.

As the Boer Offer has been withdrawn, as at the Latest Practicable Date, only the Osaki Offer is available for acceptance by Shareholders. With the withdrawal of the Boer Offer, Shareholders who have accepted the Boer Offer will have to consider whether to accept the Osaki Offer.

#### **4 THE OSAKI OFFER**

The Osaki Offer is made on the terms and subject to the conditions set out in the Osaki Offer Document, a copy of which Shareholders should have received by now, and in accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore (“SFA”) and the Code.

We set out below the salient information on the Osaki Offer, as set out in the Osaki Offer Document and in Section 2 of the Circular:

- 4.1 Osaki Offer Price.** For and on behalf of Osaki, Daiwa has made the Osaki Offer to acquire the Offer Shares on the following basis:

**For each Offer Share: S\$0.40 in cash (the “Osaki Offer Price”)**

- 4.2 Offer Shares.** The Osaki Offer is extended to all the Shares in issue, including any and all Shares owned, controlled or agreed to be acquired by any person acting or deemed to be acting in concert with the Osaki, in accordance with Section 139 of the SFA and Rule 15.1 of the Code;

The Offer Shares will be acquired:

- (i) fully-paid;
  - (ii) free from all claims, charges, mortgages, liens, options, equity, power of sale, hypothecation, retention of title, rights of pre-emption, rights of first refusal or other third party rights or security interests of any kind or any agreements, arrangements or obligations to create any of the foregoing; and
  - (iii) together with all rights, benefits and entitlements attached thereto as at the Osaki Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by the Company on or after the Osaki Offer Announcement Date.
- 4.3** If any dividend, right or other distribution is declared, paid or made by the Company on the Shares on or after the Osaki Offer Announcement Date and Osaki is not entitled to receive such dividend, right or other distribution in full from the Company in respect of any of the Shares tendered in acceptance of the Osaki Offer, the Osaki Offer Price payable in respect of such Shares will be reduced by the amount of such dividend, right or other distribution.
  - 4.4 Minimum Acceptance Condition.** The Osaki Offer is conditional on Osaki having received, by the close of the Osaki Offer, valid acceptances (which have not been withdrawn) in respect of such number of Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by Osaki and persons acting in concert with Osaki (whether before or during the Osaki Offer), will result in Osaki and persons acting in concert with Osaki holding such number of Shares carrying more than 50.0% of the voting rights attributable to the issued Shares as at the close of the Osaki Offer (the “**Minimum Acceptance Level**”).

Accordingly, the Osaki Offer will not become or be capable of becoming declared unconditional as to acceptances until the close of the Osaki Offer, unless at any time prior to the close of the Osaki Offer, Osaki has received valid acceptances in respect of such number of Shares which will result in Osaki and persons acting in concert with Osaki holding such number of Shares carrying more than 50.0% of the maximum potential issued share capital of the Company. For the purposes of the Osaki Offer, the “maximum potential issued shares in the Company” means the total number of Shares, including any Shares which may be issued pursuant to the SMB Performance Share Plan.

Save as provided above, the Osaki Offer is unconditional in all other respects.

- 4.5 Awards.** Since the terms of the SMB Performance Share Plan provide that the contingent awards of Shares granted under the SMB Performance Share Plan (the “**Awards**”) are not transferable, except with the prior approval of the committee comprising Directors who are authorised and appointed by the board of Directors (the “**Board**”) to administer the SMB Performance Share Plan (the “**PSP Committee**”), the Osaki Offer will not be extended to grantees of the Awards, save that the Osaki Offer will extend to Shares which are validly allotted and issued to grantees prior to the close of the Osaki Offer, in satisfaction of (and in accordance with the terms of) the Awards.
- 4.6 Osaki Offer Closing Date.** The **Osaki Offer will close at 5.30 p.m. on 13 February 2012** or such later date(s) as may be announced from time to time by or on behalf of Osaki.

## **5 INFORMATION ON OSAKI**

As extracted from Section 9 of the Osaki Offer Document:

*“The Offeror was established in January 1937 and is listed on the Tokyo Stock Exchange. The Offeror is in the business of (i) measurement and control equipment, (ii) FPD assembling equipment and (iii) real estate. As at 31 March 2011, the Offeror had capital stock of 4,686 million yen.”*

Additional information on Osaki can be found in Section 9 and Appendix 3 of the Osaki Offer Document and in Section 3 of the Circular.

## **6 RATIONALE FOR THE OSAKI OFFER AND OSAKI’S INTENTIONS IN RELATION TO THE COMPANY**

The rationale for the Osaki Offer and Osaki’s intentions in relation to the Company are set out in Sections 11 and 12 of the Osaki Offer Document and in Section 5 of the Circular, and reproduced in italics below. All terms used in the extract below shall have the same meanings as those defined in the Osaki Offer Document, unless otherwise stated.

### **“11. RATIONALE FOR THE OFFER**

**11.1 Offeror’s intention to delist and privatise the Company.** *As noted in Section 12 below, the Offeror is making the Offer with a view to delisting the Company from the SGX-ST and depending on the outcome of the Offer, the Offeror intends to pursue any rights of compulsory acquisition that may arise under the Companies Act. As a listed entity, the Company has to incur listing, compliance and other related costs associated with continuing listing requirements under the Listing Manual. If the Company is delisted, it will be able to dispense with such costs and the human resources that have to be committed for such compliance as well. Hence, delisting the Company will allow it to focus its resources on its business operations. Further, once the Company is delisted, the Offeror and the Company will have greater operational flexibility without being constrained by market sentiment and price volatility.*

**11.2 Low trading liquidity – opportunity for Shareholders to exit at a premium.** *The trading volume of the Shares has been low, with an average daily trading volume of approximately 988,619 Shares, representing approximately 0.20 per cent. of all the Shares as at the Latest Practicable Date, for the 12-month period up to the Last Trading Day.*

As stated in **Section 13** below, the Offer Price represents a premium of approximately 46.0 per cent., 52.1 per cent., 54.0 per cent. and 57.4 per cent. over the 1-month, 3-month, 6-month and 12-month VWAP of the Shares respectively prior to the Boer Announcement Date.

Through the Offer, the accepting Shareholders will have an opportunity to realise their investments in the Company for a cash consideration at a premium over the market prices of the Shares prior to the Offer Announcement Date without incurring brokerage or other trading costs.

The Offer Price also represents a premium of 25.0 per cent. over the Boer Offer Price.

### **11.3 Potential benefits to the Offeror**

#### **11.3.1 Accelerate overseas expansion**

Currently, the Offeror mainly conducts its business in Japan. Although the Offeror has ventured overseas and currently sells its products overseas in countries such as Indonesia and various Latin American countries, it still substantially derives its revenues from Japan. The Offeror believes that the Company's established presence and sales channels in various parts of Asia, Australia, New Zealand and Europe will allow the Offeror to accelerate its expansion into the overseas markets.

#### **11.3.2 Increase product and service offerings**

The combined product and service offerings will allow the Offeror to better service its customers by offering more comprehensive energy management solutions and being in closer proximity to the customers which will improve its response time and hence, effectively compete with other global players in the global market.

#### **11.3.3 Enhance research and development capabilities**

The Offeror is of the view that investments in research and development capabilities are important and necessary for it to compete effectively to meet the needs of its customers in a rapidly changing environment for power distribution and energy management. As such, the Offeror values the Company's track record in developing and customising its products to satisfy the local needs and requirements of its customers in various jurisdictions.

#### **11.3.4 Expand talent pool**

The employees of the Company have contributed significantly to the success of the Company and the Offeror considers these employees pivotal to the future of the Company. The Offeror believes that the expanded talent pool resulting from the combination of both organisations will be more effective in executing the Offeror's global strategy.

## **12. THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY**

**12.1 Future Plans for the Company.** Based on the Offeror's understanding of the Company, the Offeror currently does not intend to (i) introduce any major changes to the businesses of the Company, (ii) redeploy the fixed assets of the Company or (iii) discontinue the employment of the employees of the SMB Group. Following the close of the Offer, the Offeror will undertake a comprehensive review of the businesses and fixed assets of the SMB Group, and the review will help the Offeror identify all areas in which the Company and the Offeror Group can achieve shareholder value by combining the entities and determine the optimal business strategy for the Company."

## **7 INFORMATION ON THE COMPANY**

Information on the Company and the Group can be found in Section 10 and Appendix 4 of the Osaki Offer Document and in Appendix II of the Circular.

## 8 EVALUATION OF THE FINANCIAL TERMS OF THE OSAKI OFFER

In our analysis and evaluation of the Osaki Offer, and our recommendation thereon, we have taken into consideration the following factors:

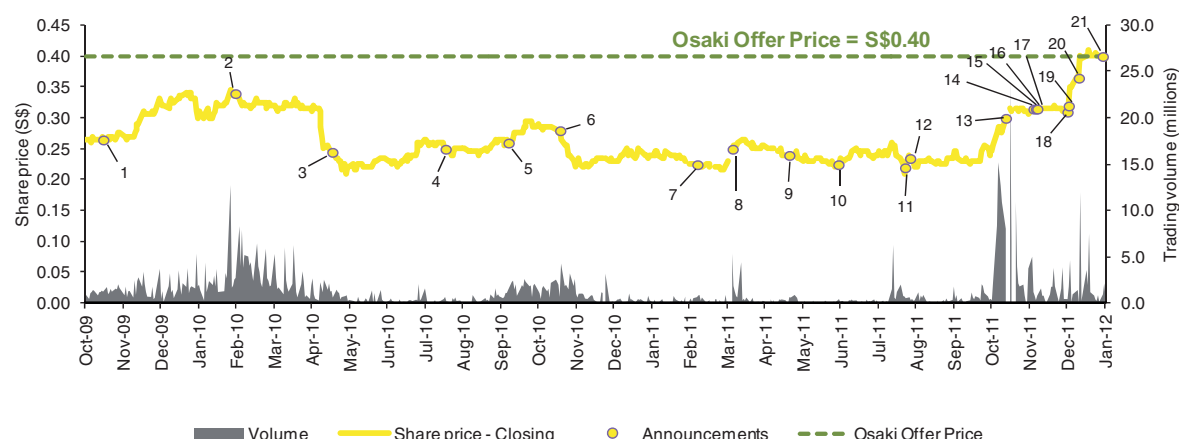
- (a) Market quotation and historical trading activity of the Shares;
- (b) Comparison of the valuation measures of the Company implied by the Osaki Offer Price against those of selected comparable listed companies;
- (c) Comparison with recent offer transactions of companies listed on the SGX-ST;
- (d) Analysis of the net tangible assets (the “NTA”) and revalued NTA (the “RNTA”) of the Group;
- (e) Dividend track record of the Company; and
- (f) Other relevant considerations.

The factors above are discussed in more detail in the following sections. We have relied on the following general bases in our analysis:

- (a) The Company has one class of shares, being ordinary shares. As at the Latest Practicable Date, the issued and paid-up share capital of the Company is S\$77,590,043 comprising 489,151,999 Shares; and
- (b) The financial and market data we have used in our analyses, including share prices, trading volumes, free float data, foreign exchange rates, and other financial data, have been extracted from Capital IQ, OneSource, Reuters, Thomson Research, Factiva, SGX-ST and other publicly available data and filings as at the Latest Practicable Date. EYCF makes no representation or warranties, whether expressed or implied, as to the accuracy or completeness of such information.

### 8.1 Market quotation and historical trading activity of the Shares

We set out below a chart which shows the daily closing prices for the Shares and volume traded for the period from two (2) years prior to the last trading day before the announcement of the Boer Offer up to the Latest Practicable Date. We have also marked significant dates during the given period, including the Company’s announcements on developments of subsidiaries and associated companies, its financial results, acquisitions and other material information.



Sources: Capital IQ, Company announcements

Notes:

- (1) On 13 November 2009, the Company announced consolidated unaudited earnings for the third quarter and nine months ended 30 September 2009. For the quarter, the Company reported net profit of about S\$7.0 million on revenue of about S\$62.1 million against net profit of about S\$1.9 million on revenue of about S\$52.3 million in the same period for the previous year. The Company reported net profit of about S\$16.1 million on revenue of about S\$158.8 million for the nine months ended 30 September 2009.

- (2) On 26 February 2010, the Company announced earnings results for the fourth quarter and full year ended 31 December 2009. For the quarter, the Company reported net profit of about S\$5.2 million on revenue of about S\$67.7 million, compared with net profit of about S\$448,000 on revenue of about S\$49.3 million for the same period the previous year. The Company reported revenue and net profit of about S\$226.5 million and about S\$21.2 million respectively for the full year ended 31 December 2009, which represent increases of approximately 6.2% and 56.5% respectively compared to corresponding figures for the previous year.
- (3) On 14 May 2010, the Company announced unaudited consolidated earnings results for the first quarter ended 31 March 2010. For the quarter, the Company reported net profit of about S\$2.7 million on revenue of about S\$46.7 million against net profit of about S\$2.6 million on revenue of about S\$41.1 for the same period the previous year.
- (4) On 12 August 2010, the Company announced consolidated earnings results for the second quarter and six months ended 30 June 2010. For the quarter, the Company reported net profit of about S\$4.6 million on revenue of about S\$60.6 million against net profit of about S\$6.5 million on revenue of about S\$55.6 million for the same period the previous year. For the six months ended 30 June 2010, the Company made a profit of about S\$7.3 million on revenue of about S\$107.2 million.
- (5) On 30 September 2010, the Company announced the appointment of Mr Lawrence Lee Wee Hian as Chief Executive Officer and Executive Director of the Company with effect from 1 October 2010. The Company further announced that Mr Lee Phuan Weng will relinquish his position as Chief Executive Officer but will retain his role as Executive Chairman of the Board to assist on strategic planning and development.
- (6) On 11 November 2010, the Company announced consolidated earnings results for third quarter and nine months ended 30 September 2010. For the quarter, the Company reported net profit of about S\$3.3 million on revenue of about S\$60.7 million against net profit of about S\$7.0 million on revenue of about S\$62.1 million for the same period the previous year. For the nine months ended 30 September 2010, the Company reported revenue of about S\$167.9 million and net profit of about S\$10.6 million.
- (7) On 28 February 2011, the Company announced unaudited consolidated earnings results for the fourth quarter and full year ended 31 December 2010. For the quarter, the Company reported net profit of about S\$2.7 million on revenue of about S\$61.6 million against net profit of about S\$5.2 million on revenue of about S\$67.7 million for the same period the previous year. For the full year ended 31 December 2010, the Company reported revenue of about S\$229.5 million and net profit of about S\$13.3 million.
- (8) On 28 March 2011, the Company and EDMI Limited ("EDMI") jointly announced that the Company has presented to the directors of EDMI a proposal to seek the voluntary delisting of EDMI from the Official List of the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual. As at 28 March 2011, the Company had a direct interest of approximately 59.77% of the total issued shares of EDMI and was the largest shareholder of EDMI.
- (9) On 12 May 2011, the Company announced unaudited consolidated earnings results for the first quarter ended 31 March 2011. For the quarter, the Company reported net profit of about S\$2.1 million on revenue of about S\$59.0 million against net profit of about S\$2.7 million on revenue of about S\$46.7 million for the same period the previous year.
- (10) On 20 June 2011, the Company announced that the conditions to the exit offer for the EDMI shares have been satisfied and that such exit offer had become and was declared unconditional in all respects.
- (11) On 12 August 2011, the Company announced unaudited consolidated earnings results for the second quarter and six months ended 30 June 2011. For the quarter, the Company reported net profit of about S\$5.7 million on revenue of about S\$71.4 million against net profit of about S\$4.6 million on revenue of about S\$60.6 million for the same period the previous year. For the six months ended 30 June 2011, the Company reported revenue of about S\$130.4 million and net profit of about S\$7.8 million.
- (12) On 16 August 2011, the Company announced that it had, on 16 August 2011, completed the exercise of its right of compulsory acquisition pursuant to Section 215(1) of the Companies Act and accordingly, owns all the shares of EDMI.
- (13) On 31 October 2011, PPCF, for and on behalf of Profit Sea, announced the Boer Offer.
- (14) On 31 October 2011, the Company announced that it has entered, on 28 October 2011, into the sale and purchase agreement to acquire 48.0% of the issued and paid-up capital of Quantum Automation Pte Ltd. The Company also announced that it has an existing committed loan facility of up to S\$35.0 million with a bank which contains a covenant that the following controlling shareholders and their associates, Mr Lee Phuan Weng, Mr Lee Yong Heng, Mr Lee Kwang Mong and Mr Lee Wee Hian, do not cease to be the legal and beneficial owners of at least 15.0% of the issued share capital of the Company throughout the tenure of the facility.
- (15) On 22 November 2011, the Directors announced that the SGX-ST had, on 22 November 2011, approved in-principle the Company's application for the listing and quotation of the 9,400,000 consideration Shares in relation to the Company's acquisition of 48.0% of the issued and paid-up capital of Quantum Automation Pte Ltd, subject to compliance with the listing requirements of the SGX-ST.

- (16) On 24 November 2011, the Company announced the Group's third quarter and nine months financial information for the period ended 30 September 2011. For the quarter, the Company reported net profit of about S\$6.9 million on revenue of about S\$70.6 million, compared with net profit of about S\$3.3 million on revenue of about S\$60.7 million for the same period the previous year. The Group reported revenue and net profit of about S\$200.9 million and about S\$14.7 million respectively for the nine months ended 30 September 2011, which represent increases of approximately 19.7% and 38.7% respectively compared to corresponding figures for the previous year.
- (17) On 25 November 2011, PPCF, for and on behalf of Profit Sea, made an announcement with reference to the data stated in paragraphs 8.3 and 8.6 of the Boer Offer Document which were made with the adjustment for dividends paid out by the Company. Profit Sea complemented the disclosures to include the same data but without the adjustment for dividends paid out by the Company.
- (18) On 19 December 2011, PPCF, for and on behalf of Profit Sea, announced that the closing date of the Boer Offer had been extended from 19 December 2011 5:30 pm to 20 January 2012 5:30 pm. Also on 19 December 2011, the Company announced that the acquisition of 48.0% of the issued and paid up share capital of Quantum Automation Pte Ltd has been completed and a total of 9,400,000 consideration Shares have been issued and allotted to the vendors.
- (19) On 20 December 2011, the Board of Directors of the Company announced that an expression of interest was received from an anonymous third party in connection with the potential acquisition of all shares of the Company and that the SIC has ruled that the third party has to clarify its intentions no later than 10 January 2012.
- (20) On 28 December 2011, Daiwa, for and on behalf of Osaki, announced that Osaki intends to make an offer to acquire all Shares at S\$0.40 per Share in cash.
- (21) On 17 January 2012, PPCF, for and on behalf of Profit Sea, announced the withdrawal of the Boer Offer.

Additional information on the volume weighted average price ("VWAP") of the Shares and other trading statistics is set out below:

	Lowest Closing Price (S\$)	Highest Closing Price (S\$)	VWAP (S\$)	Premium of Osaki Offer Price over VWAP (%)	Average Daily Traded Volume <sup>(1)</sup>	Daily Trading Volume as a Percentage of the Free Float <sup>(2)</sup> (%)
<b>Periods prior and up to the Boer Offer Announcement Date</b>						
Last 5 years	0.110	0.500	0.316	26.58	1,480,024	0.49
Last 2 years	0.210	0.345	0.286	39.86	1,171,675	0.38
Last 1 year	0.210	0.300	0.256	56.25	809,461	0.27
Last 6 months	0.210	0.300	0.262	52.67	897,691	0.29
Last 3 months	0.210	0.300	0.265	50.94	1,563,790	0.51
Last 1 month	0.225	0.300	0.275	45.45	3,305,286	1.08
Last transacted price on the last trading day <sup>(3)</sup>	0.300	0.300	0.300	33.33	8,051,000	2.64
<b>Periods after the Boer Offer Announcement Date</b>						
Between the Boer Offer Announcement Date and the Latest Practicable Date	0.300	0.410	0.337	18.69	2,578,811	0.85
Last transacted price on the market day prior to the Osaki Offer Announcement	0.365	0.365	0.365	9.59	1,461,000	0.48
Between the Osaki Offer Announcement Date and the Latest Practicable Date	0.365	0.410	0.402	(0.50)	2,204,467	0.72
Last transacted price as at the Latest Practicable Date <sup>(4)</sup>	0.395	0.395	0.395	1.27	648,000	0.21

Source: Capital IQ

Notes:

- (1) The average daily traded volume of the Shares is calculated based on the total volume of Shares traded during the given period divided by the number of market trading days during that period.
- (2) Free float refers to the Shares other than those held by the Directors, substantial Shareholders and their associates (as defined in the Listing Manual). The free float of the Company amounts to approximately 304.9 million Shares or equivalent to approximately 62.3% of the total issued Share as at the Latest Practicable Date.
- (3) On 31 October 2011, the Company requested for a trading halt from 10.15 a.m., and the announcement of the Boer Offer was made at 11.27 a.m. The price shown represents the last transacted price on 31 October 2011 before trading of the Shares was halted.
- (4) The last market day on which the Shares were traded as at the Latest Practicable Date was 18 January 2012.

We note the following:

- (a) Over the last five years prior to the announcement of the Boer Offer, the market price of the Shares has closed between a low of S\$0.110 and a high of S\$0.500. The Osaki Offer Price represents a premium of approximately 26.58% over the VWAP for the 5-year period prior to the announcement of the Boer Offer;
- (b) The Osaki Offer Price represents premiums of approximately 39.86%, 56.25%, 52.67%, 50.94%, and 45.45% over the VWAPs for the periods 2 years, 1 year, 6 months, 3 months and 1 month prior to the announcement of the Boer Offer, respectively;
- (c) The Osaki Offer Price represents a premium of approximately 33.33% over the last transacted price prior to the announcement of the Boer Offer;
- (d) The Osaki Offer Price represents a premium of 18.69% over the VWAP of S\$0.337 for the period from the Boer Offer Announcement Date up to the Latest Practicable Date;
- (e) The Osaki Offer Price represents a premium of 9.59% over the last transacted price on the market day prior to the Osaki Offer Announcement Date;
- (f) The Osaki Offer Price represents a slight discount of 0.50% to the VWAP for the period from the Osaki Offer Announcement Date up to the Latest Practicable Date; and
- (g) The Osaki Offer Price represents a premium of 1.27% over the last transacted price of S\$0.395 as at the Latest Practicable Date.

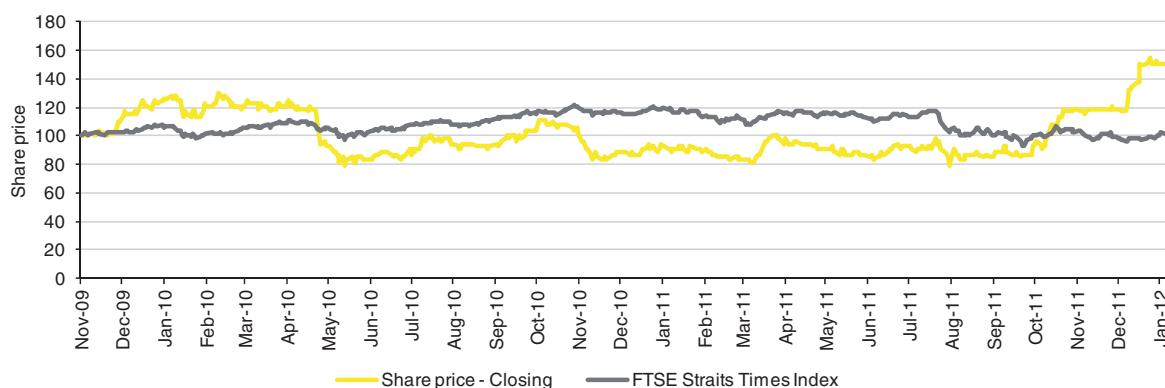
We also note the following with regard to the trading liquidity of the Shares:

- (a) The average daily trading volume of the Shares for the 5-year period prior to the announcement of the Boer Offer represents approximately 0.49% of the free float;
- (b) The average daily traded volume of the Shares for the periods 2 years, 1 year, 6 months, 3 months and 1 month prior to the announcement of the Boer Offer represents approximately 0.38%, 0.27%, 0.29%, 0.51% and 1.08% of the free float, respectively;
- (c) For the period from five (5) years prior to the announcement of the Boer Offer up to and including the Last Trading Day, the Shares were frequently traded but we note that the Shares had a thin average daily trading volume of approximately 0.49% of the free float for the 5-year period;
- (d) The average daily traded volume of the Shares for the period from the Boer Offer Announcement Date up to the Latest Practicable Date represents approximately 0.85% of the free float;
- (e) The average daily traded volume of the Shares for the period following the Osaki Offer Announcement Date up to the Latest Practicable Date represents approximately 0.72% of the free float; and

- (f) The average daily traded volume of the Shares on the Latest Practicable Date represents approximately 0.21% of the free float.

**We wish to highlight that our analysis of the historical performance of the Shares is not indicative, and should not, in any way, be relied upon as an indication of future price levels of the Shares.**

In order to assess the market price performance of the Shares vis-à-vis the general price performance of the Singapore equity market, we have compared the market movement of the Shares against the FTSE Straits Times Index (“**FSSTI**”) for the period from two years prior to the Boer Offer Announcement Date up to the Latest Practicable Date.



Source: Capital IQ, rebased to 100 on 13 November 2009

We note that the Shares had generally underperformed the FSSTI in relative terms from April 2010 up to the week leading to Boer Offer Announcement Date. Between the week leading to the Boer Offer Announcement Date and up to the Latest Practicable Date, we note that the Shares have outperformed the FSSTI.

Based on the above, it is highly likely that the market price of the Shares as at the Latest Practicable Date is supported by the Osaki Offer, and may not be maintained at such levels after the close of the Osaki Offer (in the event that the Company remains listed after the close of the Osaki Offer) or if the Osaki Offer lapses and is withdrawn.

## 8.2 Comparison of Valuation Measures of the Company against those of Selected Comparable Listed Companies

Based on our discussions with the management of the Company and a search for comparable listed companies on Capital IQ, Factiva and OneSource, we recognise that there is no particular listed company that we may consider to be directly comparable to the Group in terms of the composition of the business activities, company size, scale of operations, product and service range, customer base, risk profile, geographical spread of activities, accounting standards and policies used, and such other relevant criteria. However, after discussions with the management of the Company, we have selected companies which we believe are broad proxies to the core businesses of the Group of: (a) manufacturing, assembling and distributing switchgears (the “**Switchgear Comparable Companies**”), and (b) designing, manufacturing and sale of electronic revenue meters (the “**Metering Comparable Companies**”) (collectively, the Switchgear Comparable Companies and Metering Comparable Companies are referred to as the “**Comparable Companies**”).

The Independent Directors and Shareholders should note that any comparisons made with respect to the Comparable Companies are for illustrative purposes only as there is no one company with the exact scope of business and using the exact accounting policies and standards as those of the Group. The conclusions drawn from such comparisons, therefore, may not necessarily reflect the perceived or implied market valuation of the Group as at the Latest Practicable Date. In addition, we wish to highlight that the list of Comparable Companies is by no means exhaustive.

Accordingly, for the purposes of our evaluation, we have considered the following Comparable Companies, which includes Osaki, whose activities, in our view (and as explained above), are broadly comparable to those of the Group:

<b>Comparable Company / Country of Listing</b>	<b>Business Activity Description</b>	<b>Financial Year-end</b>
<b>Switchgear Comparable Companies</b>		
Allis Electric Co. Ltd / Taiwan	Allis Electric Co. Ltd. produces and markets transformers, switching devices, and electronic products worldwide. It offers its products through distributors in Asia-Pacific, Taiwan, North America, the United States, Greece, Italy and South Africa. It is headquartered in Taipei, Taiwan.	31 Dec
Energy Support Corporation/ Japan	Energy Support Corporation manufactures and sells measuring instruments and electrical equipment, such as switches, cutouts and electrical fuses. It is headquartered in Inuyama, Japan.	31 Mar
Natural Cool Holdings Ltd / Singapore	Natural Cool Holdings Ltd engages in the air-conditioning and switchgear businesses. The company's switchgear division designs, manufactures, and sells switchgears. It offers its services primarily in Singapore, the PRC, India, Malaysia and Cambodia. The company is headquartered in Singapore.	31 Dec
Sunlight Group Holdings Ltd / Singapore	Sunlight Group Holdings Ltd fabricates, manufactures and sells power distribution products. The company offers low voltage switchgear products, such as electrical switchboards, generator control panels, main switchboards, motor control centers, meterboards, distribution boards, consumer units, and pan assembly products, as well as mechanical and electrical engineering services. The company offers its products in Singapore, Vietnam and Malaysia. It is headquartered in Singapore.	31 Mar
<b>Metering Comparable Companies</b>		
Badger Meter Inc. / US	Badger Meter Inc. manufactures and markets liquid flow measurement and control technology products worldwide. It distributes its products through direct and independent sales representatives and distributors. It is headquartered in Milwaukee, Wisconsin.	31 Dec
Elster Group SE / US	Elster Group SE provides gas, electricity, and water meters, and related communications, networking, and software solutions to residential, commercial and industrial sectors worldwide. It is headquartered in Essen, Germany.	31 Dec
ESCO Technologies Inc / US	ESCO Technologies Inc produces and sells engineered products and systems for utility, industrial, aerospace and commercial applications worldwide. The company is headquartered in St. Louis, Missouri.	30 Sep
Fuji Electric Co., Ltd. / Japan	Fuji Electric Co. Ltd manufactures and sells electrical devices worldwide. The company's equipment division offers electromagnetic switches and operation display equipment. It is headquartered in Tokyo, Japan.	31 Mar
Ningbo Sanxing Electric Co., Ltd / China	Ningbo Sanxing Electric Co., Ltd manufactures and sells energy meters. Its products include mechanical and electronic single/three phase energy meter, multi-tariff/function energy meter, IC card/keypad prepayment energy meter, socket energy meter, AMR/AMI solution, power distribution transformer, and switchgear and prefabricated substation. It is headquartered in Ningbo, China.	31 Dec

Comparable Company / Country of Listing	Business Activity Description	Financial Year-end
Osaki Electric Co. Ltd / Japan	Osaki Electric Co. Ltd manufactures and sells measurement and control equipment, including electric meters, current limiters, control equipment, time switches and switchboard. It is headquartered in Tokyo, Japan.	31 Mar
Wasion Group Holdings Limited / Hong Kong	Wasion Group Holdings Limited develops, manufactures and sells energy measurement equipment, systems, and services in China. The company's electronic meters segment develops, manufactures and sells electronic power, water, gas and heat meters. It offers a series of advanced measurement meters products, including power meters, water meters, gas meters, ultrasound heat meters and data collection terminals for different energy and management systems. It is headquartered in Hong Kong.	31 Dec

Sources: Capital IQ, Factiva, OneSource, company reports and company websites

In our evaluation, we have considered the following widely used valuation measures:

Valuation Measure	Description
Enterprise Value-to-Earnings before Interests, Taxes, Depreciation and Amortisation (" <b>EV/EBITDA</b> ")	<p>EV refers to enterprise value which is the sum of a company's market capitalisation, preferred equity, minority interests, short-term and long-term debts (inclusive of finance leases), less its cash and cash equivalents</p> <p>EBITDA refers to the historical consolidated earnings before interest, taxes, depreciation and amortisation</p>
Price-to-Earnings (" <b>Price/Earnings</b> ")	Price/Earnings ratio or earnings multiple is the ratio of a company's market capitalisation divided by the historical consolidated net profit attributable to shareholders
Price-to-Net Tangible Assets (" <b>Price/NTA</b> ")	<p>NTA refers to consolidated net tangible assets, which is the total assets of a company less intangible assets (such as goodwill, patents and trademarks) and total liabilities</p> <p>Price/NTA refers to the ratio of a company's share price divided by NTA per share</p>

**Valuation Measures of the Comparable Companies in Comparison  
with the Valuation Measures of the Group implied by the Osaki Offer Price**

Comparable Companies	Country of Listing	Market Capitalisation <sup>(1)</sup> (in S\$ millions)	EV/ EBITDA Ratio <sup>(2)</sup> (times)	Price/ Earnings Ratio <sup>(3)</sup> (times)	Price/ NTA Ratio <sup>(4)</sup> (times)
<b>Switchgear Comparable Companies</b>					
Allis Electric Co. Ltd	Taiwan	58.2	9.0	11.9	0.6
Energy Support Corporation	Japan	134.5	8.9	25.1	0.7
Natural Cool Holdings Ltd	Singapore	14.1	7.1	2.0	0.4
Sunlight Group Holdings Ltd	Singapore	10.4	11.9	57.1	0.6
<b>Low</b>			<b>7.1</b>	<b>2.0</b>	<b>0.4</b>
<b>High</b>			<b>11.9</b>	<b>57.1</b>	<b>0.7</b>
<b>Average</b>			<b>9.2</b>	<b>24.0</b>	<b>0.6</b>
<b>Median</b>			<b>8.9</b>	<b>18.5</b>	<b>0.6</b>
<b>Metering Comparable Companies</b>					
Badger Meter Inc	US	630.0	11.0	20.2	3.5
Elster Group SE	US	1,750.5	7.2	14.4	n.m.
ESCO Technologies Inc	US	1,016.4	9.5	15.3	113.3
Fuji Electric Co., Ltd	Japan	2,439.8	7.7	18.2	1.2
Ningbo Sanxing Electric Co., Ltd	China	672.4	9.1	13.3	1.6
Osaki Electric Co. Ltd	Japan	454.2	6.3	21.0	1.1
Wasion Group Holdings Limited	Hong Kong	421.2	9.4	10.1	1.1
<b>Low</b>			<b>6.3</b>	<b>10.1</b>	<b>1.1</b>
<b>High</b>			<b>11.0</b>	<b>21.0</b>	<b>113.3</b>
<b>Average (excluding outlier)</b>			<b>8.6</b>	<b>16.1</b>	<b>1.7</b>
<b>Median (excluding outlier)</b>			<b>9.1</b>	<b>15.3</b>	<b>1.2</b>
<b>SMB - Implied by the Osaki Offer Price</b>	<b>Singapore</b>	<b>195.7</b>	<b>6.5</b>	<b>11.2</b>	<b>1.4</b>

Sources: Capital IQ, Factiva, OneSource and company reports

Notes:

- (1) Market capitalisation for the Comparable Companies is based on the outstanding number of shares and the closing price as at Latest Practicable Date as obtained from Capital IQ. Market capitalisation of the Company is approximately S\$195.7 million based on the Osaki Offer Price of S\$0.40 per Share and the total outstanding Shares as at the Latest Practicable Date of 489,151,999 Shares.
- (2) For the Comparable Companies, EV is computed based on the latest available consolidated financial results, except for market capitalisation which is as at the Latest Practicable Date, and EBITDA is computed based on a trailing 12-month basis from the interim unaudited consolidated financial results. EV of the Company is based on the equity consideration of approximately S\$195.7 million implied by the Osaki Offer Price and the Company's latest consolidated financial results as at 30 September 2011. EBITDA of the Company is computed from the Company's consolidated results for the 12-month period ended 30 September 2011.
- (3) Net profit attributable to shareholders of the Comparable Companies are computed on a trailing 12-month basis based on the companies' interim unaudited consolidated financial results, while net profit attributable to shareholders for the Company is computed from the Company's consolidated results for the 12-month period ended 30 September 2011.
- (4) Price/NTA ratio is the ratio of a company's share price as at the Latest Practicable Date divided by its consolidated NTA per share as at the latest available financial results. NTA of the Company is approximately S\$139.1 million as at 30 September 2011.

- (5) The financial statements of the Comparable Companies are reported in various currencies, which may or may not be in Singapore dollars and which may be different from the respective currencies that their shares are traded in. For the purposes of computing and comparing the valuation measures, financial figures in relation to the balance sheet of the Comparable Companies have been translated (if applicable) to Singapore dollars using a suitable exchange rate as at the balance sheet date as obtained from Capital IQ, while earning figures have been translated (if applicable) to Singapore dollars using a suitable average exchange rate for the relevant financial period, as obtained from Capital IQ. Closing share prices of the Comparable Companies as at the Latest Practicable Date have been translated (if applicable) to Singapore dollars using a suitable exchange rate as at the Latest Practicable Date, as obtained from Capital IQ.

### **8.2.1 Comparison of EV/EBITDA ratios**

The EV/EBITDA ratio illustrates the ratio of the market value of an entity's business in relation to its historical pre-tax operating cashflow performance and disregards the entity's existing capital structure.

We note that for the Switchgear Comparable Companies as at the Latest Practicable Date, the range of EV/EBITDA ratios is between 7.1 times and 11.9 times, while the average EV/EBITDA ratio is 9.2 times, and the median EV/EBITDA ratio is 8.9 times.

We also note that for the Metering Comparable Companies as at the Latest Practicable Date, the EV/EBITDA ratios range between 6.3 and 11.0 times, with the average EV/EBITDA ratio being 8.6 times and the median EV/EBITDA ratio being 9.1 times.

The EV/EBITDA ratio of the Company implied by the Osaki Offer Price of 6.5 times is within the range but below the average and median EV/EBITDA ratios of the Metering Comparable Companies, and lower than the EV/EBITDA ratios of the Switchgear Comparable Companies.

### **8.2.2 Comparison of Price/Earnings ratios**

The Price/Earnings ratio illustrates the ratio of the market capitalisation of an entity in relation to the historical net profit attributable to its shareholders.

We note that for the Switchgear Comparable Companies as at the Latest Practicable Date, the range of Price/Earnings ratios is between 2.0 times and 57.1 times, with the average Price/Earnings ratio being 24.0 times and the median Price/Earnings ratio being 18.5 times.

We note that for the Metering Comparable Companies as at the Latest Practicable Date, the range of Price/Earnings ratios is between 10.1 times and 21.0 times, with the average Price/Earnings ratio being 16.1 times and the median Price/Earnings ratio being 15.3 times.

The Price/Earnings ratio of the Company implied by the Osaki Offer Price of 11.2 times is within the range of the Price/Earnings ratios, but below the average and median Price/Earnings ratios, of the Switchgear Comparable Companies and the Metering Comparable Companies.

### **8.2.3 Comparison of Price/NTA ratios**

The Price/NTA ratio represents an asset-based relative valuation which takes into consideration the book value or NTA backing of a company.

We note that for the Switchgear Comparable Companies as at the Latest Practicable Date, the range of Price/NTA ratios is between 0.4 times and 0.7 times, while the corresponding ratios for the Metering Comparable Companies are 1.0 times and 112.9 times.

We note that the Price/NTA ratio of the Company implied by the Osaki Offer Price of 1.4 times is significantly higher than the Price/NTA ratios of the Switchgear Comparable Companies. We also note that Price/NTA ratio of the Company implied by the Osaki Offer price is within the range and above the median Price/NTA ratios (excluding outlier) of the Metering Comparable Companies.

### 8.3 Comparison with Recent Offer Transactions of Companies listed on the SGX-ST

Given the stated intentions of Osaki to privatise the Company and to delist the Company from the Official List of the SGX-ST, we have also examined recent similar transactions by listed companies on the SGX-ST involving offers announced and completed since January 2010 up to the Osaki Offer Announcement Date (the “Comparable Transactions”). Our analysis of the Comparable Transactions is to illustrate the premiums/discounts represented by each of the respective offer prices over/to the average traded prices prior to the announcements of such Comparable Transactions.

The Independent Directors and Shareholders should note that due to the differences in, *inter alia*, business activities, scale of operations, geographical spread of activities, track record and future prospects, accounting standards and policies, and any other considerations specific to the respective companies, any comparison made with respect to the Comparable Transactions are for illustrative purposes only. The Comparable Transactions are not directly comparable to the terms and conditions of the Osaki Offer, and the premium any offeror is prepared to pay for in any particular offer transaction depends on various factors, including prevailing market conditions and general economic and business risks. The conclusions drawn from such comparisons, therefore, may not necessarily reflect the perceived or implied market valuation for the Company. In addition, we wish to highlight that the list of Comparable Transactions is by no means exhaustive.

Company	Date Announced	Premium of the Offer Price over Relevant Prices prior to Announcement (%)		
		Last Transacted Price	1-month VWAP	3-month VWAP
Hungguo International Holdings Limited	18 Jan 2010	37.2	31.4	35.5
Jurong Cement Limited	25 Jan 2010	95.3	97.5	119.3
China Video Surveillance Limited	2 Feb 2010	140.9	132.9	91.9
Avaplus Ltd	12 Mar 2010	122.2	122.1	109.5
Eng Kong Holdings Limited	2 Jun 2010	37.2	20.9	19.1
RSH Limited	23 Jul 2010	41.7	n.a.	n.a.
Parkway Holdings Limited	23 Jul 2010	30.8	20.4	23.1
Pine Agritech Limited	16 Aug 2010	11.1	7.1	18.6
Thomson Medical Centre Limited	29 Oct 2010	62.0	71.7	90.2
Kim Eng Holdings Limited	6 Jan 2011	55.8	62.6	67.9
Sinomem Technology Limited	5 Mar 2011	28.4	33.8	34.6
Passion Holdings Limited	9 Mar 2011	23.8	30.7	27.5
Qualitas Medical Group Limited	15 Mar 2011	28.9	29.2	53.8
JK Yaming International Holdings Ltd	4 May 2011	4.8	4.7	7.5
All Green Properties Ltd	23 May 2011	39.1	40.6	45.3
Portek International Limited <sup>(1)</sup>	13 Jul 2011	97.1	96.9	122.9
C&O Pharmaceutical Technology (Holdings) Ltd	17 Aug 2011	1.0	35.1	40.8
<b>Low</b>		<b>1.0</b>	<b>4.7</b>	<b>7.5</b>
<b>High</b>		<b>140.9</b>	<b>132.9</b>	<b>122.9</b>
<b>Average</b>		<b>50.4</b>	<b>52.4</b>	<b>56.7</b>
<b>Median</b>		<b>37.2</b>	<b>34.5</b>	<b>43.1</b>
<b>SMB - Implied by the Osaki Offer Price <sup>(2)</sup></b>		<b>33.3</b>	<b>44.93</b>	<b>50.94</b>

Sources: Capital IQ, company circulars and company reports

Notes:

- (1) *The information set out in the table above is based on the voluntary conditional cash offer announced on 13 July 2011 by Nomura Singapore Limited, for and on behalf of Mitsui & Co., Ltd (“Mitsui”), for all the shares of Portek International Limited (“Portek”) other than those already owned, controlled or agreed to be acquired by Mitsui and parties acting in concert with Mitsui. We note that there was an earlier voluntary conditional cash offer announced on 1 June 2011 by the Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, for and on behalf of ICTSI Far East Pte Ltd (“ICTSI”) for all of the issued and paid-up ordinary shares in the capital of Portek other than those already owned, controlled or agreed to be acquired by ICTSI and parties acting in concert with ICTSI. The ICTSI offer for Portek shares represented premiums of 69.0% over the last transacted price prior to the ICTSI offer announcement, 68.8% over the 1-month period prior to the ICTSI offer announcement, and 91.1% over the 3-month period prior to the ICTSI offer announcement.*
- (2) *For SMB, the calculations of the implied premiums by the Osaki Offer Price were based on the relevant prices prior to the Boer Offer Announcement.*

We note that the premiums implied by the Osaki Offer Price over the VWAPs for the 1-month and 3-month periods prior to the announcement of the Boer Offer are within the range and above the median premiums of the Comparable Transactions.

#### **8.4 Analysis of the RNTA of the Group**

In an NTA-based valuation, a valuation analysis is performed for a company’s identified fixed, financial and other assets. The derived aggregate value of these assets is then “netted” against the estimated value of all existing liabilities, resulting in an indication of the value of the shareholders’ equity.

Based on the Company’s unaudited consolidated financial statements as at 30 September 2011, the NTA of the Group was approximately S\$139.1 million or about S\$0.29 per Share. We note that the Osaki Offer Price represents an implied premium of 37.9% over the NTA per Share as at 30 September 2011 or an implied Price/NTA ratio of 1.4 times.

We have taken into consideration any tangible assets of the Group which should be valued and reflected at a different amount from the amount that is recorded in the financial statements of the Group as at 30 September 2011.

The Company has appointed the Valuers to conduct, in connection with the Boer Offer, independent valuations of certain properties held by the Group (the “**Properties**”). The details on the Properties and the copy of the letter from the Valuers and the Valuation Reports are set out in Appendix VI of the offeree circular in relation to the Boer Offer and are referenced in Appendix II of the Circular.

We note that based on the terms and assumptions as stated in the Valuation Reports, the estimated market valuation of the Properties is about S\$43.2 million. The Directors have confirmed to us that they are of the view that there are no material changes in the estimated market valuation of the Properties as at the Latest Practicable Date.

Given the above and as informed by the management of the Company, the revaluation surplus arising in connection with the revaluation of the Properties is approximately S\$15.9 million.

For discussion purposes only, the RNTA of the Group is about S\$155.0 million or about S\$0.32 per Share, as confirmed by the management of the Company after taking into account adjustments due to the revaluation of the Properties as set out in the Valuation Reports. Based on the RNTA per Share of about S\$0.32, the Osaki Offer Price represents an implied premium of approximately 25.0% over the RNTA per Share. The price to RNTA ratio implied by the Osaki Offer Price is about 1.25 times.

For illustrative purposes only, the price to RNTA ratio implied by the Osaki Offer Price of about 1.25 times is above the range of Price/NTA ratios of the Switchgear Comparable Companies and within the range of Price/NTA ratios (excluding outlier) and above the median Price/NTA ratio (excluding outlier) of the Metering Comparable Companies.

We also note that based on information provided by the Company, the potential tax liabilities that may be incurred by the Group on the hypothetical disposal of the Properties is about S\$1.5 million. The aforesaid tax liabilities will not crystallise if the Group does not dispose of the Properties. We also note that the Company has no immediate plans to dispose of the Properties and as such, the aforesaid tax liabilities are not likely to crystallise. The market value of the Properties and the RNTA of the Group as discussed above do not take into consideration such potential tax liabilities.

While the RNTA per Share is a relevant basis for comparison, the Independent Directors and Shareholders should note that it is not necessarily a realisable value as the market value of the Properties and any tax liabilities arising from the sale of the Properties may vary depending on prevailing market and economic conditions.

## 8.5 Dividend Track Record of the Company

Over the past five financial years, the Company has declared the following dividends:

	FY2006	FY2007	FY2008	FY2009	FY2010
Net ordinary dividend per Share (cents)	1.07	1.40	1.00	1.50	1.00
Net special dividend per Share (cents)	0.41	1.30	–	–	–
<b>Total net dividend per Share (cents)</b>	<b>1.48</b>	<b>2.70</b>	<b>1.00</b>	<b>1.50</b>	<b>1.00</b>
Share Price <sup>(1)</sup> (cents)	37.0	25.0	19.0	27.0	24.0
Net dividend yield <sup>(2)</sup> (%)	4.0	10.8	5.3	5.5	4.2
<b>Approximate total dividend payout (S\$m)</b>	<b>7.0</b>	<b>13.0</b>	<b>4.8</b>	<b>7.2</b>	<b>4.8</b>

Sources: Company annual reports and financial results announcements

Notes:

- (1) The last traded price of the Shares prior to the ex-dividend date for the given year.
- (2) Based on total net dividend per Share divided by the Share Price per Note (1) above.

The average net dividend yield for the five financial years is approximately 6.0%.

The Directors have confirmed to us that the Company does not have a fixed dividend policy. The Directors have also confirmed that they will recommend future dividends based on:

- (a) the level of cash, gearing, return on equity and retained earnings of the Company;
- (b) the expected financial performance of the Group; and
- (c) the projected levels of capital expenditure and other investment plans.

## 8.6 Other Relevant Considerations

We have also considered the following in our evaluation on the Osaki Offer:

### 8.6.1 Irrevocable Undertakings

We note that, as at the Osaki Offer Announcement Date, Osaki has obtained irrevocable undertakings (the “Irrevocable Undertakings”) from certain Shareholders (the “**Undertaking Shareholders**”), pursuant to which each of the Undertaking Shareholders has agreed to, *inter alia*, accept the Osaki Offer in respect of the Shares held by each of them respectively prior to and up to the close of the Osaki Offer and has undertaken to exercise all voting rights attached to their Shares in such manner as to oppose the taking of any action which may preclude, delay, frustrate, restrict or otherwise prejudice the Offer.

As at the latest practicable date of the Osaki Offer Document, the Undertaking Shareholders, which include all Directors, have undertaken to accept the Offer in respect of an aggregate of 183,038,039 Shares held by them as at the latest practicable date of the Osaki Offer Document, representing approximately 37.42% of the total number of Shares in issue as at the Latest Practicable Date.

The details on the Irrevocable Undertakings are set out in Section 5 of the Osaki Offer Document and Section 4 of the Circular.

#### **8.6.2 Withdrawal of the Boer Offer**

In accordance with the Boer Offer Withdrawal Announcement, the Boer Offer has been withdrawn and is no longer available for acceptance by Shareholders. Shareholders who have previously accepted the Boer Offer will have their Shares returned to them.

Given the above, as at the Latest Practicable Date, only the Osaki Offer is available for acceptance by the Shareholders.

#### **8.6.3 Conditions of the Osaki Offer**

The details of the conditions of the Osaki Offer are set out in Section 3 of the Osaki Offer Document and Section 2.2 of the Circular. We note that the Osaki Offer is conditional on the Minimum Acceptance Level, and the Osaki Offer will not become or be capable of becoming declared unconditional as to acceptances until the close of the Osaki Offer, unless at any time prior to the close of the Osaki Offer, Osaki has received valid acceptances in respect of such number of Shares which will result in Osaki and persons acting in concert with Osaki holding such number of Shares carrying more than 50.0% of the maximum potential issued share capital of the Company.

As at the Latest Practicable Date, the Osaki Offer has not been declared unconditional. Given the Irrevocable Undertakings, additional valid acceptances equivalent to 12.58% of the total number of Shares would have to be obtained by Osaki for the Osaki Offer to be declared unconditional.

#### **8.6.4 Osaki's future plans for the Group, compulsory acquisition and listing status of the Group**

We note that, as extracted from Section 12 of the Osaki Offer Document and Section 5 of the Circular, Osaki has the following future plans for the Group:

**“12.1 Future Plans for the Company.** *Based on the Offeror's understanding of the Company, the Offeror currently does not intend to (i) introduce any major changes to the businesses of the Company, (ii) redeploy the fixed assets of the Company or (iii) discontinue the employment of the employees of the SMB Group. Following the close of the Offer, the Offeror will undertake a comprehensive review of the businesses and fixed assets of the SMB Group, and the review will help the Offeror identify all areas in which the Company and the Offeror Group can achieve shareholder value by combining the entities and determine the optimal business strategy for the Company.”*

Osaki has stated that it intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. Osaki has also stated that it does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, *inter alia*, less than 10.0% of the Shares (excluding treasury shares) are held in public hands.

Under Rule 1105 of the Listing Manual, in the event that Osaki and persons acting in concert with it, as a result of the Osaki Offer or otherwise, own or control more than 90.0% of the Shares (excluding treasury shares), the SGX-ST may suspend the trading of the Shares until such time when the SGX-ST is satisfied that at least 10.0% of the Shares (excluding treasury shares) are held by at least 500 shareholders who are members of the public.

In addition, under Rule 724 of the Listing Manual, if the percentage of the Shares (excluding treasury shares) held in public hands falls below 10.0%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all the Shares. Under Rule 1303(1) of the Listing Manual, where Osaki succeeds in garnering acceptances exceeding 90.0% of the Shares (excluding treasury shares), thus causing the percentage of the Company's total number of Shares (excluding treasury shares) in public hands to fall below 10.0%, the SGX-ST will suspend trading of Shares at the close of the Osaki Offer.

Rule 725 of the Listing Manual states that the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10.0%, failing which the Company may be delisted.

In addition, pursuant to Section 215(1) of the Companies Act, if Osaki receives valid acceptances of the Osaki Offer or acquires Shares from the date of despatch of the Osaki Offer Document otherwise than through valid acceptances of the Offer, in respect of not less than 90.0% of the total number of Shares in issue as at the close of the Osaki Offer (other than those already held by the Osaki, its related corporations or their respective nominees), Osaki would be entitled to exercise the right to, and intends to exercise its right to, compulsorily acquire, at the Osaki Offer Price, all the Shares held by the Shareholders who have not accepted the Osaki Offer.

In the event that Osaki exercises its right of compulsory acquisition, the Company will effectively be delisted from the SGX-ST and privatised.

Shareholders should note that, as at the Latest Practicable Date, there is no assurance that (i) Osaki would be in a position to exercise its rights to compulsory acquisition under Section 215(1) of the Companies Act, (ii) that Shareholders would be in a position to require Osaki to acquire their Shares under Section 215(3) of the Companies Act, and/or (iii) there would remain a sufficient public float in the Shares to maintain the listing status of the Shares and the Company.

We wish to highlight to Shareholders that in the event that the Shares are suspended and/or delisted, certain effects and implications which may occur include (i) the absence of a ready public market for the Shares and the potential difficulty for Shareholders to sell their Shares, (ii) less marketability of the Shares due to the absence of a ready public market, which may result in the Shares being transacted at discounts to the valuation of comparable listed companies, and (iii) non-guarantee that the historical dividend payments of the Company would be maintained in the future.

#### **8.6.5 Financial performance of the Group**

We note that, as announced by the Company on 24 November 2011, the revenue for the nine months ended 30 September 2011 of about S\$200.9 million increased by approximately 19.7% as compared to the previous nine months. Further, the Group's net profit after tax for the nine months ended 30 September 2011 of about S\$14.7 million increased by approximately 38.7% as compared to the previous nine months. Of the net profit after tax of the Group for the nine months ended 30 September 2011 of about S\$14.7 million, about S\$6.9 million was recorded in the third quarter, during which the Company completed its acquisition of EDMI and the delisting of EDMI from the Official List of the SGX-ST.

In the Company's financial results announcement for nine months ended 30 September 2011, the following commentary was made on 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."*

In addition, we also note that, as at the Latest Practicable Date, save as disclosed in the Circular and in publicly available information on the Company, including (a) the annual report of the Company for FY2010 and (b) the results for the third quarter and nine months ended 30 September 2011, there has been no material change in the financial position of the Company since 31 December 2010, being the date to which the last published audited accounts of the Company were made up.

Further, as extracted from Section 8 of Appendix II and Appendix III of the Circular, we note that *"barring any unforeseen circumstances, the Board expects the Group's results for the fourth quarter ended 31 December 2011 to be profitable and the full year results for FY2011 to be better than the full year results for FY2010."*

We also note that with the completion of the acquisition of EDMI by the Company during the third quarter ended 30 September 2011, the management of the Company expects the continued positive contribution of the power and technology business to the Group. As set out in Section 2.13 of the Company's circular to Shareholders dated 16 May 2011 (the "EDMI Acquisition Circular") in relation to the proposed voluntary delisting of EDMI and the exit offer by the Company to acquire all the issued ordinary shares in the capital of EDMI other than those held by the Company as at the date of its exit offer (referred to as the "Proposed Transaction" in the EDMI Acquisition Circular), we note the following financial effects of the Proposed Transaction:

### **"2.13 Financial Effects of the Proposed Transaction**

*The audited pro forma financial effects of the Proposed Transaction set out in this paragraph 2.13, based on the audited consolidated financial statements of the SMB Group for FY2010 and the audited consolidated financial statements of the EDMI Group for FY2010 (being the latest available consolidated financial statements) are for illustrative purposes only. The audited pro forma financial effects set out below are not indicative of the actual or future financial effects of the Proposed Transaction on the NTA per SMB Share and EPS, and do not represent the actual or future financial position and/or the results of the SMB Group after the completion of the Proposed Transaction.*

#### **Effect on EPS**

*Assuming that the Proposed Transaction had been completed on 1 January 2010, the effect of the Proposed Transaction on the EPS for FY2010 is as follows:*

	<b><i>Before adjusting for the Proposed Transaction</i></b>	<b><i>After adjusting for the Proposed Transaction</i></b>
<i>Net Profit attributable to SMB Shareholders (S\$'000)</i>	13,318	16,623 <sup>(1)</sup>
<i>EPS(2) (cents)</i>	2.78	3.46

#### **Notes:**

(1) *Based on net profit attributable to the EDMI Group amounting to approximately S\$9,700,000.*

(2) *Based on the weighted average number of issued SMB Shares for FY2010 being 479,751,999."*

For illustrative purposes only, we note that the implied Price/Earnings ratio of the Osaki Offer Price based on the above financial effects set out in the EDMI Acquisition Circular is 11.56 times, which is within the range of the Price/Earnings ratios of the Switchgear Comparable Companies and Metering Comparable Companies.

#### **8.6.6 Alternative offers from third parties**

We understand from the Directors that, as at the Latest Practicable Date, there is no other alternative offer or proposal to the Company which is comparable to the Osaki Offer. We also note that there is no publicly available evidence of an alternative offer for the Shares from any third party.

### **9 OUR ADVICE ON THE OSAKI OFFER**

In arriving at our advice on the Osaki Offer, we have reviewed and deliberated on the factors which we consider to be relevant and to have a significant bearing on our assessment of the Osaki Offer. The factors we have considered in our evaluation, which are based on, among others, representations made by the Company, its Directors and its senior management and discussed in detail in the earlier sections of this letter and which we have relied upon, are as follows:

- (a) The Boer Offer has been withdrawn and is no longer available for acceptance by the Shareholders;
- (b) The Osaki Offer Price represents a premium of approximately 26.58% over the VWAP for the 5-year period prior to the announcement of the Boer Offer;
- (c) The Osaki Offer Price represents premiums of approximately 39.86%, 56.25%, 52.67%, 50.94%, and 45.45% over the VWAPs for the periods 2 years, 1 year, 6 months, 3 months and 1 month prior to the announcement of the Boer Offer, respectively;
- (d) The Osaki Offer Price represents a premium of approximately 33.33% over the last transacted price prior to the announcement of the Boer Offer;
- (e) The Osaki Offer Price represents a premium of approximately 18.69% over the period between the Boer Offer Announcement Date and the Latest Practicable Date;
- (f) The Osaki Offer Price represents a premium of approximately 9.59% over the last transacted price prior to the Osaki Offer Announcement;
- (g) For the period from five (5) years prior to the announcement of the Boer Offer up to and including the Latest Practicable Date, the Shares were frequently traded; however, the Shares had a thin average daily trading volume;
- (h) It is highly likely that the market price of the Shares as at the Latest Practicable Date is supported by the Osaki Offer and may not be maintained at such levels after the close of the Osaki Offer (in the event that the Company remains listed after the close of the Osaki Offer) or if the Osaki Offer lapses or is withdrawn;
- (i) The EV/EBITDA ratio of the Company implied by the Osaki Offer Price is within the range but below the average and median EV/EBITDA ratios of the Metering Comparable Companies, and lower than the EV/EBITDA ratios of the Switchgear Comparable Companies;
- (j) The Price/Earnings ratio of the Company implied by the Osaki Offer Price is within the range of Price/Earnings ratios, but below the average and median Price/Earnings ratios, of the Switchgear Comparable Companies and Metering Comparable Companies;

- (k) The Price/NTA ratio of the Company implied by the Osaki Offer Price is significantly higher than the Price/NTA ratios of the Switchgear Comparable Companies, and within the range and above the median of Price/NTA ratios (excluding outlier) of the Metering Comparable Companies;
- (l) The premiums implied by the Osaki Offer Price over the VWAPs for the 1-month and 3-month periods prior to the announcement of the Boer Offer are within the range and above the median premiums of the Comparable Transactions;
- (m) The Osaki Offer Price represents an implied premium of approximately 25.0% over the RNTA per Share;
- (n) The price to RNTA ratio implied by the Osaki Offer Price is above the range of Price/NTA ratios of the Switchgear Comparable Companies and within the range of Price/NTA ratios (excluding outlier) of the Metering Comparable Companies. While the RNTA is a relevant basis for our analysis, the Company has confirmed that it has no immediate plans to dispose of the Properties and, as such, the RNTA is not necessarily a realisable value;
- (o) The Price/Earnings ratio based on the financial effects of the Proposed Transaction as set out in the EDMI Acquisition Circular implied by the Osaki Offer Price is within the range of the Price/Earnings ratios of the Switchgear Comparable Companies and the Metering Comparable Companies;
- (p) The Minimum Acceptance Level condition of the Osaki Offer set out by Osaki and the Irrevocable Undertakings obtained by Osaki representing approximately 37.42% of the total number of Shares in issue as at the Latest Practicable Date;
- (q) The current intention of Osaki to undertake, following the close of the Osaki Offer, a comprehensive review of the businesses and fixed assets of the Group, and the review will help Osaki identify all areas in which the Company and Osaki and its subsidiaries can achieve shareholder value by combining the entities and determine the optimal business strategy for the Company;
- (r) The current intention of Osaki to privatise the Company and to delist the Company from the Official List of the SGX-ST should such option be available to Osaki, and to exercise any rights of compulsory acquisition that it may have in connection with the Osaki Offer if such rights becomes available; and
- (s) The absence of alternative offer from third parties as at the Latest Practicable Date.

**In summary, based on our analyses set out in this letter and after having considered carefully the information available to us and based on the market, economic, strategic and other relevant conditions prevailing as at the Latest Practicable Date, we are of the view that Osaki Offer is, on balance, fair and reasonable.**

**We advise the Independent Directors to recommend that Shareholders accept the Osaki Offer or sell their Shares in the open market if they can obtain a price higher than the Osaki Offer Price, net of related expenses (such as brokerage and trading costs).**

**We wish to highlight to Shareholders who wish to retain their Shares that, as at the Latest Practicable Date, only the Osaki Offer is available for acceptance by Shareholders as the Boer Offer has been withdrawn. Such Shareholders should also understand that the market price of the Shares as at the Latest Practicable Date appears to be supported by the Osaki Offer, and may not be sustained after the closing date of the Osaki Offer (in the event that the Company remains listed after the close of the Osaki Offer) or if the Osaki Offer lapses or is withdrawn.**

Further, we wish to highlight to all Shareholders that in the event that the Shares are suspended and/or delisted, certain effects and implications which may occur include (i) the absence of a ready public market for the Shares and the potential difficulty for Shareholders to sell their Shares, (ii) less marketability of the Shares due to the absence of a ready market, which may result in the Shares being transacted at discounts to the valuation of comparable listed companies, and (iii) non-guarantee that the historical dividend payments of the Company would be maintained in the future.

We also wish to highlight to all Shareholders that if Osaki should, as a result of the Osaki Offer, be entitled to exercise its rights under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of the dissenting Shareholders, then the dissenting Shareholders would be compelled to sell their Shares to Osaki at the Osaki Offer Price provided that the requirements in Section 215 of the Companies Act are fulfilled.

The Independent Directors should note that we have arrived at our recommendation based on information made available to us prior to, and including, the Latest Practicable Date. Our advice on the Osaki Offer cannot and does not take into account the future trading activity or patterns or price levels that may be established for the Shares as these are governed by factors beyond the scope of our review, and would not fall within our terms of reference in connection with our evaluation of the Osaki Offer.

We have prepared this letter for the use of the Independent Directors in connection with and for the purposes of their consideration of the Osaki Offer, but any recommendations made by the Independent Directors in respect of the Osaki Offer shall remain their responsibility. A copy of this letter may be reproduced in the Circular.

Whilst a copy of this letter may be reproduced in the Circular, no other person may reproduce, disseminate or quote this letter (or any part thereof) for any purpose (other than the intended purpose in relation to the Osaki Offer) at any time and in any manner without our prior written consent in each specific case. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully  
For and on behalf of  
**Ernst & Young Corporate Finance Pte Ltd**

Leslie Koh  
Executive Director

## APPENDIX II

### ADDITIONAL GENERAL INFORMATION

#### 1. DIRECTORS

The names, addresses and designations of the Directors as at the Latest Practicable Date are set out below:

<b>Name</b>	<b>Address</b>	<b>Designation</b>
Mr Lee Phuan Weng	3 Saraca Hill Seletar Hills Estate Singapore 807485	Executive Chairman
Mr Goh Ban Kin	38 Saraca Road Seletar Hills Estate Singapore 807384	Executive Director
Mr Lee Yong Heng	12 Cotswold Close Braddell Heights Estate Singapore 359611	Executive Director
Mr Lawrence Lee Wee Hian	3 Saraca Hill Seletar Hills Estate Singapore 807485	Executive Director and Chief Executive Officer
Mr Lee Kwang Mong	21 Hazel Park Terrace #01-12 Hazel Park Condominium Singapore 678946	Non-Executive Director
Mr Henry Hoe Leong Seng	8 Butterfly Avenue Singapore 349763	Independent Director
Mr Koh Ah Huat	22 Hua Guan Avenue Hong Kong Park Singapore 589118	Independent Director
Dr Tay Teng Tiow	64 Jalan Leban Sembawang Hills Estate Singapore 577601	Independent Director

#### 2. HISTORY AND PRINCIPAL ACTIVITIES

The Company was incorporated in the Republic of Singapore on 7 September 1995 and was listed on the Main Board of the SGX-ST on 23 September 1996.

The Company is a leader in the Singapore switchgear assembly market with a rapidly growing overseas presence in smart metering. Headquartered in Singapore and with a strong regional presence, the Group manufactures and distributes switchgear, electronic revenue meters and its own Rudolf™ brand of controllers, instrumentation and power quality systems.

Through EDMI Limited, the Group engages in the design, manufacture and sale of electronic revenue meters for use principally by utility companies involved in the generation, distribution and supply of electricity. The Group is also a key provider of high-tech building automation and control systems.

Further information on the corporate profile and business of the Group is set out in Appendix VIII to the Boer Offeree Circular, a copy of which is available available on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).

### 3. SHARE CAPITAL

The Company has one class of shares, being ordinary shares. As at the Latest Practicable Date, the issued and paid-up share capital of the Company is S\$77,590,043 comprising 489,151,999 Shares. The issued Shares are listed and quoted on the Main Board of the SGX-ST.

The rights of Shareholders in respect of capital, dividends and voting are contained in the Articles of Association, which is available for inspection at the Company's registered office at 9 Senoko Drive, Singapore 758197. The relevant articles in the Articles of Association relating to the rights of Shareholders in respect of capital, dividends and voting have been extracted from the Articles of Association and are set out in Appendix VII to the Boer Offeree Circular, a copy of which is available on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).

No new Shares have been issued by the Company since the end of FY2011 up to the Latest Practicable Date.

As at the Latest Practicable Date, save for the Awards disclosed below, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of securities being offered for or which carry voting rights affecting the Shares in the Company.

Date of grant of Awards	No. of Award holders as at the Latest Practicable Date	No. of Shares comprised in Awards	Date of release of Awards <sup>(1)</sup>
3 October 2011	20	16,450,000	Between 2012 to 2015 <sup>(2)</sup>
28 October 2011	3	7,500,000	Between 2012 to 2015 <sup>(2)</sup>

**Notes:**

- (1) Under the terms of the SMB Performance Share Plan, a participant who has been granted Award(s) may receive fully-paid Shares, their equivalent cash value or combinations thereof, as may be determined by the PSP Committee, subject to prevailing legislation and the Listing Manual. The specific terms of an Award are set out in the award letter, which will specify, *inter alia*, the number of Shares which are the subject of the Award, the prescribed performance target(s) (if any), the performance period(s) during which the prescribed performance target(s) are to be attained or fulfilled and the extent to which the Shares will be released on satisfaction of the prescribed performance target(s) in the prescribed performance period(s).
- (2) Rule 7.4 of the SMB Performance Share Plan provides that the PSP Committee may amend or waive all or part of the prescribed performance periods, performance targets and/or service conditions which are to be satisfied in respect of any Award if a take-over offer is made for the Shares, and the PSP Committee shall, as soon as practicable, notify participants in the SMB Performance Share Plan of such change or waiver. As the Company is now subject to the Osaki Offer, the PSP Committee is proposing to waive the prescribed performance periods, performance targets and/or service conditions which are to be satisfied in respect of Awards which have been granted under the SMB Performance Share Plan and permit the early vesting of the Awards.

### 4. DISCLOSURE OF INTERESTS

#### 4.1 Shareholdings

- (a) The Company does not have any direct or deemed interest in the shares or convertible securities of Osaki as at the Latest Practicable Date.
- (b) The Company has not dealt for value in the shares or convertible securities of Osaki during the period commencing three (3) months prior to the Osaki Offer Announcement Date, and ending on the Latest Practicable Date.
- (c) Save as disclosed in this Circular, none of the Directors has any direct or deemed interest in the Shares, Awards or convertible securities of the Company as at the Latest Practicable Date.

- (d) Save as disclosed in this Circular, none of the Directors has dealt for value in the Shares, Awards or convertible securities of the Company during the period commencing three (3) months prior to the Osaki Offer Announcement Date, and ending on the Latest Practicable Date.
- (e) None of the Directors has dealt for value in the shares or convertible securities of Osaki during the period commencing three (3) months prior to the Osaki Offer Announcement Date, and ending on the Latest Practicable Date.
- (f) Neither EYCF, its related corporations nor funds whose investments are managed by EYCF and its related corporations on a discretionary basis owns or controls any Shares as at the Latest Practicable Date.
- (g) Neither EYCF, its related corporations nor funds whose investments are managed by EYCF and its related corporations on a discretionary basis has dealt for value in the Shares during the period commencing three (3) months prior to the Osaki Offer Announcement Date, and ending on the Latest Practicable Date.

#### 4.2 Other Disclosures

- (a) As at the Latest Practicable Date:
  - (i) there are no service contracts between any of the Directors or proposed directors with the Company or any of its subsidiaries which have more than twelve (12) months to run and which are not terminable by the employing company within the next twelve (12) months without paying any compensation; and
  - (ii) there are no such contracts entered into or amended during the period commencing six (6) months prior to 28 December 2011, being the Osaki Offer Announcement Date, and ending on the Latest Practicable Date.
- (b) Save as disclosed in this Circular, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Osaki Offer.
- (c) Save as disclosed in this Circular, it is not proposed that any payment or other benefit shall be made or given to any Director or director of any other corporation which is by virtue of Section 6 of the Companies Act deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Osaki Offer.
- (d) Save as disclosed in this Circular, none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by Osaki.

#### 5. MATERIAL CONTRACTS WITH INTERESTED PERSONS

Neither the Company nor any of its subsidiaries has entered into material contracts (other than those entered into in the ordinary course of business) with persons who are interested persons<sup>1</sup> during the period commencing three (3) years before the Osaki Offer Announcement Date and ending on the Latest Practicable Date.

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<sup>1</sup> An "interested person" is defined in the Note on Rule 23.12 of the Code to mean:

- (a) a director, chief executive officer or substantial shareholder of the Company;
- (b) the immediate family of a director, the chief executive officer or a substantial shareholder (being an individual) of the Company;
- (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;
- (d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or
- (f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more.

## 6. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the Company or its subsidiaries is engaged in any material litigation, either as plaintiff or defendant, which might materially and adversely affect the financial position of the Company or the Group, taken as a whole, and the Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries or any facts likely to give rise to any litigation, claims or proceedings which might materially and adversely affect the financial position of the Company or the Group, taken as a whole.

## 7. MARKET QUOTATION

The following table sets out the highest and lowest closing prices, the last transacted prices and the trading volume of the Shares on the SGX-ST (as reported by Bloomberg) on a monthly basis from June 2011 (being six (6) calendar months preceding the Osaki Offer Announcement Date) and ending on the Latest Practicable Date:

Month	Highest closing price of the month (S\$)	Lowest closing price of the month (S\$)	Last transacted price of the month (S\$)	Volume of Shares traded
June 2011	0.240	0.220	0.240	3,967,000
July 2011	0.250	0.235	0.240	4,087,000
August 2011	0.260	0.210	0.235	20,488,000
September 2011	0.245	0.225	0.230	7,306,000
October 2011	0.300	0.225	0.300	69,161,000
November 2011	0.315	0.305	0.315	68,213,000
December 2011	0.400	0.310	0.395	39,627,000
January 2012 (up to the Latest Practicable Date)	0.410	0.395	0.395	20,786,000

During the period commencing six (6) calendar months preceding the Osaki Offer Announcement Date and ending on the Latest Practicable Date (being 1 June 2011 to 18 January 2012), as reported by Bloomberg, the highest closing price of the Shares on the SGX-ST was S\$0.410, which was transacted on 5 January 2012, and the lowest closing price of the Shares on the SGX-ST was S\$0.210, which was transacted on 11 August 2011.

## 8. MATERIAL CHANGES IN FINANCIAL POSITION

Save as disclosed in this Circular and in publicly available information on the Company, including (a) the annual report of the Company for FY2010 and (b) the 3Q2011 Results, as at the Latest Practicable Date, there has been no material change in the financial position of the Company since 31 December 2010, being the date to which the last published audited accounts of the Company were made up.

Barring any unforeseen circumstances, the Board expects the Group's results for the fourth quarter ended 31 December 2011 to be profitable and the full year results for FY2011 to be better than the full year results for FY2010. Shareholders should note that the Company is expected to release its unaudited full year results for FY2011 on 24 February 2012. (This paragraph is hereinafter referred to as the "**Statement of Prospects for 4Q2011 and FY2011**".)

Please refer to Appendices III, IV and V to this Circular, respectively, for the bases and assumptions of the Statement of Prospects for 4Q2011 and FY2011, the letter from the Independent Auditors on the Statement of Prospects for 4Q2011 and FY2011 in connection with the Osaki Offer and the letter from EYCF on the Statement of Prospects for 4Q2011 and FY2011.

## 9. FINANCIAL INFORMATION

### 9.1 Statement of Comprehensive Income

The audited consolidated statements of comprehensive income of the Group for FY2008, FY2009 and FY2010 and the unaudited consolidated statement of comprehensive income of the Group for the nine (9) months ended 30 September 2011 ("3Q2011") are summarised in the table below. The summary is extracted from, and should be read in conjunction with, the consolidated financial statements of the Group for the relevant financial periods and the related notes thereto (copies of which are available for inspection as mentioned in Paragraph 13 of Appendix II to this Circular):

	Audited FY2008 S\$'000	Audited FY2009 S\$'000	Audited FY2010 S\$'000	Unaudited 3Q2011 S\$'000
<b>Revenue</b>	213,347	226,508	229,525	200,935
<b>Cost of sales</b>	(154,371)	(162,132)	(161,898)	(138,646)
<b>Gross profit</b>	58,976	64,376	67,627	62,289
Other operating income	921	3,676	2,200	1,053
Selling expenses	(3,385)	(3,151)	(3,584)	(3,508)
General and administrative expenses	(30,531)	(36,202)	(37,765)	(34,442)
Other operating expenses	(3,473)	(3,808)	(3,921)	(3,336)
Other (losses) and gains	(3,269)	5,336	(899)	(418)
Shares of losses of associates	(222)	(361)	(437)	(345)
Shares of (losses) gains of joint ventures	(283)	(156)	(215)	200
Finance cost	(553)	(454)	(517)	(678)
<b>Profit before tax</b>	18,181	29,256	22,489	20,815
Income tax expense	(3,168)	(5,278)	(4,800)	(3,428)
<b>Profit for the period</b>	15,013	23,978	17,689	17,387
<b>Other comprehensive (loss) income:</b>				
Exchange differences arising on translating foreign operations	(983)	1,468	363	(585)
Available-for-sale financial assets:				
(Loss) Gain arising during the period	(1,969)	425	18	-
Reclassification to profit or loss from equity on disposal of available-for-sale investments	-	1,844	(44)	-
<b>Other comprehensive (loss) income for the period, net of tax</b>	(2,952)	3,737	337	(585)
<b>Total comprehensive income for the period</b>	12,061	27,715	18,026	16,802
<b>Profit attributable to:</b>				
Owners of the company	13,563	21,221	13,318	14,709
Non-controlling interests	1,450	2,757	4,371	2,678
	15,013	23,978	17,689	17,387
<b>Total comprehensive income attributable to:</b>				
Owners of the company	11,793	23,372	13,632	14,091
Non-controlling interests	268	4,343	4,394	2,711
	12,061	27,715	18,026	16,802
<b>Basic earnings per share (cents)</b>	2.83	4.42	2.78	3.07
<b>Diluted earnings per share (cents)</b>	2.83	4.42	2.78	3.07

## 9.2 Statement of Financial Position

The audited consolidated statement of financial position of the Group as at 31 December 2010 and the unaudited consolidated statement of financial position of the Group as at 30 September 2011 are summarised in the table below. The summary is extracted from, and should be read in conjunction with, the consolidated financial statements of the Group for the relevant financial periods and the related notes thereto (copies of which are available for inspection as mentioned in Paragraph 13 of Appendix II to this Circular):

	<b>Audited</b> <b>31 December 2010</b> <b>S\$'000</b>	<b>Unaudited</b> <b>30 September 2011</b> <b>S\$'000</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and bank balances	62,122	53,149
Trade receivables	75,454	81,554
Other receivables and prepayments	4,333	4,533
Inventories	50,211	69,416
Contract work-in-progress	2,390	2,099
<b>Total current assets</b>	<b>194,510</b>	<b>210,751</b>
<b>Non-current assets</b>		
Property, plant and equipment	38,592	43,928
Assets on lease	269	293
Associates	1,489	1,594
Joint venture	463	2,182
Available-for-sale investments	75	75
Intangible assets	6,311	6,318
Other receivables	1,009	1,962
Deferred tax assets	1,754	1,738
<b>Total non-current assets</b>	<b>49,962</b>	<b>58,090</b>
<b>Total assets</b>	<b>244,472</b>	<b>268,841</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Bank borrowings	10,530	21,841
Trade payables	32,393	36,628
Other payables	13,959	16,507
Derivative financial instruments	113	–
Contract work-in-progress	1,209	2,382
Current portion of finance leases	456	278
Income tax payable	4,834	4,336
<b>Total current liabilities</b>	<b>63,494</b>	<b>81,972</b>
<b>Non-current liabilities</b>		
Other payables	1,222	–
Finance leases	498	806
Long-term loans	5,529	35,027
Deferred tax liabilities	2,001	2,005
<b>Total non-current liabilities</b>	<b>9,250</b>	<b>37,838</b>
<b>Capital, reserves and non-controlling interests</b>		
Share capital	75,113	75,113
Reserves	66,862	70,297
Equity attributable to owners of the company	141,975	145,410
Non-controlling interests	29,753	3,621
<b>Total equity</b>	<b>171,728</b>	<b>149,031</b>
<b>Total equity and liabilities</b>	<b>244,472</b>	<b>268,841</b>

## 10. ACCOUNTING POLICIES

As at the Latest Practicable Date, save as disclosed in the notes to the audited consolidated financial statements of the Group for FY2008, FY2009 and FY2010, as contained in the Annual Reports of the Company for FY2008, FY2009 and FY2010 respectively (copies of which are available for inspection as mentioned in Paragraph 13 of Appendix II to this Circular):

- (a) there are no significant accounting policies or any points from the notes of the financial statements of the Group which are of any major relevance for the interpretation of the financial statements of the Group; and
- (b) the accounting policies and methods of computation for the 3Q2011 Results are consistent with those disclosed in the audited consolidated financial statements of the Group for FY2010, except for the adoption of all the new and revised Singapore Financial Reporting Standards (“FRS”) that became effective for the Group’s financial year beginning 1 January 2011. The adoption of these new and revised FRS does not result in any significant changes to the Group’s and the Company’s accounting policies or any significant impact on the financial statements of the Group and the Company.

## 11. VALUATION LETTER AND REPORT

A copy of the Valuation Letter and Report was reproduced in Appendix VI to the Boer Offeree Circular, a copy of which is available on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).

## 12. GENERAL

- (a) EYCF has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter setting out its advice to the Independent Directors in respect of the Osaki Offer, the letter from EYCF on the Statement of Prospects for 4Q2011 and FY2011 (as set out in Appendix V to this Circular), and all references thereto, in the form and context in which they respectively appear in this Circular.
- (b) Deloitte & Touche has given and has not withdrawn its written consent to the reproduction in its entirety of the letter from the Independent Auditors on the Statement of Prospects for 4Q2011 and FY2011 in connection with the Osaki Offer in this Circular and all references to the letter from the Independent Auditors on the Statement of Prospects for 4Q2011 and FY2011 in connection with the Osaki Offer and its name, in the form and context in which they respectively appear in this Circular.
- (c) Lazard has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto in the form and context in which they respectively appear in this Circular.
- (d) The Valuer has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the references made to the Valuation Letter and Report (as set out in Appendix VI to the Boer Offeree Circular), and all references thereto, in the form and context in which they respectively appear in this Circular.
- (e) All expenses and costs incurred by the Company in relation to the Osaki Offer will be borne by the Company.
- (f) Lazard was appointed as the Company’s financial adviser on 1 September 2011, prior to the Boer Offer Announcement Date, to advise the Company in connection with a general strategic review of the Group’s business and a possible transaction involving the Group. Under the terms of Lazard’s engagement, the Company agreed to pay Lazard:
  - (i) a retainer fee of S\$150,000, which will be credited against a transaction fee (as described below); and

- (ii) a transaction fee on a success basis comprising S\$2.25 million and an additional incentive fee equal to:
  - (1) 1.5% of the portion of any transaction value in excess of S\$200 million but less than S\$250 million; plus
  - (2) 2.0% of the portion of any transaction value in excess of S\$250 million.

The transaction fee will be payable to Lazard if the Osaki Offer becomes unconditional in all respects.

### **13. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company at 9 Senoko Drive, Singapore 758197 during normal business hours for the period during which the Osaki Offer remains open for acceptance:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Annual Reports of the Company for FY2008, FY2009 and FY2010;
- (c) the 3Q2011 Results (as announced by the Company on 24 November 2011);
- (d) the IFA Letter;
- (e) the letter from the Independent Auditors on the Statement of Prospects for 4Q2011 and FY2011 in connection with the Osaki Offer;
- (f) the letter from EYCF on the Statement of Prospects for 4Q2011 and FY2011;
- (g) the Valuation Letter and Report; and
- (h) the letters of consent from EYCF, Deloitte & Touche, Lazard and the Valuer referred to in Paragraph 12 of Appendix II to this Circular.

## APPENDIX III

### STATEMENT OF PROSPECTS FOR 4Q2011 AND FY2011

The Statement of Prospects for 4Q2011 and FY2011, as stated by the Company in Paragraph 8 of Appendix II to this Circular, is reproduced as follows:

*“Barring any unforeseen circumstances, the Board expects the Group’s results for the fourth quarter ended 31 December 2011 to be profitable and the full year results for FY2011 to be better than the full year results for FY2010. Shareholders should note that the Company is expected to release its unaudited full year results for FY2011 on 24 February 2012.”*

The Statement of Prospects for 4Q2011 and FY2011, for which the Directors are solely responsible, was arrived at on bases consistent with the accounting policies normally adopted by the Group and had been made based on the following assumptions and/or information available as at the Latest Practicable Date:

- (a) there will be no significant credit losses on accounts receivable;
- (b) there will be no major recall of products or disputes relating to product performance that may result in significant incremental cost of rectification or write off; and
- (c) there will be no losses on assets or disruptions to business arising from calamities in the countries that the Group operates in.

**APPENDIX IV**

**LETTER FROM THE INDEPENDENT AUDITORS ON THE STATEMENT OF  
PROSPECTS FOR 4Q2011 AND FY2011 IN CONNECTION WITH THE OSAKI OFFER**

20 January, 2012

The Board of Directors  
SMB United Limited  
9 Senoko Drive  
Singapore 758197

Dear Sirs

**LETTER FROM INDEPENDENT AUDITORS ON STATEMENT OF PROSPECTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011 (“4Q2011”) AND THE FULL YEAR ENDED 31 DECEMBER 2011 (“FY2011”) IN CONNECTION WITH THE VOLUNTARY CONDITIONAL CASH OFFER BY OSAKI ELECTRIC CO., LTD.**

We have provided this letter solely to the Directors of SMB United Limited (the “Company” or “SMB” or “Offeree”) for inclusion in the Circular dated 27 January 2012 to be issued to the shareholders of the Company in connection with the voluntary conditional cash offer by Daiwa Capital Markets Singapore Limited, for and on behalf of Osaki Electric Co., Ltd., to acquire all the ordinary shares in the capital of the Company (the “Circular”).

In Paragraph 8 of Appendix II to the Circular, the Directors of the Company have stated, with regard to the Company and its subsidiaries (the “Group”), that:

*“Barring any unforeseen circumstances, the Board expects the Group’s results for the fourth quarter ended 31 December 2011 to be profitable and the full year results for FY2011 to be better than the full year results for FY2010. Shareholders should note that the Company is expected to release its unaudited full year results for FY2011 on 24 February 2012.”* (the “Statement of Prospects for 4Q2011 and FY2011”)

The Directors of the Company are responsible for the Statement of Prospects for 4Q2011 and FY2011 including the bases and assumptions as set out in Appendix III to the Circular.

We have been requested by the Company to report on the Statement of Prospects for 4Q2011 and FY2011 in accordance with Rule 25 of The Singapore Code on Take-overs and Mergers issued by the Monetary Authority of Singapore (the “Take-over Code”). We conducted our examination in accordance with the Singapore Standard on Assurance Engagements 3400 – *The Examination of Prospective Financial Information* in so far as the Statement of Prospects for 4Q2011 and FY2011 is properly prepared in accordance with the bases and assumptions determined by the Directors, as set out in Appendix III to the Circular, and is consistent with accounting policies of the Group. Our responsibility under Rule 25.3 of the Take-over Code is to examine and report, in so far as the accounting policies and calculations are concerned, that the Statement of Prospects for 4Q2011 and FY2011 has been properly prepared based on the assumptions made by the Directors.

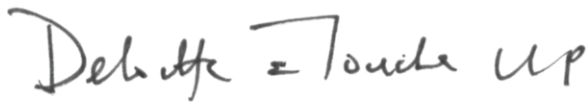
Based on our examination of the assumptions, nothing has come to our attention to cause us to believe that these assumptions do not provide a reasonable basis for the Statement of Prospects for 4Q2011 and FY2011. In our opinion, the Statement of Prospects for 4Q2011 and FY2011, in so far as the accounting policies and calculations are concerned, is properly prepared on the bases and assumptions set out in Appendix III to the Circular, and in all material respects, is consistent with the accounting policies normally adopted by the Group.

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Actual results may be different from the Statement of Prospects for 4Q2011 and FY2011 since anticipated events frequently do not occur as expected and the variation may be material.

Our work in connection with the Statement of Prospects for 4Q2011 and FY2011 has been undertaken solely for the purpose of reporting to the Directors under the Take-over Code for the purpose of meeting regulatory requirements for the Circular, and is not intended to be used or relied on for any other purposes.

Yours faithfully

A handwritten signature in black ink that reads "Deloitte = Touche LLP". The signature is written in a cursive, flowing style.

Public Accountants and  
Certified Public Accountants

Singapore

**APPENDIX V**

**LETTER FROM EYCF ON THE STATEMENT OF PROSPECTS  
FOR 4Q2011 AND FY2011**

20 January 2012

The Board of Directors  
**SMB United Limited**  
9 Senoko Drive  
Singapore 758197

Dear Sirs:

**STATEMENT OF PROSPECTS FOR 4Q2011 AND FY2011 IN CONNECTION WITH THE VOLUNTARY CONDITIONAL CASH OFFER BY DAIWA CAPITAL MARKETS SINGAPORE LIMITED, FOR AND ON BEHALF OF OSAKI ELECTRIC CO., LTD, TO ACQUIRE ALL THE ORDINARY SHARES IN THE CAPITAL OF SMB UNITED LIMITED (THE "OFFER")**

This letter has been prepared for inclusion in the circular to be issued to the shareholders by SMB United Limited (the "**Company**") in connection with the Offer (the "**Circular**"). Unless otherwise defined, all terms in the Circular have the same meaning in this letter.

In Paragraph 8 of Appendix II to the Circular, the directors of the Company (the "**Directors**") have stated, with regard to the Company and its subsidiaries (the "**Group**"), that:

*"Barring any unforeseen circumstances, the Board expects the Group's results for the fourth quarter ended 31 December 2011 to be profitable and the full year results for FY2011 to be better than the full year results for FY2010. Shareholders should note that the Company is expected to release its unaudited full year results for FY2011 on 24 February 2012" (the "**Statement of Prospects for 4Q2011 and FY2011**").*

We have considered the bases and assumptions underlying the Statement of Prospects for 4Q2011 and FY2011 and the letter dated 20 January 2012 addressed to the Directors by Deloitte & Touche LLP, the independent auditors of the Company, in relation to their review of the Statement of Prospects for 4Q2011 and FY2011 in accordance with the Singapore Standard on Assurance Engagements applicable to the examination of prospective financial information.

Based on the foregoing, we are of the opinion that the Statement of Prospects for 4Q2011 and FY2011, for which the Directors are solely responsible, had been prepared and made after due and careful enquiry by the Directors.

For the purpose of rendering our opinion, we have relied upon and assumed the accuracy and completeness of all information provided to, or discussed with, us by the management of the Company. Save as provided in this letter, we do not express any other opinion on the Statement of Prospects for 4Q2011 and FY2011.

We have provided this letter to the Directors solely for the purpose of complying with Rule 25 of The Singapore Code on Take-overs and Mergers and for no other purpose. We do not accept any responsibility to any person (other than the Directors) in respect of, arising out of, or in connection with this letter.

Yours faithfully,  
For and on behalf of  
**Ernst & Young Corporate Finance Pte Ltd**



Leslie Koh  
Executive Director