

# CHAIRMAN'S STATEMENT



SUN TZU ONCE WROTE THAT WHOEVER IS FIRST IN THE FIELD AND AWAITS THE COMING OF THE ENEMY, WILL BE FRESH FOR THE FIGHT; AND THAT WHOEVER IS SECOND AND HAS TO HASTEN TO BATTLE, WILL ARRIVE EXHAUSTED.

In such challenging times, VICOM Ltd has taken a leaf out of Sun Tzu's book. In 2009, we launched Singapore's first state-of-the-art vehicle emission and fuel efficiency test laboratory in Singapore and in the process, added on a new revenue stream for our self. We believe in the first-mover advantage and will continue to find new avenues of growth.

## OUR BUSINESSES

During the year, we inspected 397,717 vehicles, translating to a 4.7% increase in vehicle inspection revenue to \$23.6 million. The strong growth was a result of the low vehicle deregistration rate and the steady increase in the vehicle population in Singapore.

VICOM's testing capabilities broadened in 2009 when we opened our new VICOM Emission Test Laboratory (VETL). One of the few in Asia that is able to conduct vehicle exhaust gaseous and particulate matter emission tests in compliance with **Euro 5+** standards, the laboratory caters to the needs of parallel importers and car dealers, who used to have to send their vehicles to other regional laboratories for certification.

Our assessment centres under VICOM Assessment Centre Pte Ltd (VAC) undertook 24,400 accident reports and damage assessments in all. This meant that we continued to maintain our position as the leading Independent Damage Assessment Centre (Idac) operator in Singapore which assesses and verifies accident claims.

The Group's non-vehicle testing and inspection arm under Setsco Services Pte Ltd continued to grow from strength to strength. Major testing work was conducted for the two

Integrated Resorts, both of which entered their final stages of construction during the year, as well as other large multinationals in the chemical and oil industries.

## FINANCIAL RESULTS

Group revenue increased by 5.6% to \$78.0 million in 2009, boosted by growth in our vehicle inspection, as well as non-vehicle testing businesses. On the back of strong demand for our services, net profit grew by 26.9% to \$20.0 million while earnings per share was 23.41 cents, up from 18.61 cents a year ago.

Net assets of the Group totalled \$79.2 million, an increase of \$11.7 million or 17.4% from 2008 while net asset value per ordinary share rose from 78.97 cents to 92.50 cents. The return on shareholders' funds was about 25.3%.

The Directors have recommended a final one-tier tax-exempt ordinary dividend of 6.0 cents per share. Together with the interim one-tier tax-exempt ordinary dividend of 5.8 cents per share paid earlier, the total dividend payout for the year amounts to 11.8 cents and represents about 50.4% of the Group's profit after tax. It is in line with our declared dividend policy.

## ECONOMIC STRATEGIES COMMITTEE

The Singapore Government has accepted the key thrusts of the Economic Strategies Committee's Report which calls for a two to three percent annual productivity growth over the next 10 years, translating into a three to five percent increase in Gross Domestic Product over the same period. All these point to a slower expanding workforce with a focus

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on skills, innovation and productivity. While these are areas that we, as a Group, already focus on, the Board will meet up with Management to discuss how we can further reinforce our commitment to upgrading the skills of our workforce, introducing even more innovation and upping the productivity factor in our workplace.

### THE YEAR AHEAD

Our vehicle inspection business is expected to continue growing given the low deregistration rates, although this may be somewhat mitigated by the smaller number of new car registrations.

We will also continue to look at new avenues of growth. To this end, our newly opened VETL looks well positioned to ride on the growth momentum that has been generated as a result of the Green movement.

In the area of non-vehicle testing, Setsco is expected to continue on its growth path as the economy picks up. Demand for new services such as digital radiography, phased array ultrasonic testing and thermal conductivity testing is expected to pick up. The company is also embarking on the testing of products for manufacturers under the Green Labelling Scheme. The year will also see the construction of an additional laboratory and office block at Setsco's present premises as part of our expansion plans. This project is expected to be completed in the first half of 2011.

### APPRECIATION

To our Customers, thank you for your continued support. We are nothing without you and we will continue to work hard to serve you better.

To our Business Associates, Union Leaders and the Authorities, thank you for your partnership and support.

To our Management and Staff, thank you for showing fortitude and tenacity in the face of challenges. To my fellow Directors, thank you for your invaluable contribution and perceptive guidance.

And finally, to our Shareholders, thank you for your continued confidence in us.



Lim Jit Poh  
*Chairman*