

CHAIRMAN'S STATEMENT



REVENUE AT A GLANCE

\$97.1m



INTRODUCTION

VICOM Ltd capped 2012 with another record performance. Once again, we strengthened our position as Singapore's premier vehicle inspection and testing centre.

To cater for the next phase of our growth and to ensure relevancy in the ever changing environment, Management revisited VICOM's Vision, Mission & Values Statement during the year. The latest version appears on page 1 of this Annual Report.

CORPORATE GOVERNANCE

Corporate Singapore underwent a transformation in 2012 with revisions to the Code of Corporate Governance (Revised Code) and amendments to The Companies Act. The former came into effect on 1 July 2012 while the

latter is in the process of being amended for adoption by Parliament. As a result of the Revised Code, we will need to appoint a Lead Independent Director since I am not deemed to be independent. This is because ComfortDelGro Corporation Limited, where I am also Chairman, is a substantial shareholder of the Company. The Board has unanimously appointed Mr Goh Yeow Tin, Chairman, Audit Committee and Chairman, Nominating Committee as the Lead Independent Director.

There is a section of the Revised Code which we will deviate from. We do not subscribe to the ruling that a director who has been with the Company for nine or more years is to be regarded as non-independent. We will examine each director who exceeds the nine-year rule on a case by case basis, taking into consideration his

views on issues discussed and deliberated. We believe that tenure is not of critical importance but experience, independence and objectivity of views and contributions are far more important. We do, however, agree with the Revised Code that there should be a maximum number of directorships a director can assume. We decided that this should be six. Directors who wish to go beyond this number will have to seek special approval from the Chairman but the Chairman himself has to observe this ruling strictly.

We have no issue with the ruling that Central Provident Fund shareholders can attend our shareholders meetings. A full report on our stand on the Revised Code appears under the section on Corporate Governance of this Annual Report.

Our ranking in the annual Business Times Governance and Transparency Index is high for a company of our size. We ranked 41st among 674 listed companies in 2012. We were also named runner-up in the 'Industrials' category for the 'Most Transparent Company' Award in the Securities Investors Association of Singapore's Investors' Choice Awards in October 2012.

It is therefore no surprise that we have outperformed both the Straits Times Index as well as the FTSE ST All Shares Index by about 16% and 13% respectively. Our market capitalisation as at the end of December 2012 was S\$431.4 million, 36% or S\$114.2 million more than 2011.

OUR BUSINESSES

With premiums for Certificates of Entitlement (COE) continually hitting new highs lately, demand for vehicle inspection services continued to grow. In 2012, we inspected a record 505,123 vehicles, about 5% more than 2011.

Our assessment centres also held their own despite increased competition. A total of 20,335 accident reports were lodged during the year, ensuring that we remained the leading independent damage assessment and reporting centre.

Business at the VICOM Emission Test Laboratory also picked up towards the last quarter of the year, ahead of the Fuel Economy Labelling Scheme which came into effect in January 2013.

The introduction of the Lemon Law in September 2012 presented us with an opportunity to enhance the car evaluation business.

The Group's non-vehicle testing and inspection business, which we started after the merger of Comfort Group and DelGro Corporation 10 years ago, continued to grow despite the slowdown of Singapore's economy. In the decade since, it has enjoyed a compound annual growth rate of 11.4% in revenue and 25.3% in operating profit. This is indeed remarkable.

FINANCIAL RESULTS

Group revenue increased by 7.0% or \$6.4 million to \$97.1 million in 2012 while net profit attributable to Shareholders grew by 5.2% or \$1.3 million to \$26.4 million. Earnings per share was 29.95 cents, up from 28.73 cents a year ago.

Net tangible asset per ordinary share was \$1.32 compared to \$1.20 previously.

The Board has recommended a tax-exempt one-tier final dividend of 7.5 cents per ordinary share and a tax-exempt one-tier special dividend of 3.2 cents per ordinary share to be approved at the Annual General Meeting to be convened on 24 April 2013. Together with the tax-exempt one-tier interim dividend of 7.5 cents per share paid earlier, the total dividend of 18.2 cents per share for the year is higher than the 2011 figure of 17.6 cents, a rise of 3.4%. It represents about 61% of the Group's profit after tax and is better than our declared dividend policy.

THE YEAR AHEAD

Demand for vehicle inspection services is expected to grow. To cater for the growth in vehicle inspection volume, a new inspection line for testing heavy vehicles was added at our Bukit Batok centre in November 2012. A total of four more inspection lines will be replaced in 2013.

In June 2012, Setsco Services Pte Ltd was awarded the OHSAS 18001:2007 certification by Certification International, further enhancing its qualifications in the area of safety and quality testing. A new electrical testing field has been set up at the second floor of the new building at Teban Gardens and was accredited under the Singapore Accreditation Council – Singapore Laboratory Accreditation Scheme on 9 September 2012.

Setsco Services (M) Sdn Bhd was set up in 1995 to provide civil engineering and non-destructive testing services. While initially supporting the booming construction industry in Malaysia, SETSCO Malaysia has expanded its scope of services to other industries as well.

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Training has been stepped up to meet the demands of the industry. With the latest approval from Workforce Development Agency as an Approved Training Organisation and Programme Partner, SETSCO has expanded the scope of training to include The Singapore Workforce Skills Qualification programmes under the Precision Engineering Framework.

APPRECIATION

I wish to thank the Management and Staff for their hard work over the course of the year.

I would also like to extend my appreciation to my fellow Directors for their valued services and guidance.

To our Clients, thank you for your continued support. We will continue to work hard to serve you better.

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

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

LIM JIT POH

Chairman