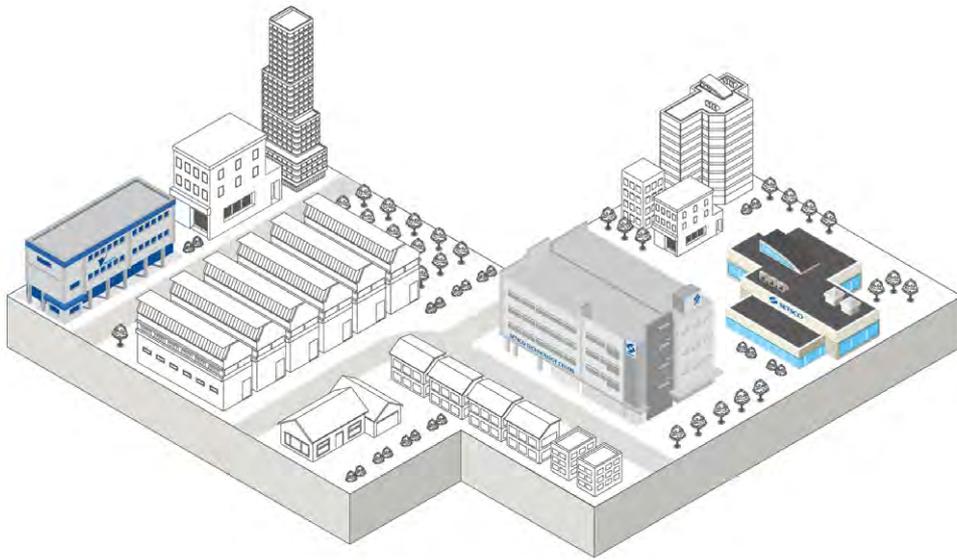


OPERATIONS REVIEW



Sin Ming / Changi / Bukit Batok / Yishun / Kaki Bukit / Pioneer / Ang Mo Kio
Teban Gardens / Changi / Selangor (Malaysia)

Revenue (\$'mil)

97.1

EBITDA (\$'mil)

37.5

Total Number of Employees

881

A record number of cars passed through our inspection lines in 2012 as premiums of Certificates of Entitlement (COEs) sky-rocketed. The price tags of all cars shot through the roof, with even small, non-luxury cars costing well over S\$100,000. Not surprisingly, more motorists opted to keep their cars instead of swapping them for new cars. As a result, a record 505,123 vehicles were inspected by our centres – 5% more than 2011.

To cater to growth in inspection volume, a new inspection line for testing heavy vehicles was added to our Bukit Batok centre in November. Inspection lines were also reviewed and four inspection lines at three different inspection centres are expected to be upgraded or replaced in 2013.

Through the years, our inspection centres have provided ancillary services, including motor insurance, road tax renewal, in-vehicle unit (IU) maintenance, car evaluation, accident vehicle assessment and vehicle emission certification.

As one-stop centres where accident and damage assessment reports can be made, our inspection centres carried out close to 3,200 surveys on accident vehicles making insurance claims. At the same time, we coordinated repair works and checked that repairs of 2,121 vehicles were done properly. As the authorised reporting centre for 11 insurance companies, we recorded 20,335 accident reports during the year, making us the choice reporting centre for accidents despite stiff competition.

Following the transfer of the Fuel Economy Labelling Scheme from the National Environment Agency to the Land Transport Authority on 1 July 2012, car dealers were required to have their vehicles' emission tested by an accredited emission test laboratory. As such, many opted to have the test conducted at our VICOM Emission Test Laboratory (VETL), which is the only one accredited in the region. As a result, VETL conducted 56% more emission tests than the year before.

In September 2012, the Lemon Law, which protects consumers against defective goods that fail to conform to contract, or meet satisfactory quality or performance standards at the time of purchase, came into effect. To meet regulatory requirements brought about by the Lemon Law, we revamped our evaluation service and named it VICOM FIT™. As a result, VICOM conducted 58% more car evaluations than the previous year.

Besides enhancing our evaluation service, we also continued to leverage on technology to further improve our work processes. In the example of VICOM FIT, inspectors are equipped with hand-held tablet PCs that are wirelessly connected to a central server. Data and photographs captured during a car evaluation are seamlessly uploaded to this server, which in turn, produces a detailed evaluation report. As a result, the time it takes to conduct an evaluation is reduced.

We also beefed up the security of our Off Peak Car (OPC) inspection module with a more secured password-based system which restricts access by identity codes.

As we enhanced our hardware, we also made sure our staff remain relevant through constant training and upgrading. All vehicle inspectors were sent for a Technical Knowledge Evaluation test to ensure that they are kept abreast of industry developments.

During the year, Setsco Services Pte Ltd continued to experience growth on the back of a buoyant construction industry. The Building and Construction Authority (BCA) has predicted strong construction growth between 2012 and 2014 with between \$19 billion and \$27 billion worth of contracts expected to be awarded annually.

SETSCO continued to grow from strength to strength. It secured a number of major jobs, including building works for Housing & Development Board, the North-South Transmission Cable, Thomson Line, Downtown Line, Jurong Aromatic Complex, Oil Rig Construction and the Singapore Sports Hub. At the same time, it put in extra effort to pursue more non-destructive testing jobs from shipyards as the demand for rig building is on the rise.

In June 2012, SETSCO 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 on 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. With this, SETSCO expanded its range of testing and inspection services to include testing of consumer, industrial, electrical and safety products as well as providing inspection services on bore hole radar, sports hall surfaces and playgrounds.

To further enhance productivity, the corporate offices of both VICOM and SETSCO were centralised in June 2012. With the Finance, IT and Human Resource/Admin departments relocated from the VICOM Inspection Centre in Sin Ming Drive to SETSCO's new four-storey building in Teban Gardens, Management embarked on an exercise to streamline processes and improve efficiency. One of the projects was the integration of both the finance and human resource IT systems, which is expected to be completed by the first quarter of 2013.

Despite the slowdown in the economy, VICOM was able to maintain a high occupancy rate for its lettable space in 2012. Three new leases signed in December 2012 helped push up the occupancy rate from 89.3% to 91.1%.