

ADDRESS BY LIM JIT POH, CHAIRMAN OF VICOM LTD AT ITS ANNUAL GENERAL MEETING HELD ON 27 APRIL 2009 AT 2.30PM

It is not my usual practice to speak at Annual General Meetings (AGMs) but I will make exceptions if there are important issues which need to be shared with shareholders or critical events which have happened between the date of the release of the Annual Report and the date of the AGM.

This year certainly qualifies as an exceptional year. We are currently living in unprecedented times. The world has all but plunged into recession. Banks are not behaving like banks because they are too cautious in lending money for business. In short, the entire business structure is near collapse. Governments in the major countries of the world are doing their best to get their economies and financial systems back on track. The Authorities which regulate listed companies are also trying to do their part. As directors and managements of listed companies in which public funds are involved, we too have to play our part.

On 16 March 2009, the Accounting and Corporate Regulatory Authority (ACRA) issued its Audit Practice Bulletin No. 1 of 2009 highlighting “current or emerging issues that may have a bearing on the conduct of audits by the Public Accountants”. Specifically it highlighted “areas of concern in the audit of financial statements in the current economic environment” including:

- planning and fraud considerations;
- cash at banks;
- going concern;
- valuation of financial instruments held at fair value;
- impairment of assets;
- deferred tax asset recognition;
- provision of onerous contracts and restructuring;
- disclosure in the financial statements and off-balance sheet items; and
- communication with those charged with governance.

Three days after that Bulletin was issued, the Singapore Exchange also issued a memorandum to all Chairmen of Audit Committees asking “audit committees to heighten vigilance in times of financial turbulence”. Chairmen of Boards of Directors were also copied in that memorandum. Even more significant is the fact that these documents have been issued just after the MAS, SGX and ACRA published a paper outlining the best practices for Audit Committees. These documents have all been circulated to our Directors.

Within VICOM, I have always stressed the importance of good corporate governance. This is an extremely important subject if we are to remain an important part of a responsible global group. Our Board and Management view this subject very seriously. I am reiterating this to you today to give you the added confidence that you may need given today’s business climate.

The issues which have been highlighted by the ACRA and the SGX memorandum are the same ones we pay special attention to. This has been so since our inception and is something our internal and external auditors also focus on. I am pleased to advise that we have no corporate governance issues within our Group.

From the start of the recent credit crunch and economic crisis, Management has been monitoring and cutting costs where necessary as well as controlling all receivables. They do this whilst maintaining and improving the bottom line. Senior staff have also been advised to freeze all capital expenditures unless they are mission critical. Additionally, all senior staff have had their salaries frozen and bonuses reduced. We have not made any fanfare out of this. We do it as a matter of responsibility. Such is our style and mode of operations.

The Board has also decided that Directors' fees for 2008 should remain at the same level as that of the previous year even though there is a case for an upward revision in the light of added responsibilities and duties. We also decided to remove the general mandate to issue shares up to 50% from this year's AGM agenda. You will recall that we reduced the mandate to issue shares on a non-pro rata basis from 20% to 10% last year. We have now gone one step further and reduced it to zero. Such is our response to the changing business environment and investors' expectations. We do not take our shareholders for granted. We respect their rights, just as they have shown their confidence and trust in us.

One issue which analysts were not happy with after the release of our 2008 year end results was the quantum of our dividend payout. This is despite the fact that we have stuck to our declared policy of paying 50% of our profits as ordinary dividends. Analysts say that this is a sharp drop compared to the previous years. What they have forgotten that we had paid out more than 50% in dividends in previous years because we had to use up all of our Section 44 tax credits within an approved time frame. We have always said that if we have no use for our excess cash, we will declare more dividends. But with the current credit crunch, our cash flow management strategy has served us well.

Ladies and gentlemen, I hope that I have been able to reassure you that we are financially sound and that we are comfortable with our management practices and pursuits despite the present financial and economic crisis.

On this note, I shall now begin with the AGM proper.