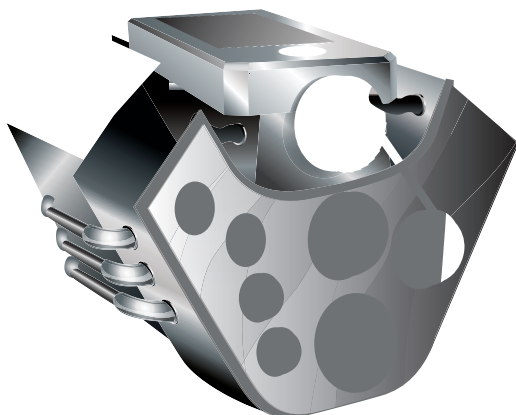


Operations Review



VEHICLE INSPECTION

Sin Ming / Changi / Bukit Batok / Yishun / Kaki Bukit / Pioneer / Ang Mo Kio

25.5

Revenue (\$'mil)

11.9

EBITDA (\$'mil)

438,454

Number Of Vehicles Inspected

141

Total Number Of Employees

VEHICLE INSPECTION

With fewer Certificates of Entitlement (COEs) issued in 2010, prices of the Certificates hit new highs. As a result, fewer new cars were purchased. This was all good news for the vehicle inspection industry which had a bumper year. Indeed, VICOM Ltd inspected a record 438,454 vehicles in all, translating to a 10.7% increase in vehicle inspection revenue to \$25.5 million.

Our fledgling Vehicle Emission Test Laboratory (VETL) saw steady demand for its services. The system, which underwent further enhancements in 2010, was awarded ISO/IEC 17025:2005 accreditation by the Singapore Accreditation Council (SAC) in June 2010. This means that the emission test certifications by VETL will be recognised by close to 60 countries that are signatories of the Mutual Recognition Agreement (MRA).

To ensure peak performance of all our test equipment, a strict schedule of regular and preventive maintenance was put in place with calibrations, maintenance and modifications done by our in-house engineering team. We also added two new heavy vehicle inspection lines at our Yishun and Changi centres.

As we upgraded our hardware, we also made sure our software remained relevant. We continued to send our staff for training and upgrading. For instance, we carried out a technical knowledge evaluation of all our vehicle inspectors. We also upgraded our customer service lounges at the inspection centres.

Our efforts to improve service levels had not gone unnoticed. VICOM was awarded "Best Service Agent" by the Land Transport Authority in 2010 for the second time, having won it the first time in 2008.

Rental income from external tenants grew by 3.6% to nearly \$1.8 million in 2010 as expired leases were renewed at higher rental rates. In all, the occupancy rate of our lettable space held steady at 91.2% in 2010.

The existing lease of VICOM (Sin Ming), our first inspection centre, which expired on 31 December 2010, was successfully renewed for another 30 years.

Operations Review



NON-VEHICLE TESTING & INSPECTION

Teban Gardens / Changi / Selangor (Malaysia) / Ho Chi Minh City (Vietnam)

51.4 Revenue (\$'mil)	12.6 EBITDA (\$'mil)	614 Total Number Of Employees
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NON-VEHICLE TESTING & INSPECTION

It was a year of growth for the Group's non-vehicle testing and inspection arm, Setsco Services Pte Ltd, which saw revenue cross the \$50-million mark for the first time.

As the completion of the two integrated resorts were delayed, and demand for its construction material testing, non-destructive testing, mechanical and structural testing services grew, Setsco registered a 7.6% increase in revenue to a new high of \$51.4 million.

As competition in the industry intensifies, Setsco worked hard to expand its range of services to include certification. In October, it was awarded a new accreditation by the Singapore Accreditation Council (SAC) under the Accreditation Scheme for Product Certification. Besides testing, calibration, training, inspection and consultancy, Setsco now adds product certification to its list of diverse services. With the attainment of the ISO/IEC Guide 65 accreditation, Setsco looks forward to widening its capability to certify a wide range of products.

Setsco ventured overseas into Abu Dhabi, United Arab Emirates, in 2010 through its wholly-owned subsidiary,

Setsco Consultancy International Pte Ltd. The new company, Setsco Middle East Laboratory LLC, a joint venture with Dubai-based Ali Omran Al Owais Investment Company, offers testing, inspection, training and certification as well as consultancy services. Setsco Consultancy International holds a 49% stake in this newly-formed associate company.

To keep abreast of new testing technology, the company has invested in some high end instrumentation which can analyse trace metals in environment matrix with minimum analysis time. It has also expanded its range of testing capabilities to include ascertaining the quality of potable water after treatment of industrial grade effluent, measuring the utility consumption of electrical appliances and evaluating the performance of equipment/accessories.

Construction of the new four-storey building at Setsco's premises in Teban Gardens is expected to be completed in the third quarter of 2011. To improve efficiency, VICOM plans to centralise its management and backend support team at the new location when it is ready.