

CHAIRMAN'S STATEMENT

522,140

vehicles inspected
at VICOM's seven
inspection centres

14

more Automated
Payment Machines
introduced

SETSCO obtained

ISO 50001

certification on
Electrical Energy
Management of
Laboratory Operation

Net profit
attributable to
shareholders grew
by 4.2% to

\$31.4 MILLION



Introduction

On 23 March 2015, the Nation mourned the passing of our Founding Father and First Prime Minister, Mr Lee Kuan Yew. It was due entirely to him that our Company, VICOM Ltd, was established in 1981. The late Mr Lee actively advocated a clean air environment well before the world was concerned with the present climate change issue. He wanted the pollution from vehicles to be controlled and contained. He introduced legislation to ensure that vehicles were compulsorily inspected. The clean air that we have become so used to is his legacy and one that we should never take for granted. Indeed, the very bad haze episode in 2015 is a stark reminder of what and how disruptive the effects of pollution are to daily life.

Our Business

2015 was a very challenging year. Despite this, VICOM produced a respectable set of results while reinforcing our position as Singapore's premier vehicle inspection and testing centre.

Demand for car inspections continued to be heavily influenced by Certificate of Entitlement (COE) premiums which remained high in 2015. With many motorists opting to either keep their cars to the end of their 10 year statutory lifespans or extend the COEs for another 10 years, demand for vehicle inspection services held its own during the year – despite an increase in the number of de-registrations.

In all, 522,140 vehicles were inspected at our seven inspection centres, a slight increase as compared to the previous year.

In the bid to retain and secure more customers, VICOM launched various value-added programmes for our customers including a successful tie-up with Diners Card which helped us to increase our market share. In the long run, it will also help us to retain more customers as it is a Loyalty Card that enables customers to enjoy discounts whenever they return to VICOM for their vehicle inspection needs.

VICOM continued to tap on technology advances to raise productivity and increase efficiency. In August 2015, 14 more Automated Payment Machines (APMs) were introduced at all our inspection centres, thereby increasing the number of cashier points from 10 to 24. As a result, the average queue time for payment was reduced.

Non-vehicle inspection and testing services under Setsco Services Pte Ltd (SETSCO) experienced a drop in demand for its services amidst the global economic slowdown. This was especially so for the marine and offshore industries.

Despite the economic slowdown, SETSCO continued to invest in new technologies and services. For example, it invested in safer radiographic inspection equipment and daylight reflectance equipment to cater to demands from the construction industry.

As a result of its commitment to excellence, SETSCO was involved in several high profile projects including the Flame Towers in Baku, Azerbaijan, the Four Seasons Hotel in Abu Dhabi and the Putrajaya Dam in neighbouring Malaysia. It was also involved in two major glass inspection projects in Singapore.

In 2015, SETSCO successfully obtained the ISO 50001 certification on Electrical Energy Management of Laboratory Operation and received the Silver Award for the Singapore HEALTH (Helping Employees Achieve Life-Time Health) Award which is presented by the Health Promotion Board.

Corporate Social Responsibility

VICOM remained committed to sustainability during the year.

In terms of reaching out to the community, it was involved in several projects including raising funds for the sick, the elderly and the young.

In 2015, SETSCO continued to organise various safety orientation training and courses for its staff to equip them with skills such as first-aid, forklift driving, risk management and working at heights. Additionally, SETSCO was recertified with the OHSAS ISO 18001 by Certification International after undergoing its yearly surveillance audit.

Financial Results

Group revenue decreased by 1.3% or \$1.5 million to \$106.7 million in 2015 while net profit attributable to shareholders grew by 4.2% or \$1.3 million to \$31.4 million. Earnings per ordinary share was 35.45 cents, up from 34.02 cents a year ago.

Net asset value per ordinary share was \$1.65 compared to \$1.57 previously.

The Board has recommended a one-tier tax-exempt final dividend of 9.50 cents per ordinary share and a one-tier tax-exempt special dividend of 10.25 cents per ordinary share to be approved at the Annual General Meeting to be convened on 26 April 2016. Together with the one-tier tax-exempt interim dividend of 8.75 cents per ordinary share paid earlier, the total dividend of 28.50 cents per ordinary share for the year is higher than the 2014 figure of 27.00 cents, a rise of 5.6%. It represents about 80.4% of the Group's profit after tax and is better than our declared dividend policy of 50% and 2014's 79.4%.

Rankings

Out of the 639 listed companies covered in the annual Business Times Governance and Transparency Index, we ranked 38th. VICOM out-performed the FTSE ST All-Share Index by 9.9% points. It also out-performed the FTSE ST Mid-Cap Index by 7.0% points.

On 8 July 2015, VICOM won the Best Investor Relations Award (Bronze) (Mid-cap) at the Singapore Corporate Awards 2015.



REMEMBERING LEE KUAN YEW

“Anti-pollution came directly under me. It started off as part of the Prime Minister’s Office. I created that unit...Then in my travels, I watched what other countries were doing...For instance, I was in Boston in 1970. There, I saw cars all lining up at garages. I asked, ‘Why are they lining up at the garage?’ and they said, ‘Once a year, you must have a garage to certify that your car is up to certain standards, the emission, the brakes, etc., or you can’t renew your licence.’ I thought, why don’t we have such a rule? Ours, you just wait until the car breaks down. When I came back, I said, ‘Look into this.’ So we started VICOM [Singapore’s first vehicle inspection company].”

– Mr Lee Kuan Yew, extracted from *Lee Kuan Yew: The Man and His Ideas*, published by Marshall Cavendish Editions and SPH, © 1998, 2015.

CHAIRMAN'S STATEMENT

The Year Ahead

Demand for the vehicle inspection service is projected to slow as more vehicles are de-registered in 2016.

Significantly, we expect to welcome our 10 millionth vehicle inspection in 2016 and intend to mark this milestone with some fanfare.

For SETSCO, challenges posed by the slowing global economy will remain but we will continue to look for new opportunities for growth.

Appreciation

I wish to thank Mr Sim Wing Yew, the Executive Director and Chief Executive Officer for his leadership in managing the Group. I also wish to express my appreciation to the Management and Staff for their fortitude and tenacity in the face of challenges.

To my fellow Directors, I am very thankful for their efforts in guiding the Board.

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 partnership and support.

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

Lim Jit Poh

Chairman
March 2016