

CHAIRMAN'S STATEMENT



Introduction

2016 was a very challenging year for VICOM Ltd as weak global sentiment and strong competition continued to weigh on our businesses. Despite this, VICOM managed to deliver a respectable set of results and reinforced its position as Singapore's premier inspection and testing centre.

Our Business

The number of vehicle inspections fell amid a record number of de-registrations during the year. A total of 88,317 private cars were de-registered, 23% more than the previous year.

The increase in car de-registrations coupled with the Early Turnover Scheme for commercial vehicles, dampened demand for vehicle inspection services. In all, 488,186 vehicles passed through our inspection lanes, representing a 6.5% decrease from the 522,140 vehicles in 2015.

Despite the challenges, VICOM continued to command 74.4% of the market share through innovative marketing campaigns, new partnerships and an improved customer experience.

The Diners/VICOM 'V' Card, launched in August 2015, had garnered 20,000 members by the end of 2016. We enhanced its value proposition by introducing the Esso Fleet Card as a companion card, offering cardholders fuel discounts of up to 21.27%. There are plans to bring in more partners to further enhance its unique status as the premier motoring card in Singapore.

In welcoming our 10 millionth vehicle inspection in 2016, we held a "10 Millionth Inspection Lucky Draw" where more than 15,000 customers participated.

The large number of de-registered cars also meant that there was a steep increase in the number of Certificates of Entitlement (COE) issued. This was welcome news for VICOM Emission Test Laboratory (VETL). Besides doing more tests for the conventional diesel and petrol vehicles, it also conducted tests for full electric and plug-in hybrid vehicles during the year.

The Group's non-vehicle inspection and testing division, Setsco Services Pte Ltd (SETSCO), experienced a difficult year in 2016 due to the global economic slowdown.

Despite this, SETSCO successfully completed several notable projects including the Proof-of-Concept phase of the Sand Aquifer Project with the Jurong Town Corporation (JTC). It also secured a contract with PSA Corporation Ltd (PSA) to perform load tests on over-height gears, lifting gears and lifting appliances and another with Changi Airport Group (CAG) to carry out infra-red thermographic scanning of facilities.

Further afield, SETSCO set up a wholly-owned subsidiary in Dubai after being awarded a contract by Dubai Multi Commodities Centre (DMCC) to conduct glass inspection for the building façade of the Gold and Silver Towers.

SETSCO received a number of awards in 2016 including Spring Singapore's "Distinguished Partner" Award which was awarded to Mr Sze Thiam Siong, SETSCO's General Manager.

Corporate Social Responsibility

At VICOM, corporate responsibility is not just a catchphrase, but an integral part of who we are. It is central to the way we do our business, from health and safety, to recycling and waste management.

During the year, VICOM Group reached out to the elderly, poor and the sick by donating taxi vouchers for their travel needs and raising funds through donation boxes at our inspection centres. Our staff volunteers also spent hours cleaning up the Tanah Merah Beach as part of the International Coastal Clean-up Singapore, and went away with 497kg of trash!

On the safety front, SETSCO continued to improve on its safety management system by organising various safety orientation training courses for its staff. It was also successful in the renewal of its BS OHSAS 18001 certification for its Occupational Health & Safety Management System and the Eco-Office Scheme.

Financial Results

Group revenue decreased by 5.2% or \$5.5 million to \$101.2 million in 2016 while net profit attributable to shareholders dropped by 10.4% or \$3.3 million to \$28.2 million. Earnings per share was 31.77 cents, down from 35.45 cents a year ago.

Net asset value per ordinary share was \$1.69 compared to \$1.65 previously.

The Board has recommended a one-tier tax-exempt final dividend of 8.50 cents per ordinary share and a one-tier tax-exempt special dividend of 10.00 cents per ordinary share to be approved at the Annual General Meeting (AGM) to be convened on 24 April 2017. Together with the one-tier tax-exempt interim dividend of 8.00 cents per share paid earlier, the total dividend of 26.50 cents per share for the year is lower than the 2015 figure of 28.50 cents, a drop of 7.0%. It represents about 83.4% of the Group's net profit attributable to shareholders and is better than our declared dividend policy of 50% and 2015's 80.4%.

Rankings

VICOM's ranking in the annual Business Times Governance and Transparency Index was impressive for a company of our size. We ranked 20th from a list of 631 companies, up from the 38th spot previously. We were also awarded the 'Merit' Award at the Singapore Corporate Governance Awards 2016, Big Cap Category under the 17th Investors' Choice Awards 2016.

In a difficult year, VICOM under-performed against the FTSE ST All-Share Index and FTSE ST Mid Cap Index by 6.9% and 7.2% points respectively.

The Year Ahead

Demand for vehicle inspection service in 2017 is projected to remain soft as there is still a significant number of vehicles due for de-registration but this will be mitigated partially by more vehicles that have extended their COEs in 2016.

In 2017, we will also celebrate 35 years of vehicle inspection service and have planned some activities to thank our loyal customers for their continuous support over the past three-and-a-half decades.

Challenges posed to SETSCO will remain as the global economy remains weak. We will look at developing and building up our capabilities for new areas of testing and explore 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.

Deputy Chairman Mr Kua Hong Pak, who is also Managing Director/ Group Chief Executive Officer of our parent ComfortDelGro Corporation Limited, has decided to step down from his position in ComfortDelGro on 30 April 2017. Accordingly, he would also step down as Deputy Chairman of our Company. In his place, we will be appointing his successor Mr Yang Ban Seng, as a Director and Deputy Chairman from 1 May 2017. I would like to register my appreciation to Mr Kua for his many valuable and significant contributions over a period of 14 years, from 2003 to 2017. I welcome Ban Seng and look forward to his contributions. I also wish to add my grateful appreciation to my fellow Directors for their advice and suggestions over these formative years. We have embarked on a process of director renewals starting with the coming AGM where Dr Ho Kah Leong will retire. I would like to thank Kah Leong who has been with us since 2003 as an independent Director of the Company. He is a member of both the Audit and Risk Committee and Remuneration Committee.

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 2017