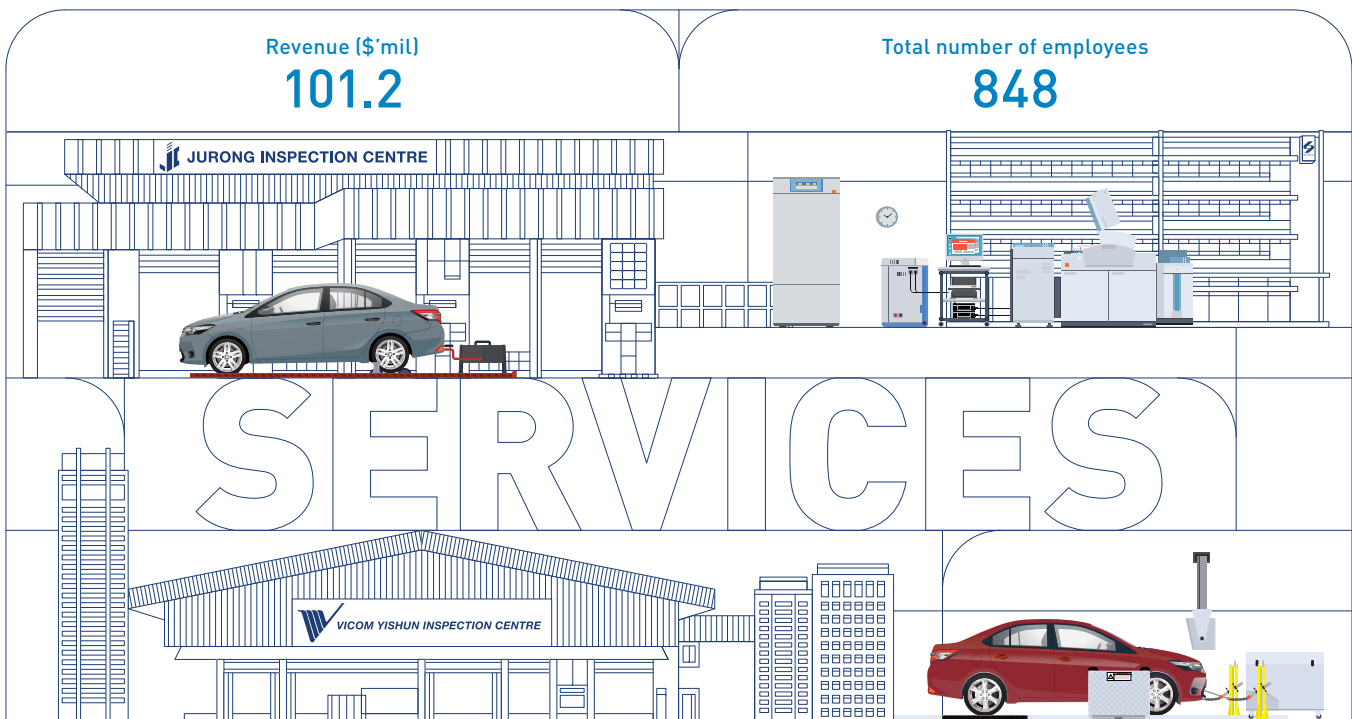


OPERATIONS REVIEW



Sin Ming • Changi • Bukit Batok • Yishun
Kaki Bukit • Pioneer • Ang Mo Kio • Teban Gardens • Kuala Lumpur (Malaysia)

The Year in Review

The VICOM Group faced a very challenging year in 2016 as the weak global economy continued to have an adverse impact on the broad range of industries that we serve, and poor sentiment continued to weigh on car owners.

A record 88,317 cars were de-registered in 2016 – 23% more than the previous year. This meant there was a smaller pool of vehicles due for inspection. Indeed, during the year, a total of 488,186 vehicles were inspected, representing a drop of 6.5% compared to the previous year. While Certificate of Entitlement (COE) extensions hit a record high in 2016, these cars will only be due for inspection in 2017.

To mitigate the overall drop in demand, we embarked on several innovative marketing campaigns including introducing the Esso Fleet Card as a companion card to the Diners/VICOM Card which was launched to great success in 2015. With the new Esso Fleet Card, cardholders can get up to 21.27% in fuel discounts – further cementing its status as a unique motoring card in Singapore. Other benefits include discounted inspection services, road tax payments by instalments, 25% discount off car rentals at ComfortDelGro Rent-A-Car Pte Ltd and complimentary 24-hour road side assistance provided by ComfortDelGro

Engineering Pte Ltd. We will continue to work at bringing in new motoring partners and their value added benefits to the Diners/VICOM cardholders.

In August 2016, we launched the 'VICOM's 10 Millionth Customer Draw' to mark another milestone in our 34-year history. A total of 13 e-kiosks were set up across all centres for customers to 'Spin the VICOM wheel'. We gave out 924 weekly prizes across five months and in February 2017, we handed out 10 grand prizes including the First Prize which comprised of \$2,888 cash, a year's worth of Motor Insurance with NTUC Income and a lifetime of free vehicle inspections. In all, over 15,000 participants took part.

The VICOM FIT™ (VFIT) service, which evaluates pre-owned vehicles, saw a drop in demand during the year as there were fewer cars aged between three and seven years. But as more vehicles were de-registered, more COEs were issued. This was good news for the VICOM Emission Test Laboratory (VETL) which provides emission testing for new vehicles. As a result, VETL experienced strong growth which was further boosted by the increase of parallel imported vehicles. Besides doing more tests for the conventional diesel and petrol vehicles, VETL also tested full electric and plug-in hybrid vehicles during the year.

As we further improved our ties with our insurance partners, the number of vehicle surveys conducted by the Vehicle Assessment Centre (VAC) increased by 15.7%. In addition, VAC assisted 995 motorists with the repair of their vehicles at approved workshops and filed 13,443 accidents at our three accident reporting centres at Sin Ming, Bukit Batok and Kaki Bukit.

A year after rolling out the Automated Payment Machines (APM), customer usage rate had increased to over 80%, thereby reducing queues and boosting operational effectiveness. We are confident that we will be able to achieve the target of automating 95% of all transactions, a move which will significantly reduce the inspection turnaround time for customers.

Our wholly-owned subsidiary, Setsco Services Pte Ltd (SETSCO) had a difficult year in 2016 due to the overall global economic slowdown.

Despite this, SETSCO completed several notable projects during the year, including the Proof-of-Concept (POC) phase of the Sand Acquirer Project with the Jurong Town Corporation (JTC), and a major shutdown maintenance testing and inspection job at one of the chemical plants in Jurong Island.

It also secured a contract involving the sampling and testing of coastal waters around Singapore, a two-year contract with the PSA Corporation Ltd to perform load tests on over-height gears, lifting gears and lifting appliances, and another two-year contract to carry out infra-red thermographic scanning of facilities at Changi Airport.

SETSCO has been aggressively promoting its clinical services and has conducted numerous health screening packages for corporations and individuals, including the analysis of arsenic, lead, manganese, cadmium, trichloroacetic acid (TCA), mercury, s-phenylmercapturic acid (SPMA) in blood and urine. An occupational health screening exercise was also conducted for staff of a toxic waste collection company.

To further broaden its reach, new services were introduced during the year. These included the development of test rigs for wind driven rain tests; fatigue/cyclic tests; as well as air erosion tests. Other initiatives include the testing of innovative construction products/materials such as Prefabricated Bathroom Units (PBU) and Cross-Laminated Timber (CLT)/Glulam Laminated Timber (GLT).

SETSCO's client base extends beyond our borders.

During the year, SETSCO was contracted by Dubai Multi Commodities Centre (DMCC), a government entity of Dubai, to conduct a trial test and investigation of the façade of the Gold and Silver Towers after some glass shattered. This was on the back of the successful completion of the glass inspection projects for the "Flame Tower" in Azerbaijan and the "Four Seasons Hotel" in Abu Dhabi in 2015. Additionally, SETSCO secured contracts in Malaysia to perform structural monitoring and system analysis of a tall building, as well as sampling and analysis of water and soil for a dam project.

Awards

VICOM was awarded the 'Merit' Award for the Singapore Corporate Governance Award 2016, Big Cap Category under the 17th Investors' Choice Awards 2016.

SETSCO received a special recognition from Deputy Prime Minister Mr Tharman Shanmugaratnam on 26 July 2016 for being the pioneer batch of SINGLAS laboratories to be accredited by SISIR in 1987. Separately,

SETSCO received the certificate of appreciation from the Singapore Environmental Council for our invaluable support at the Singapore Environmental Achievement Awards 2016 and was also named Value Industry Partner by the Republic Polytechnic for providing training opportunities to their students.

For its extensive contribution to safety and sustainability, SETSCO received a number of awards in 2016. SETSCO's continued push towards safety has been lauded by companies such as ExxonMobil for an *injury-free 2015*, Petrochemical Corporation of Singapore for *achieving 35-million hours worked without a lost time incident*.

Service Initiatives

Several service-centric initiatives were implemented during the year to inculcate the concept of "PPC" (Professionalism, Productivity and Customer Service) in all our staff.

We continue to emphasise and drive high customer service standards with additional training sessions in the evenings and constant communication and reminders sent to our frontline service staff.

In 2016, over 1,028 compliments were received, up from 121 in 2015 – a marked improvement.

In order to give recognition to our staff for achieving good customer service, inspectors and inspection centres who received the most compliments individually and as a whole were duly recognised with the Best Customer Service Award (Individual) and Best Customer Service Award (Centre). They were then inducted into the 'Engines of



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Excellence' wall – VICOM's very own hall of fame.

To improve air circulation for customers awaiting their vehicle inspection, two High Volume Low Speed (HVLS) fans were installed at the Kaki Bukit and Bukit Batok centres. Additionally, an LED panel was installed at each centre to broadcast operational and promotional messages.

To better serve customers, the road tax and insurance counters at the Bukit Batok Inspection Centre were given makeovers with brand new furniture, a fresh coat of paint and new air-conditioners.

In October, two members of the Management were sent to a seminar in Indonesia to further understand developments on the Real Driving Emission and Fuel Consumption (RDE) test procedures, protocols and

legislation in Europe and other parts of the world.

During the year, four training courses were rolled out to keep our inspectors updated with the latest regulatory requirements set out by the relevant Authorities. We also conducted regular proficiency tests for all our inspectors to ensure they are well versed with existing requirements and kept abreast with new regulatory updates.

Improving Operational Efficiency

VICOM continues to implement new systems and processes to improve efficiency and cut costs. VETL developed the V-BRIS (VETL e-Booking, Report and Invoicing System) – an IT system to simplify and streamline the entire emission testing process, from booking to quotation and finally to invoicing. Since this system was introduced in March 2016, the waiting and processing time of all VETL jobs

has been halved, from four weeks previously to just two weeks now.

A new electronic performance management system (EPMS) is now on trial, with the aim of replacing the current manual performance appraisal process. Jointly undertaken and developed by VICOM Group's Human Resources (HR) and Information Technology Departments, the system aims to reduce the turnaround time associated with the manual passing of papers from staff to reporting officers, countersigning officers and HR Department; as well as facilitate the generation of data and reports for decision making; and eliminate the voluminous amounts of paper currently used.

Other support divisions like Finance, Engineering, Marketing and Facilities Management have also initiated programmes to drive efficiency.

