

CHAIRMAN'S STATEMENT



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INTRODUCTION

VICOM Ltd had a comparatively good year despite the slowdown in the economy. Both our vehicle testing and non-vehicle testing businesses registered growth at the top and bottom lines. Excluding the one-time exceptional gain of \$7.7 million arising from the surrender of our present premises at 18 Teban Gardens Crescent to Jurong Town Corporation (JTC) in 2018, VICOM would have registered a higher growth of 5.0% or \$1.3 million in net profit attributable to shareholders.

At our forthcoming Annual General Meeting (AGM), we will be presenting the Board's proposal for a share split of every one existing ordinary share in the capital of the Company into four shares. This, we believe, will be beneficial to the Company and Shareholders for the following two main reasons:

- (a) The reduced price of each share after the share split will make each share more affordable to investors, thus encouraging greater participation by investors and providing greater flexibility to those with different investment objectives. Furthermore, the reduced price of each board lot of shares would make the shares more accessible and attractive to both existing and potential investors and hopefully enhance the liquidity of the shares over time.
- (b) The number of Shareholders after the share split may increase with the increase in the number of shares available for trading purposes. As such, the share split may broaden the shareholder base of the Company, given that investment in the shares would become more accessible to investors.

I hope Shareholders will support this proposal at the coming AGM.

OUR BUSINESSES

With the implementation in February 2018 of the 'zero-growth' policy for passenger cars and motorcycles, coupled with the numerous schemes aimed at encouraging motorists to scrap their older and more pollutive vehicles, the total number of vehicles due for inspection shrank. Fortunately, this was partially mitigated by the fact that more than 37,000 passenger cars renewed their Certificates of Entitlement (COEs) in 2018. In all, 625,753 vehicles underwent inspection in 2019, a figure that was not too far from the 625,940 inspections done in 2018.

Of these, VICOM managed to capture a bigger share of the inspection pie. In total, our seven centres inspected 462,718 vehicles last year, 1,630 or 0.4% more than the 461,088 in 2018.

Demand for VICOM Emission Test Laboratory's services remained strong in 2019 as a result of the National Environment Agency's extension of the Vehicular Emission Scheme (VES) until 31 December 2020. The extension provided certainty to motor dealers who had been concerned that the rebates would be scaled back. As such, they proceeded to stock up on cleaner car models.

As a result, parallel car importers who are our major clients, captured 20% of the overall market in 2019, up from the 14% in 2018. At the same time, the extension of the scheme also encouraged buyers to choose car models with lower emissions.

Besides the present vehicle testing business, VICOM has also looked beyond the horizon to the field of Autonomous Vehicle (AV) testing. To ensure that we keep pace with technological developments, we invested US\$1 million in Fortellix, a company founded in 2010 and headquartered in Israel. Fortellix is developing solutions to address challenges in AV testing and compliance.

Following on the previous partnership with Diners Club whereby motorists can enjoy a discount of \$26 on their vehicle inspections, we established another strategic partnership with Direct Asia (DA) Insurance in 2019. With this, motorists who visit VICOM inspection centres will be able to get promotional offers on their insurance policies when they next renew their road tax.

Our wholly-owned subsidiary, Setsco Services Pte Ltd (SETSCO) completed two high-profile overseas jobs in 2019. The first project involved the conduct of emission tests for three garment factories in Phnom Penh, Cambodia, for the United Nations Development Programme Office. The second was the calibration of cube compression machines for the Ministry of Construction in Myanmar. These jobs are a testament to growing recognition of our services abroad and serve as good references for future projects.

As an industry leader in inspection and testing services, VICOM takes it upon itself to ensure the sustainability of this generation and the next. In making our contributions to society at large, we are guided by our values and principles. A separate section on Sustainability appears in this Annual Report. A more complete version is presented in our parent company, ComfortDelGro Corporation Limited's, Sustainability Report which accompanies its Annual Report.

FINANCIAL RESULTS

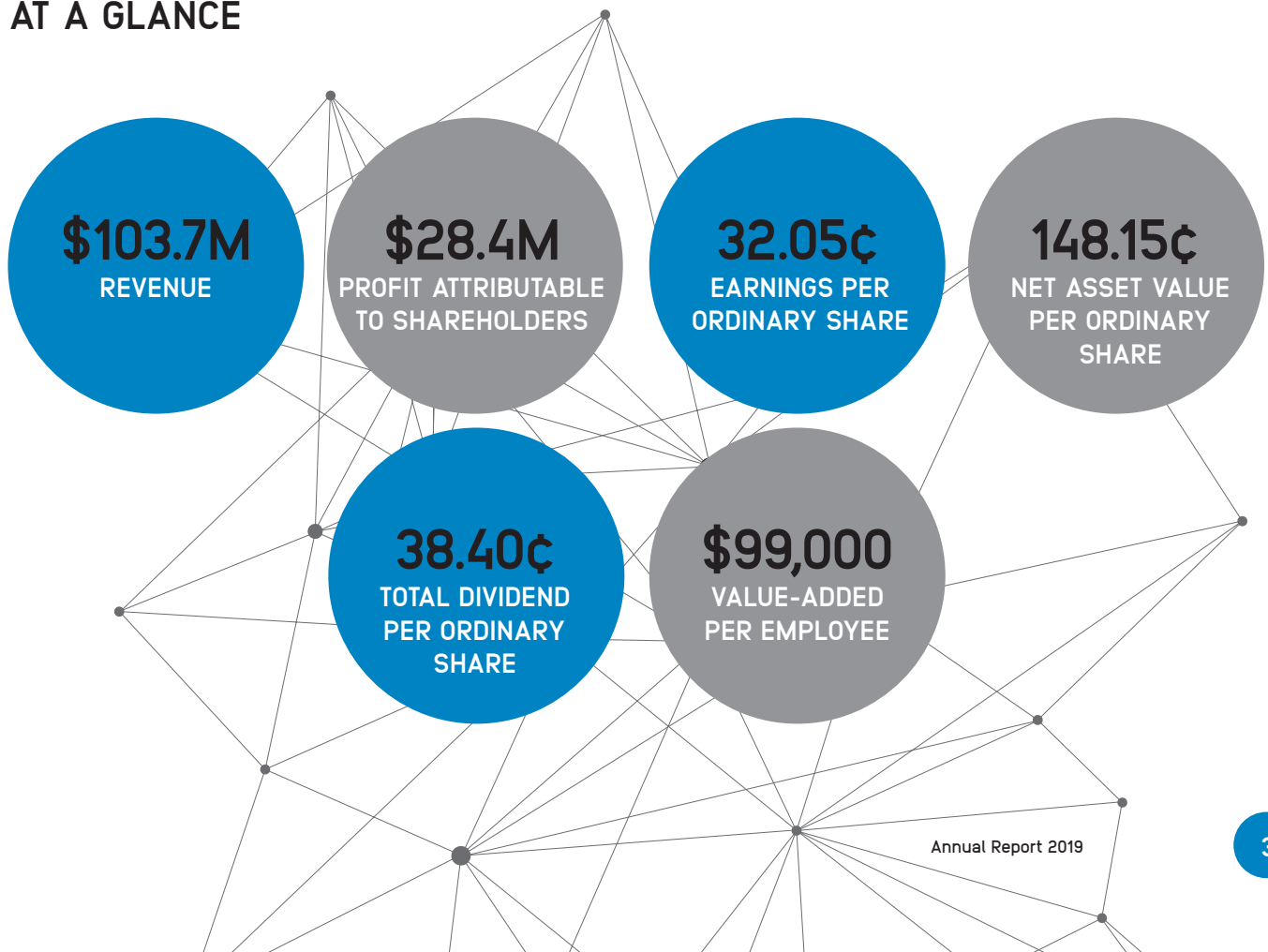
Group revenue increased by 3.6% or \$3.6 million to \$103.7 million in 2019. Net profit attributable to shareholders decreased by 18.1% or \$6.3 million to \$28.4 million due mainly to the absence of "Other Income" of \$7.7 million in 2018 from the gain on the Surrender of Lease of the Property at 18 Teban Gardens Crescent to JTC. Excluding this one-off exceptional gain in 2018, net profit attributable to shareholders would have increased by \$1.3 million or 5.0%.

Earnings per share for 2019 was 32.05 cents, compared against 39.15 cents a year ago. However, excluding the one-off exceptional gain, earnings per share for 2018 was 30.52 cents.

Net asset value per ordinary share was 148.15 cents compared to 170.16 cents a year ago.

Though the present dividend policy is to distribute 90% of our profits, the Board of Directors decided to maintain its practice since 2017 of paying out 120% of its profits for 2019. Accordingly, the Board has recommended that a one-tier tax-exempt final dividend of 24.29 cents per share for Shareholders' approval. Together with the one-tier tax-exempt interim dividend of 14.11 cents per share paid earlier, the total dividend for the year 2019 would be 38.40 cents per share. This would be 4.8% or 1.77

GROUP FINANCIAL HIGHLIGHTS AT A GLANCE



CHAIRMAN'S STATEMENT

cents higher than the 36.63 cents per share paid in 2018 if the special dividend of 8.62 cents per share paid from the one-off exceptional gain is excluded.

This dividend payout reflects my earlier remarks in the past AGMs that so long as we do not need the extra cash, we shall return it to the Shareholders. Viewed against the year's end closing price of \$7.73, the 2019 dividends will represent a dividend yield of 5.0%.

CORPORATE GOVERNANCE

CODE OF CORPORATE GOVERNANCE (CODE 2018)

In the Annual Governance and Transparency Index Survey 2019 (11th year), VICOM improved by one point to 101 and performed significantly better than the average score of 59.3 of the 578 listed companies surveyed. We retained our position of 17 and continued to rank within the top 7% of all the listed companies.

We remained committed to upholding high standards of corporate governance in line with the Code 2018 which took effect in 2019. Discounting ComfortDelGro's nominees and non-independent Directors to the VICOM Board, there are two Directors out of seven or 29% in the VICOM Board with over nine years of service. We should have no difficulty adopting the nine-year rule.

As a requirement under the new Code 2018, the Board and its committees undertook self-evaluation exercises. A fresh set of forms, prepared by external consultants, was used for the first time.

VICOM bagged three awards at the annual Securities Investors Association (Singapore) (SIAS) Investors' Choice Awards – Winner of the "Singapore Corporate Governance Award" - Mid-cap category, and Runner-up in both the "Shareholder Communication Excellence Award" - Mid-cap category and the "Most Transparent Company Award" - Consumer Discretionary Services category. This is the first time VICOM has won three awards at The SIAS Investors' Choice Awards at the same time.

VICOM outperformed the FTSE ST All-Share Index and FTSE ST Mid Cap Index by 22.1% and 18.0% points respectively. Our market capitalisation as at 31 December 2019 was \$685 million – a stark contrast to the \$67 million when we were listed in October 1995.

Our Chief Financial Officer, Ms Lee Peck Kim, Mary bagged the "Best Chief Financial Officer Award" for Mid-cap category at the 14th Singapore Corporate Awards 2019.

VICOM strongly believes that good Corporate Governance makes good business sense. To this end, the Company maintains the highest standards of Corporate Governance, professionalism and integrity as we build an organisation that our Shareholders, Employees, Business Partners, the Authorities and other Stakeholders can trust and be proud of.

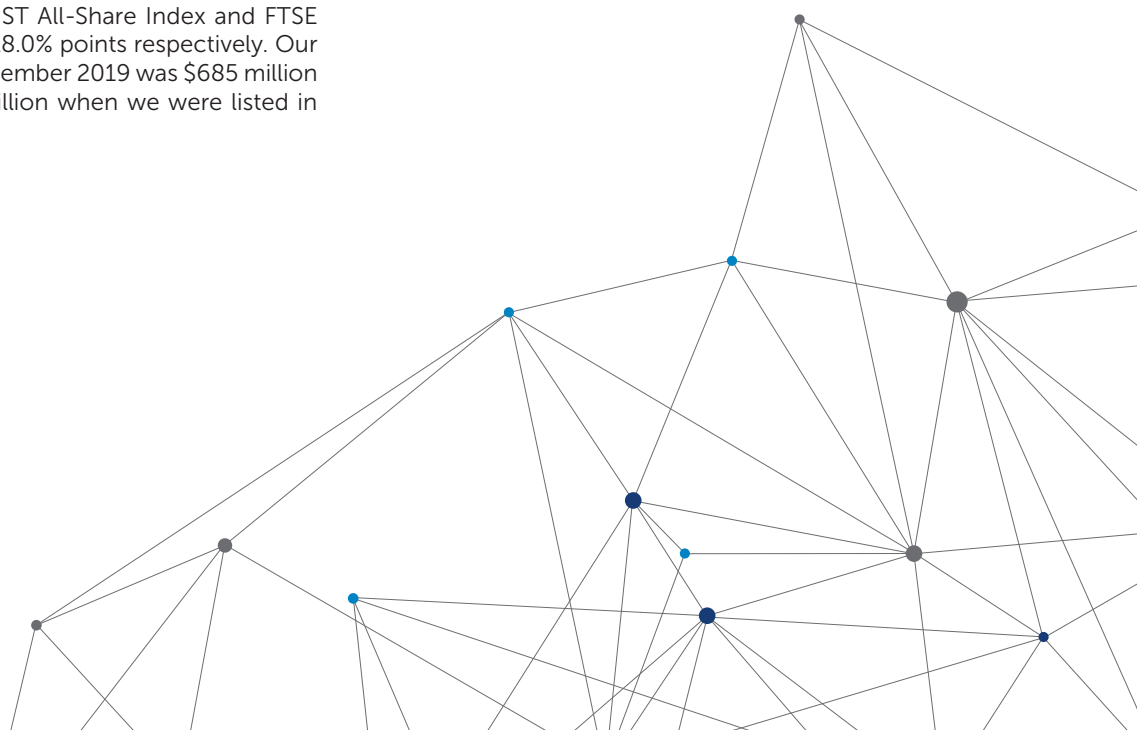
The Company is committed and adheres to the Code 2018 issued by the Monetary Authority of Singapore dated 6 August 2018 and ensures that it is upheld throughout the Group. The Company has also adopted a Code of Business Conduct, which sets out the principles and policies upon which the Company's businesses are to be conducted, and implemented a Whistle Blowing Policy which provides a mechanism for Employees to raise concerns about possible improprieties in financial reporting or other improper business conduct, whilst protecting the whistleblowers from reprisal within the limits of the law.

DIRECTORS

As part of the Board's renewal programme, Ms Teo Geok Har, Nancy will retire at the AGM in 2019. Ms Teo is one of our long-time Directors, appointed in 1995. The Group is very grateful for Ms Teo's exemplary and dedicated services over the past 25 years.

In 2019, we welcomed a new independent Director in Ms Tan Poh Hong. Ms Tan was formerly the Chief Executive Officer (CEO) of Agri-Food & Veterinary Authority of Singapore. Since joining the Board, Ms Tan has made many valuable contributions and we look forward to her continued contributions.

Mr Yang Ban Seng, Ms June Seah Lee Kiang, Ms Tan Poh Hong and Professor Victor Shim will present themselves for election and re-election as Directors at the upcoming AGM, and I look forward to your support.



It is inevitable that with such early acceleration of planned retirement of Directors with more than nine years of service at each AGM, and new Directors appointed annually, the pace for retirement of long-tenure Directors will slow down as it is our intention to have a balance of Directors with different years of service to maintain continuity. Now that our succession plans of Director renewals have been put in place after four consecutive years of active execution, the slowdown of the pace will allow Directors to settle down and consolidate their plans, build on teamwork and board-management relationships.

We have a good mix of skill-sets among our Directors in technology, finance, as well as food testing. This diversity has also included three female Directors and we have already achieved the target set by the Council for Board Diversity.

Directors have to work as teams. They have to work well with Management in mapping strategies and setting directions. They should guide, advise and counsel management and staff with realistic examples and effective networking. The challenge is to ensure that all views of our varied Directors are considered and no group-think exists.

Our Directors together with Senior Management held a retreat in July 2019 to review the Group's strategic plans for the future and provided helpful advice, astute guidance and invaluable insights to sharpen the direction and strategies the Group should take for the next few years. It is our plan to convene the retreat once every two years.

COVID-19

The outbreak of COVID-19 in February 2020 has understandably created panic and anxiety in our community. For the protection of our customers and employees, we have stepped up the cleaning and disinfection of our premises. Our employees also carry out temperature checks twice a day and are constantly reminded to wash their hands with soap regularly.

Our Business Continuity Plans have also been activated as we split our employees into teams to work at different locations. Telecommuting is also an option offered to employees.

THE YEAR AHEAD

The Vehicle Inspection business is expected to remain strong as more than 41,000 private vehicles renewed their COEs in 2019. These cars will be subjected to mandatory annual instead of bi-annual inspection. In addition, Parliament has passed the 'Point-to-Point Passenger Transport Bill' in August 2019 to license all ride-hail and street-hail service providers with a fleet size of more than 800 vehicles from July 2020. In this Bill, new safety requirements were introduced and all PHCs (Private-hire Cars) will need to undergo yearly periodic inspection regardless of vehicle age.

To serve motorists better, Management will introduce an option for online prepayment of inspection fees in 2020. This means that motorists will be able to skip the payment process altogether when they arrive at the inspection centres. This system will also testbed the possibility of launching into the next phase, where motorists are able to book a time slot of their choice for their vehicle inspection.

The Non-Vehicle Testing business will relocate to the new \$50 million building in Bukit Batok by the end of 2020 as planned. With larger premises, we will expand the depth and breadth of our testing services and also raise productivity through better workflow re-design of all the laboratories. However, notwithstanding the physical expansion, the business is still very much dependent on the state of the economy. It is expected to remain challenging as the Singapore's economy is expected to be negatively impacted by the COVID-19 outbreak.

APPRECIATION

On behalf of the Board of Directors, I wish to thank Mr Sim Wing Yew, the Executive Director and CEO for his capable leadership in managing the Group. I also wish to express my appreciation to Management and Staff for their dedication and commitment to the tasks.

To my fellow Directors, I am very thankful for your valuable contributions in guiding the Board and Management in their efforts to provide reliable and trustworthy services.

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 continued support.

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

LIM JIT POH

Chairman
March 2020

