



Annual Report

**20  
19**



## OUR VISION

We Aspire To Be The Preferred Provider Of Inspection And Testing Services

## OUR MISSION

To Enable Safer And Greener Motoring And Provide Professional Testing Services To Our Customers

## OUR CORE VALUES

### VERSATILITY

To be able to adapt to changing environments, always staying ahead of the curve and inspiring creativity.

### INTEGRITY

To uphold the values of integrity and honesty, conducting our affairs in a manner consistent with the highest ethical and professional standards.

### CARE

#### For all our stakeholders:

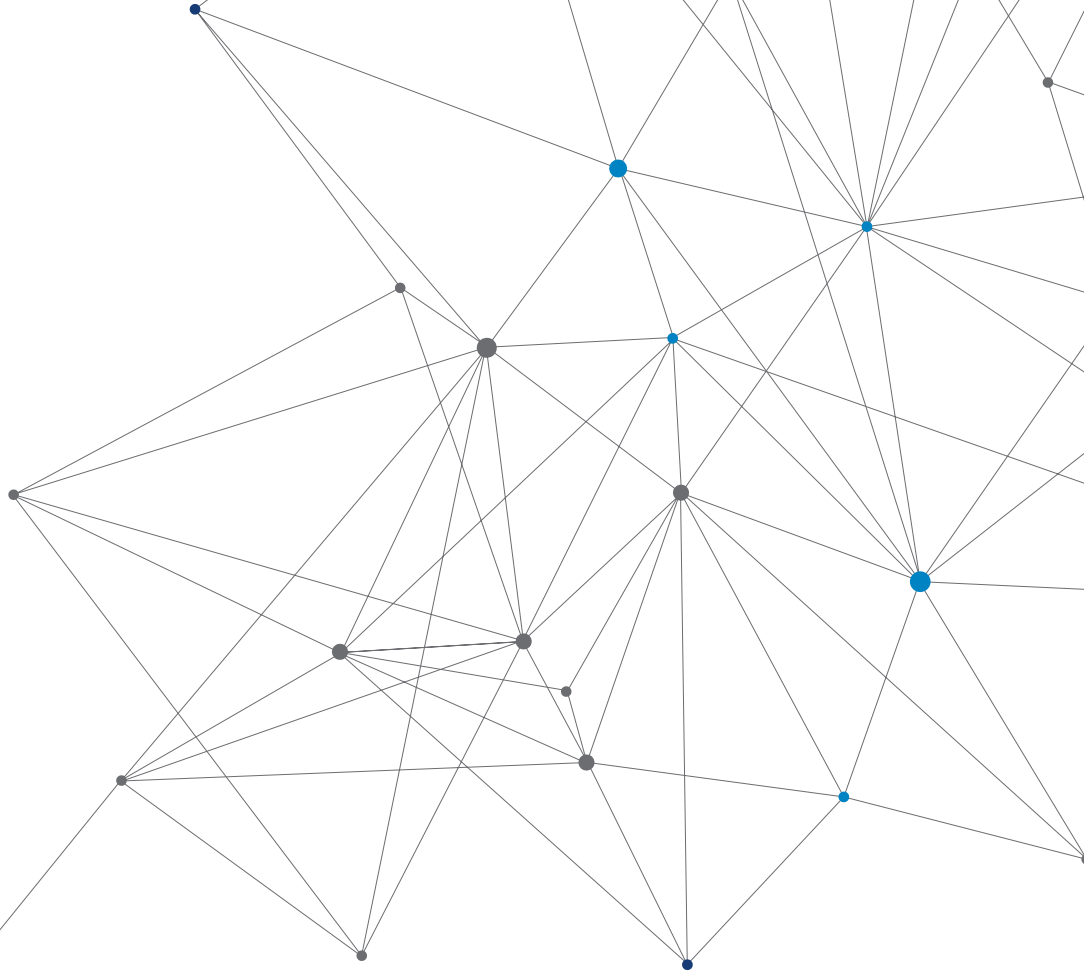
- Our customers by putting their needs and requirements first
- Our business partners and regulators by keeping lines of communication open at all times
- Our staff by fostering a safe and conducive environment for growth and development
- Our community by enhancing the welfare of those in need

### OWNERSHIP

Of all that we do – by pursuing professionalism, excellence and ensuring responsibility for all our actions.

### MERITOCRACY

To be fair and objective, always recognising and rewarding good performance.



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Proxy Form

# CHAIRMAN'S STATEMENT



**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.**

## 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

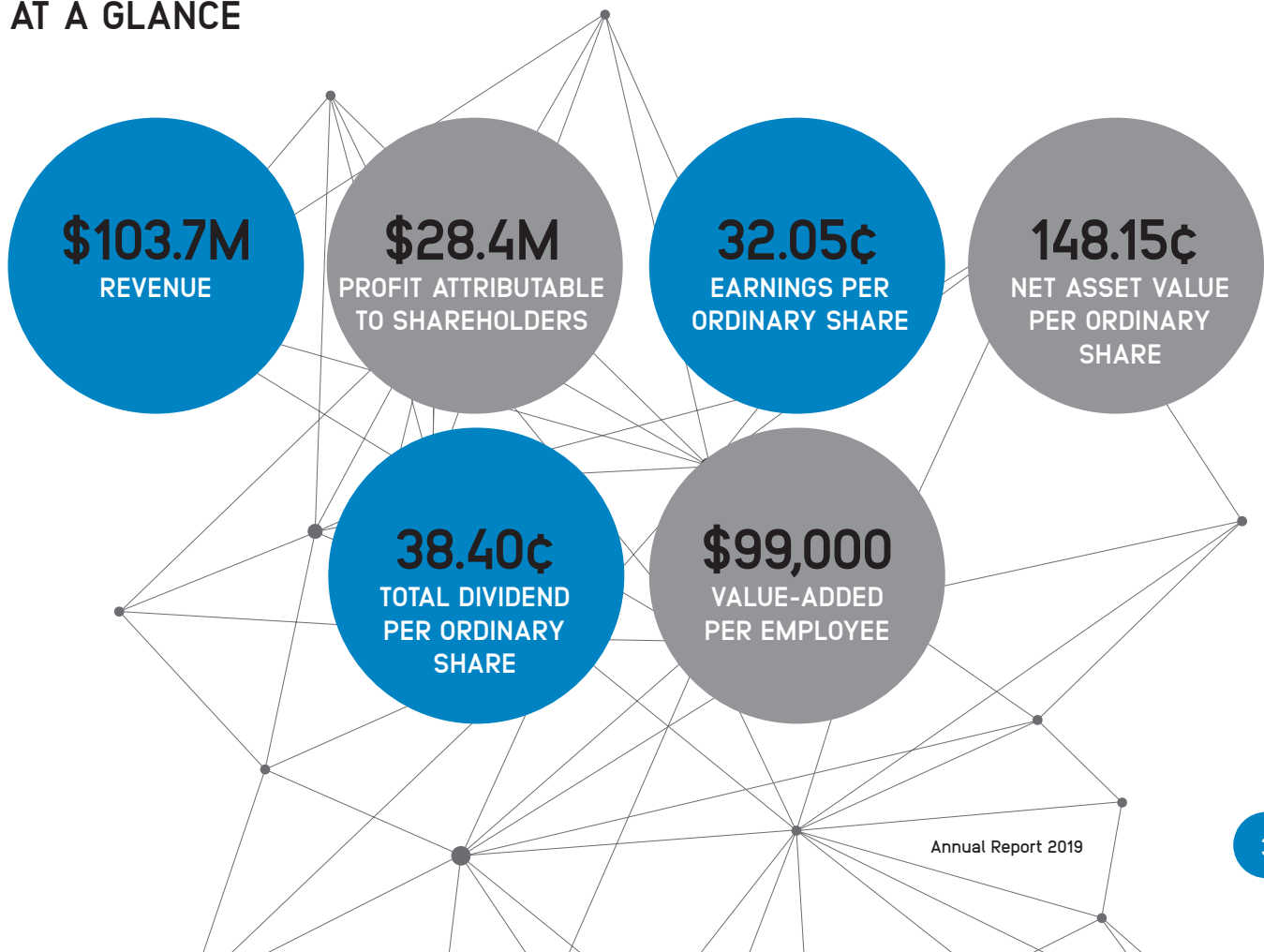
Group revenue increased by 3.6% or \$3.6 million to \$103.7 million in 2019. Net profit attributable to shareholders decreased by 18.1% or \$6.3 million to \$28.4 million due mainly to the absence of "Other Income" of \$7.7 million in 2018 from the gain on the Surrender of Lease of the Property at 18 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.

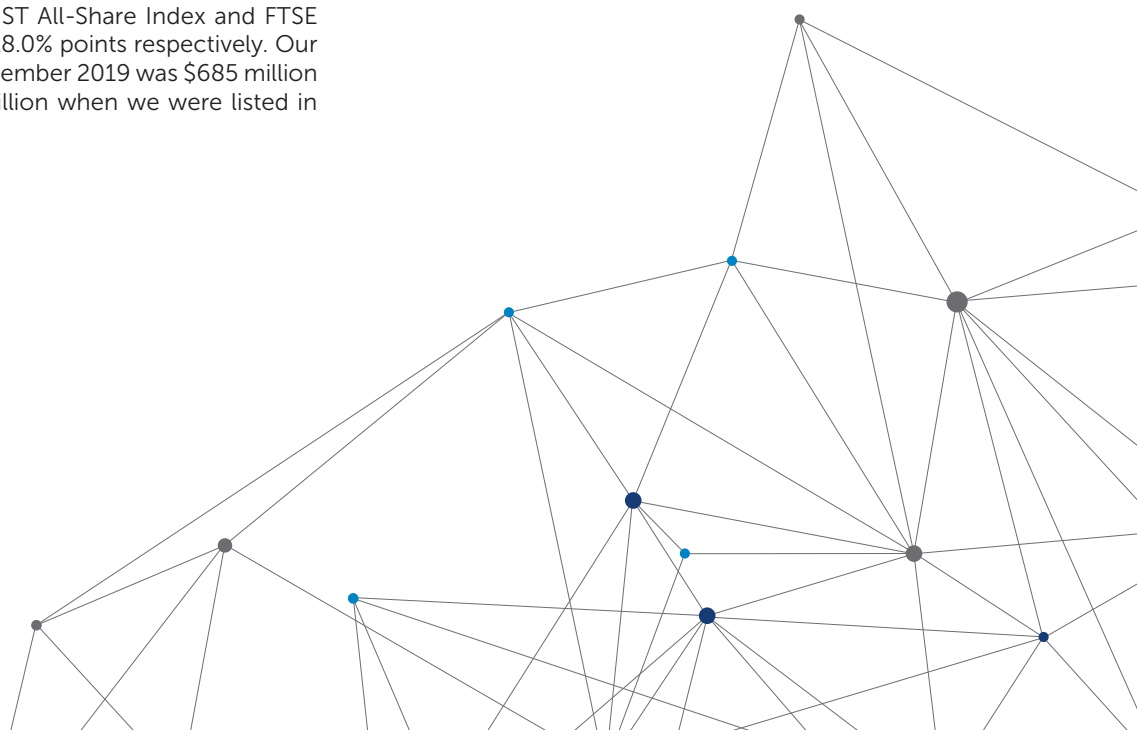
The Company is committed and adheres to the Code 2018 issued by the Monetary Authority of Singapore dated 6 August 2018 and ensures that it is upheld throughout the Group. The Company has also adopted a Code of Business Conduct, which sets out the principles and policies upon which the Company's businesses 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.

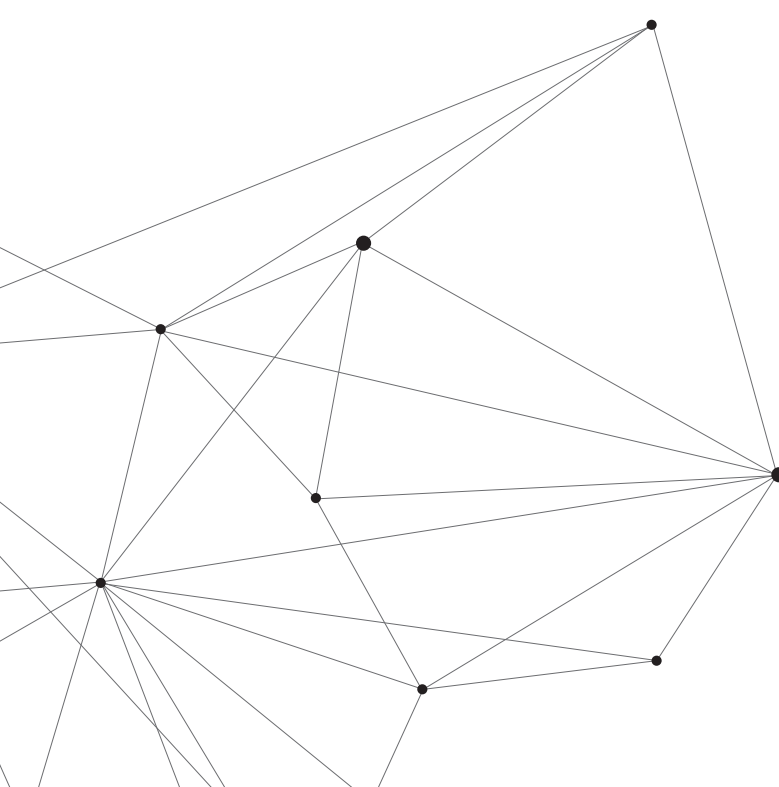
To our Business Associates, Union Leaders and the Authorities, thank you for your partnership and continued support.

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

### LIM JIT POH

Chairman

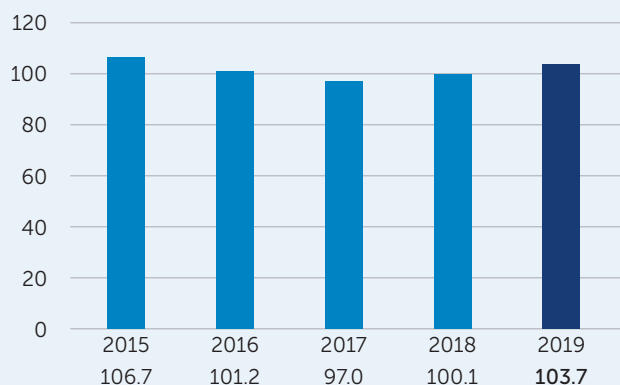
March 2020



# GROUP FINANCIAL HIGHLIGHTS

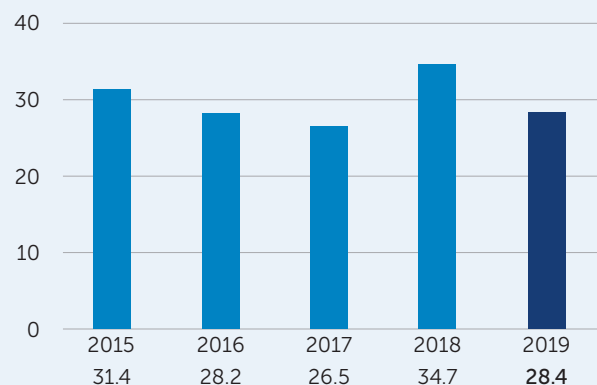
## REVENUE

(\$'mil)



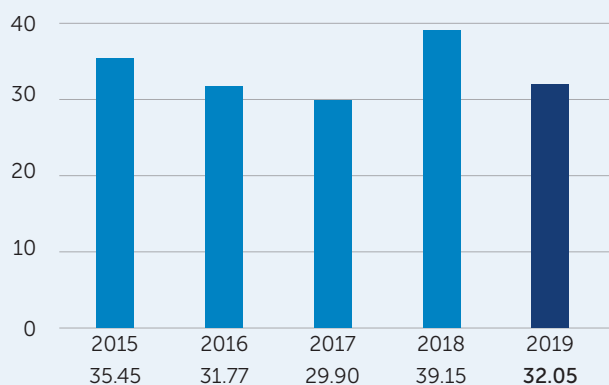
## PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(\$'mil)



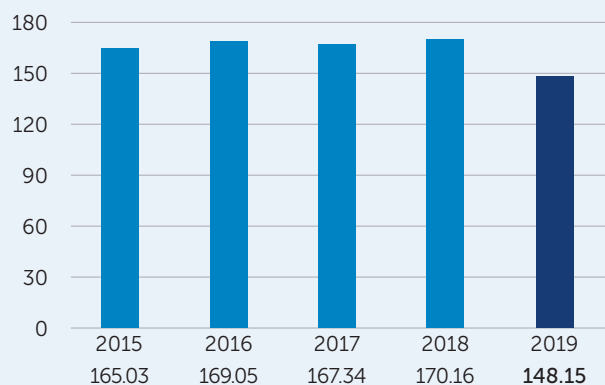
## EARNINGS PER ORDINARY SHARE

(cents)



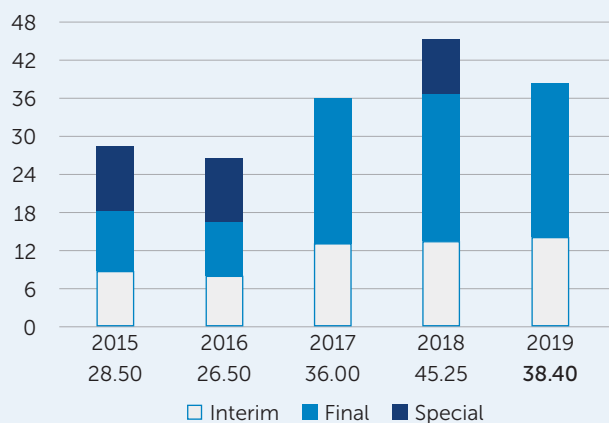
## NET ASSET VALUE PER ORDINARY SHARE

(cents)



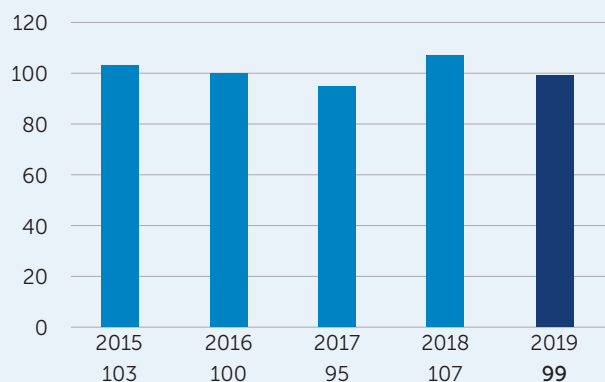
## TOTAL DIVIDEND PER ORDINARY SHARE

(cents)



## VALUE-ADDED PER EMPLOYEE

(\$'000)





## FINANCIAL SUMMARY

	2015	2016	2017	2018	2019
Revenue (\$'mil)	106.7	101.2	97.0	100.1	103.7
Other Income (\$'mil)	–	–	–	7.7	–
Operating Costs (\$'mil)	70.3	68.8	66.5	68.1	69.5
Operating Profit (\$'mil)	36.4	32.4	30.5	39.7	34.2
Profit Attributable to Shareholders (\$'mil)	31.4	28.2	26.5	34.7	28.4
EBITDA (\$'mil)	42.5	38.9	36.7	46.1	41.6
Issued capital (\$'mil)	36.2	36.3	36.3	36.3	36.3
Capital and reserves (\$'mil)	146.3	149.9	148.3	150.8	131.3
Capital disbursement (\$'mil)	3.7	4.0	4.4	26.2	5.4
Return on shareholders' equity (%)	22.0	19.0	17.8	23.2	20.1
Earnings per ordinary share (cents)	35.45	31.77	29.90	39.15	32.05
Net asset value per ordinary share (cents)	165.03	169.05	167.34	170.16	148.15
Interim dividend per ordinary share (cents)	8.75	8.00	13.12	13.46	14.11
Final dividend per ordinary share (cents)	9.50	8.50	22.88	23.17	24.29
Special dividend per ordinary share (cents)	10.25	10.00	–	8.62	–
Total dividend per ordinary share (cents)	28.50	26.50	36.00	45.25	38.40
Dividend cover (number of times)	1.2	1.2	0.8	0.9	0.8

## VALUE-ADDED FOR THE GROUP

	2015		2016		2017		2018		2019	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Suppliers of capital - dividends	24,379	27.1	25,061	29.6	28,454	35.1	32,677	35.5	41,118	46.0
Taxation to the government	6,291	7.0	5,958	7.0	5,621	6.9	6,589	7.1	6,763	7.5
Retained earnings	13,255	14.8	9,255	10.9	3,522	4.3	8,022	8.7	(5,090)	(5.7)
Employees – salaries and other staff costs	45,916	51.1	44,453	52.5	43,558	53.7	44,857	48.7	46,667	52.2
Total value-added	89,841	100.0	84,727	100.0	81,155	100.0	92,145	100.0	89,458	100.0
Number of employees	870		848		855		865		901	
<b>Value-added per employee (\$'000)</b>	<b>103</b>		<b>100</b>		<b>95</b>		<b>107</b>		<b>99</b>	

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**LIM JIT POH**  
Chairman

**YANG BAN SENG**  
Deputy Chairman

**SIM WING YEW**  
Chief Executive Officer

**SHIM PHYAU WUI, VICTOR**  
Lead Independent Director  
(Appointed on 1 September 2019)

**GOH YEOW TIN**  
**JUNE SEAH LEE KIANG**  
**SOH CHUNG HIAN, DANIEL**  
**TAN KIM SIEW**  
**TAN POH HONG** (Appointed on 25 April 2019)  
**TEO GEOK HAR, NANCY**

## AUDIT AND RISK COMMITTEE

**SOH CHUNG HIAN, DANIEL**  
Chairman  
(Appointed as Chairman of ARC on 1 January 2019)

**GOH YEOW TIN**  
**SHIM PHYAU WUI, VICTOR**  
**TAN POH HONG** (Appointed on 25 April 2019)  
**TEO GEOK HAR, NANCY**

## REMUNERATION COMMITTEE

**JUNE SEAH LEE KIANG**  
Chairman  
(Appointed as Chairman of RC on 25 April 2019)

**GOH YEOW TIN** (Appointed on 1 September 2019)  
**LIM JIT POH**  
**TAN KIM SIEW**  
**TAN POH HONG** (Appointed on 25 April 2019)  
**TEO GEOK HAR, NANCY**

## NOMINATING COMMITTEE

**SHIM PHYAU WUI, VICTOR**  
Chairman  
(Appointed as a Member on 25 April 2019 and as Chairman on 1 September 2019)

**LIM JIT POH**  
**JUNE SEAH LEE KIANG**  
**SOH CHUNG HIAN, DANIEL**  
**TAN KIM SIEW**

## CORPORATE DIRECTORY

**REGISTERED OFFICE**  
205 Braddell Road  
Singapore 579701  
Mainline: (65) 6383 8833  
Facsimile: (65) 6287 0311  
Website: [www.vicom.com.sg](http://www.vicom.com.sg)  
Company Registration Number:  
198100320K

**JOINT COMPANY SECRETARIES**  
Chan Wan Tak, Wendy  
Yeo Tee Yeok, Edwin

**SHARE REGISTRAR**  
B.A.C.S. Private Limited  
8 Robinson Road #03-00  
ASO Building  
Singapore 048544

**AUDITORS**  
Deloitte & Touche LLP  
Public Accountants and  
Chartered Accountants  
6 Shenton Way,  
OUE Downtown 2  
#33-00  
Singapore 068809

Partner-in-Charge:  
Tsia Chee Wah

Date of Appointment:  
24 April 2017

# BOARD OF DIRECTORS



**LIM JIT POH**

- CHAIRMAN (NON-EXECUTIVE & NON-INDEPENDENT DIRECTOR)
- DATE OF APPOINTMENT AS DIRECTOR OF THE COMPANY:  
21 JANUARY 1981
- DATE OF LAST RE-APPOINTMENT AS DIRECTOR OF THE COMPANY:  
24 APRIL 2019

Mr Lim Jit Poh is the Chairman and a non-executive and non-independent Director of VICOM Ltd. He is a member of both the Nominating Committee and the Remuneration Committee. Mr Lim is also the Chairman of ComfortDelGro Corporation Limited and SBS Transit Ltd. These are listed companies with business interest in land transport. The Company and SBS Transit Ltd are subsidiaries of ComfortDelGro Corporation Limited. Mr Lim is also the Chairman of several non-listed companies owned by the Singapore Labour Foundation, the National Trades Union Congress (NTUC) and the CapitaLand Limited Group.

Mr Lim was a former top civil servant and a Fulbright Scholar. He was awarded the Public Administration Medal in 1972 and the Public Service Star (BBM) in 2015 by the President of the Republic of Singapore, as well as four awards by NTUC, namely the Friend of Labour Award in 1986, the Meritorious Service Award in 1990, the Distinguished Service Award in 2000 and the Distinguished Service (Star) Award in 2014. In 2006, he was also one of the recipients of the Distinguished Science Alumni Award from the National University of Singapore.

In his previous employment as Executive Director of two public-listed companies, Mr Lim had been directly involved in negotiations with business partners and relevant authorities on various joint venture projects in the ASEAN region, as well as in China, Hong Kong, United Kingdom, Australia and Mauritius. He was also involved in the management of these operations. Mr Lim was a Council Member of the Singapore Chinese Chamber of Commerce and Industry and the National University of Singapore, and a Member of the Singapore British Business Council. He was also very active in community work being Chairman of a community centre management committee. Presently, he is a Trustee of the Singapore National Employers' Federation and a Member of the Board of Management of Pei Chun Public School.

Mr Lim holds a Bachelor of Science (Hons) in Physics from the University of Singapore and a Master of Education from the University of Oregon, USA.



**YANG BAN SENG**

- DEPUTY CHAIRMAN (NON-EXECUTIVE & NON-INDEPENDENT DIRECTOR)
- DATE OF APPOINTMENT AS DIRECTOR OF THE COMPANY:  
1 MAY 2017
- DATE OF LAST RE-APPOINTMENT AS DIRECTOR OF THE COMPANY:  
24 APRIL 2018

Mr Yang Ban Seng is the Deputy Chairman of VICOM Ltd. He is a non-executive and non-independent Director of the Company. He is also the Managing Director/Group Chief Executive Officer of ComfortDelGro Corporation Limited as well as Executive Deputy Chairman of SBS Transit Ltd.

Prior to his current appointment, Mr Yang was the Chief Executive Officer of Taxi Business in Singapore where he oversaw the operations of Comfort Transportation Pte Ltd and CityCab Pte Ltd. Prior to joining the Group in 1989, Mr Yang served as Assistant Director of the Ministry of Education, Deputy Director of the Ministry of Home Affairs and the National Trades Union Congress' (NTUC) Secretary for Co-operatives. At the NTUC's May Day Awards in 2013, he was awarded the Medal of Commendation.

He holds a Bachelor of Science (Operations Research and Statistics) (Hons) from the University of Manchester and a Master of Business Administration from the National University of Singapore.



**SIM WING YEW**

- CHIEF EXECUTIVE OFFICER (EXECUTIVE & NON-INDEPENDENT DIRECTOR)
- DATE OF APPOINTMENT AS DIRECTOR OF THE COMPANY:  
1 MAY 2012
- DATE OF LAST RE-APPOINTMENT AS DIRECTOR OF THE COMPANY:  
24 APRIL 2019

Mr Sim Wing Yew is the Chief Executive Officer and an executive and non-independent Director of VICOM Ltd. Prior to this appointment, he was Chief Operating Officer of ComfortDelGro Engineering Pte Ltd since August 2008 before assuming the role as Chief Executive Officer on 1 March 2011. Mr Sim first joined the ComfortDelGro Group in September 2002 as a General Manager in charge of two maintenance workshops in SBS Transit Ltd's Fleet Management Department. In June 2006, he assumed responsibility as the General Manager for all five SBS Transit's workshops.

Mr Sim holds a Bachelor of Engineering (Hons) in Mechanical and Production Engineering from the Nanyang Technological University and a Master of Business Administration from the University of Hull, United Kingdom.



**SHIM PHYAU WUI, VICTOR**

- NON-EXECUTIVE & LEAD INDEPENDENT DIRECTOR
- DATE OF APPOINTMENT AS DIRECTOR OF THE COMPANY:  
1 JUNE 2017
- DATE OF LAST RE-APPOINTMENT AS DIRECTOR OF THE COMPANY:  
24 APRIL 2018

Professor Shim Phau Wui, Victor is a non-executive and lead independent Director of VICOM Ltd. Professor Shim is the Chairman of the Nominating Committee and a Member of the Audit and Risk Committee.

He has worked with the National University of Singapore (NUS) since 1980, and is a professor of Mechanical Engineering. He is also currently an Associate Vice-President for Global Relations at NUS. Prof Shim has previously held a number of management appointments at NUS including being the founding Director of the former Office Corporate Relations (now Office of University Communications) and a Vice-Dean (External Relations & Outreach) at the Faculty of Engineering. He has been a Visiting Scientist at the Tokyo Institute of Technology, and a Visiting Scholar at the University of California, San Diego. As part of his research and technical work, Prof Shim established the Impact Mechanics Laboratory at NUS to facilitate work on Dynamic Material Behaviour and Impact Engineering. His research interests include dynamic material response, cellular materials, impact resistance of protective materials and structures, as well as the response of components and products to impact and shock loads. He is also an Associate Editor of the International Journal of Impact Engineering.

Professor Shim was a Colombo Plan Scholar. He holds a Bachelor of Mechanical Engineering (First Class Honours) from the University of Auckland, New Zealand, a Master of Engineering from the National University of Singapore, and a Doctor of Philosophy from the University of Cambridge, UK. He is a registered Professional Engineer and a Senior Member of the Institution of Engineers, Singapore. He has received awards at NUS for Teaching Excellence, Innovative Teaching and Outstanding Service, and was conferred the Singapore National Day Public Administration Medal (Silver) in 2012.



**GOH YEOW TIN**

- **NON-EXECUTIVE & INDEPENDENT DIRECTOR**
- **DATE OF APPOINTMENT AS DIRECTOR OF THE COMPANY:**  
1 SEPTEMBER 2010
- **DATE OF LAST RE-ELECTION AS DIRECTOR OF THE COMPANY:**  
24 APRIL 2019

Mr Goh Yeow Tin is a non-executive and independent Director of VICOM Ltd. Mr Goh is a member of both the Remuneration Committee and the Audit and Risk Committee.

Mr Goh is also a Member of the Singapore Institute of Directors and an independent Director of KTMG Limited, Sheng Siong Group Ltd, AsiaPhos Limited and TLV Holdings Limited. Prior to that, Mr Goh was the Vice President of Times Publishing Ltd and was responsible for the Group's Retail and Distribution businesses. Mr Goh began his career with the Economic Development Board (EDB) where he headed the Local Industries Unit and was subsequently appointed as a Director of EDB's Automation Applications Centre located in the Singapore Science Park. Mr Goh was the founding member of the Association of Small and Medium Enterprise (ASME) and founded International Franchise Pte Ltd, a pioneer in franchising business in Singapore. Mr Goh was previously the Deputy Managing Director of Tonhow Industries Ltd, the first SESDAQ listed plastic injection moulding company.

Mr Goh was appointed a Justice of the Peace in September 2015 and was awarded the Public Service Star (Bar) the same year by the President of the Republic of Singapore.

Mr Goh holds a Bachelor of Engineering (Mechanical) (Hons) from the University of Singapore and a Master of Engineering (Industrial Engineering & Management) from the Asian Institute of Technology.



**JUNE SEAH LEE KIANG**

- **NON-EXECUTIVE & INDEPENDENT DIRECTOR**
- **DATE OF APPOINTMENT AS DIRECTOR OF THE COMPANY:**  
1 OCTOBER 2017
- **DATE OF LAST RE-APPOINTMENT AS DIRECTOR OF THE COMPANY:**  
24 APRIL 2018

Ms June Seah Lee Kiang is a non-executive and independent Director of VICOM Ltd. She is the Chairman of the Remuneration Committee and a member of the Nominating Committee.

Ms Seah is currently the Head of Business Development of Omise Co, a payment processor registered in Singapore with operations in Thailand, Indonesia, Singapore and Japan. She is also a partner of a restaurant called The Peranakan at Claymore Connect.

Ms Seah is a veteran banker with extensive experience in the cards and payments industry. She was formerly General Manager of UOB Card Center before joining VISA International. She was a member of VISA's Asia Pacific Management Committee and headed up Merchant and Acquirer Partnerships for Asia Pacific, Central Europe, Middle East and Africa.

Ms Seah holds a Bachelor of Social Science Degree with Second Upper Honours in Economics from the University of Singapore.

## BOARD OF DIRECTORS



**SOH CHUNG HIAN, DANIEL**

- **NON-EXECUTIVE & INDEPENDENT DIRECTOR**
- **DATE OF APPOINTMENT AS DIRECTOR OF THE COMPANY:**  
1 MAY 2018
- **DATE OF LAST RE-APPOINTMENT AS DIRECTOR OF THE COMPANY:**  
24 APRIL 2019

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Mr Soh Chung Hian, Daniel is a non-executive and independent Director of VICOM Ltd. He is the Chairman of the Audit and Risk Committee and a Member of the Nominating Committee.

A fellow member of the Institute of Singapore Chartered Accountants, Mr Soh began his career in 1977 with Ernst & Young LLP, Singapore, and was a partner from 1990 till his retirement in December 2012. His 35 years of experience saw him auditing many publicly listed companies and working on many IPOs of listed companies.

Mr Soh also serves as an independent director of the following companies namely: Lum Chang Holdings Ltd, Agency for Integrated Care Pte Ltd, British and Malayan Trustees Limited, British and Malayan Holdings Ltd and Sunright Limited. He is also a member of the Board of Governors of Raffles Girls' School.

Mr Soh holds a Bachelor of Accountancy from the then University of Singapore and a Master of Business Administration from International Centre of Management in the United Kingdom.



**TAN KIM SIEW**

- **NON-EXECUTIVE & INDEPENDENT DIRECTOR**
- **DATE OF APPOINTMENT AS DIRECTOR OF THE COMPANY:**  
1 MAY 2018
- **DATE OF LAST RE-APPOINTMENT AS DIRECTOR OF THE COMPANY:**  
24 APRIL 2019

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Dr Tan Kim Siew is a non-executive and independent Director of VICOM Ltd. He is a member of both the Remuneration Committee and the Nominating Committee. He is also a non-executive and independent Director of SBS Transit Ltd.

Dr Tan is presently a Senior Consultant in the Ministry of Finance and Chairman of the Governing Board for the Mechanobiology Institute, National University of Singapore. From 2012 to 2014, Dr Tan served as Commissioner of Inland Revenue. Prior to this appointment, Dr Tan was the Permanent Secretary (Defence Development) of the Ministry of Defence from 2003 to 2012. He had also held other appointments in the public service, including CEO of the Urban Redevelopment Authority, Deputy Secretary in the Ministry of Finance and in the Ministry of National Development, Chairman of the Defence Science and Technology Agency, and Chairman of the DSO National Laboratories.

Dr Tan was awarded the Public Administration Medal (Silver) (Military) in 1990, the Public Administration Medal (Silver) in 1996, the Public Administration Medal (Gold) in 2001 and the Long Service Medal in 2003 by the President of the Republic of Singapore.

Dr Tan holds a Bachelor of Arts (Honours) (Engineering Tripos) with Distinction in Electronics Engineering and Doctor of Philosophy (Engineering) from the University of Cambridge.





**TAN POH HONG**

- **NON-EXECUTIVE & INDEPENDENT DIRECTOR**
- **DATE OF APPOINTMENT AS DIRECTOR OF THE COMPANY:**  
24 APRIL 2019

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Ms Tan Poh Hong is a non-executive and independent Director of VICOM Ltd. She is a member of both the Audit and Risk Committee and the Remuneration Committee.

She is an independent Director on the Boards of Sheng Siong Limited, Centurion Corporation Limited and AnnAik Limited. She is a Council Member of the Singapore Red Cross and a Board Member of the Industrial & Services Corporative Society Limited, Jilin Food Zone Pte Ltd and Barramundi Asia Pte Ltd.

Ms Tan was the Chief Executive Officer of Agri-Food & Veterinary Authority (AVA) of Singapore from 2009 to 2017. AVA is the national authority responsible for food security and safety. Ms Tan was instrumental in transforming and expanding the organisation's mandate to cater to new challenges facing the country. In particular, she built up the organisation's capabilities to manage and strengthen Singapore's food security. She initiated and led stakeholder engagement and partnership initiatives, and drove the push to transform the local farming sector.

Prior to her appointment at AVA, Ms Tan was the Deputy CEO of the Housing and Development Board (HDB) from 2004 to 2009 where she managed 4,700 officers in the Estates and Corporate Groups. She played a key role in restructuring of HDB in 2003 and helped to stabilise the organisation after restructuring through various internal communications and engagement processes.

Ms Tan holds a Bachelor of Science (Hons) in Estate Management from the National University of Singapore, and a Master of Business Administration (with distinction) from New York University. She was awarded the Public Administration Medal (Gold) in 2013, and the Public Service Medal in 1999 by the Singapore Government and the NTUC Medal of Commendation in 2001.



**TEO GEOK HAR, NANCY**

- **NON-EXECUTIVE & INDEPENDENT DIRECTOR**
- **DATE OF APPOINTMENT AS DIRECTOR OF THE COMPANY:**  
31 MARCH 1995
- **DATE OF LAST RE-APPOINTMENT AS DIRECTOR OF THE COMPANY:**  
24 APRIL 2017

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Ms Teo Geok Har, Nancy is a non-executive and independent Director of VICOM Ltd. Ms Teo is a member of both the Remuneration Committee and the Audit and Risk Committee. She was formerly the Chief Executive Officer of the Singapore Labour Foundation, a position she held from 1 July 1994 to 31 December 2006.

Ms Teo was the Head of Accreditation and Programme Director of the Singapore Association of Social Workers from 1 February 2009 to 31 March 2018. She is also a Director of Dashmesh Singapore Pte Ltd.

Ms Teo holds a Bachelor of Social Science (Hons) and a Bachelor of Arts, both from the University of Singapore. She attended the Advanced Management Programme at the Wharton School of Business, University of Pennsylvania, USA in 2004.



# KEY MANAGEMENT



## SZE THIAM SIONG

**CHIEF EXECUTIVE OFFICER  
SETSCO SERVICES PTE LTD**

Mr Sze Thiam Siong is the Chief Executive Officer of Setesco Services Pte Ltd (SETSCO). He is responsible for the overall management of SETSCO. Prior to this appointment, he was Senior Vice President/Director of SETSCO. Mr Sze joined the former Singapore Institute of Standards and Research (SISIR) in 1980 and was appointed Technical Manager of one of its subsidiary firms, Setesco Services Pte Ltd, in 1985. Mr Sze holds a Bachelor of Engineering (Mechanical) from the University of Strathclyde (UK), and a Diploma in Management Studies from the Singapore Institute of Management. He also sits in various committees in the governmental and non-governmental as well as professional bodies.



## YUSOOF AYNUDDIN

**SENIOR VICE PRESIDENT  
MECHANICAL TECHNOLOGY DIVISION  
SETSCO SERVICES PTE LTD**

Mr Yusoof Aynuddin joined Setesco Services Pte Ltd in 1988 and is responsible for the overall management of the Mechanical Technology Division. He brings with him experience in a variety of testing services, including stress & strain analysis steel structures, calibration of instruments and metallographic examination. He graduated from Singapore Polytechnic with a Diploma in Mechanical Engineering and an Advanced Diploma in Industrial Engineering.



## LEE PECK KIM, MARY

**CHIEF FINANCIAL OFFICER**

Ms Lee Peck Kim, Mary is the Chief Financial Officer of VICOM Ltd and is responsible for the Group's finance and accounting functions. She is an ACCA qualified accountant and holds an MBA in Finance from the University of Hull, United Kingdom. She is also a Chartered Accountant of the Institute of Singapore Chartered Accountants. Prior to her appointment, Ms Lee was the Head of Finance at ComfortDelGro Engineering Pte Ltd. She brings with her many years of experience in the Group as well as experience in other listed and multinational companies.



## CHUNG TYING CHUN

**SENIOR VICE PRESIDENT  
ANCILLARY OPERATIONS DIVISION, VICOM LTD  
BIOLOGICAL AND CHEMICAL TECHNOLOGY  
DIVISION, SETSCO SERVICES PTE LTD**

Mr Chung Tying Chun joined VICOM Ltd in 2013 and is responsible for the overall management of the Ancillary Operations Division comprising the VICOM Vehicle Emission Test Laboratory (VETL), VICOM Assessment Centre (VAC), as well as motor insurance and advertising. He also manages various organisation developments, quality assurance and process improvement projects for the Group. In October 2017, he took on the additional portfolio of managing the Biological & Chemical Technology Division of Setesco Services Pte Ltd. Mr Chung started his career with the Singapore Armed Forces (SAF) where he held several senior command and staff appointments. He holds a Master of Chemical Engineering (Hons) from University College, London and a Master of Business Administration (Strategy) from the National University of Singapore.



### TEO TENG KANG, ANTHONY

**VICE PRESIDENT  
OPERATIONS**

Mr Teo Teng Kang, Anthony joined VICOM Ltd in 2019 and is responsible for the vehicle inspection business. He brings with him many years of automotive experience starting as an engineer with SBS Transit in 2000. From 2011 to 2017, Mr Teo was Assistant Vice President responsible for the vehicle construction and components overhaul business at ComfortDelGro Engineering Pte Ltd. Mr Teo holds a Bachelor of Technology, Mechanical Engineering (Hons) from the National University of Singapore.



### CHENG TUCK WAH, JOHNSON

**ASSISTANT VICE PRESIDENT  
INFORMATION TECHNOLOGY**

Mr Cheng Tuck Wah, Johnson is responsible for overseeing the Group's information technology functions. After graduating from Australia in 1994, he worked for a Japanese software company as a Senior Programmer specialising in accounting software for Japanese firms and banks in Singapore. He then moved on to become a System Analyst at ECO Industrial Environmental Engineering Pte Ltd before joining Setsco Services Pte Ltd in 1998 as an IT Manager. Mr Cheng was promoted to his current position in 2012. Mr Cheng holds a Bachelor of Information Technology from the University of Southern Queensland, Australia.



### YIP CHUN WAH

**VICE PRESIDENT  
OPERATIONS SUPPORT**

Mr Yip Chun Wah joined VICOM Ltd in 1998 as a Project Engineer and is subsequently promoted to Vice President (Operations) in 2007. After more than a decade in Operations, Mr Yip was tasked to oversee Operations Support on 1 October 2019 in which he supervises the Quality and Standards of inspection as well as the management and maintenance of the Group's properties, facilities and test equipment. Mr Yip graduated from the Nanyang Technological University with a Bachelor of Mechanical Engineering and holds a Master of Science in Industrial & Systems Engineering from the National University of Singapore.



### TAN LI KOON, ANN

**ASSISTANT VICE PRESIDENT  
SALES & MARKETING**

Ms Tan Li Koon, Ann is responsible for the Group's sales & marketing, motor insurance and customer service. She joined the Group in 1998 as a Customer Service and Public Relations Officer and was promoted to her present position in 2009. Ms Tan holds an Advanced Diploma in Business from the University of Cambridge and has Certificates in General and Life Insurance.

## KEY MANAGEMENT



### KEE CHUEN BENG

ASSISTANT VICE PRESIDENT  
HUMAN RESOURCE

Mr Kee Chuen Beng joined VICOM Ltd in 2018 and is responsible for the human resource functions for the Group. Prior to joining the Group, he was Senior Human Resource Manager at Hong Leong Asia Ltd and brings with him many years of experience in several listed and multinational companies from various industries such as construction, semi-conductor and manufacturing. He holds a Bachelor of Arts in Psychology from the National University of Singapore and a Graduate Diploma in Personnel Management from the Singapore Institute of Management. Mr Kee has also been certified by the Institute for Human Resource Professionals-Senior Professional (IHRP-SP).



### JACKSON CHIA

GROUP CHIEF RISK & SUSTAINABILITY OFFICER  
COMFORTDELGRO GROUP

Mr Jackson Chia was appointed the Group Chief Risk & Sustainability Officer on 5 November 2018. He is concurrently Senior Vice President of Group Transformation Office. Mr Chia joined the Group in 2017 after a 28-year career with the Singapore Armed Forces, where he held various senior appointments in the Republic of Singapore Navy. He holds a Bachelor of Social Science (First Class) degree in Economics and Statistics from the University of Birmingham, and a Master of Arts from the Fletcher School of Law and Diplomacy. Mr Chia also attended the International Executive Programme at INSEAD, France in 2008.



### TAN I-LIN, TAMMY

GROUP CHIEF CORPORATE  
COMMUNICATIONS OFFICER  
COMFORTDELGRO GROUP

Ms Tan I-Lin, Tammy is ComfortDelGro Corporation's Group Chief Corporate Communications Officer and Spokesperson for the Group, including VICOM Ltd. She is responsible for all corporate communications functions, including promoting the Group's image, overseeing its various publications, coordinating requests for sponsorship and donations, and liaising with the media community. Ms Tan started her career with Singapore Press Holdings in 1995 and held several positions in The Straits Times, including Deputy Money Editor and Deputy News Editor. She holds a Bachelor of Social Sciences (Hons) from the National University of Singapore.



### SAMY SAMUGAM

ASSISTANT MANAGER (OPERATIONS) &  
HEAD, VICOM EMISSION TEST LABORATORY

Mr Samy Samugam joined VICOM Ltd in 2011 as an Engineer for inspection operations and is now Assistant Manager (Operations) and Head of the VICOM Emission Test Laboratory (VETL). Mr Samugam holds a Bachelor of Engineering in Mechanical Engineering from the Nanyang Technological University.



### CHOO PENG YEN

GROUP CHIEF INVESTOR RELATIONS OFFICER  
GROUP CHIEF BUSINESS DEVELOPMENT OFFICER  
COMFORTDELGRO GROUP

Mr Choo Peng Yen was appointed as ComfortDelGro Corporation's Group Chief Investor Relations Officer in 2010. He is in charge of the investor relations function of the Group, including VICOM Ltd's. He is also the Group Chief Business Development Officer. He was the General Manager of the North East China Business Unit. Mr Choo joined the Group in 1978 and was the Senior Vice President (Group Business Development) prior to his appointment in China. He holds a Bachelor of Business Administration from the University of Singapore and attended the International Executive Programme at INSEAD (France).



### YEO TEE YEOK, EDWIN

JOINT COMPANY SECRETARY

Mr Yeo Tee Yeok, Edwin is the Joint Company Secretary of VICOM Ltd. He also holds a similar appointment in ComfortDelGro Corporation Limited, which is VICOM's parent company. He joined ComfortDelGro in September 2014 as Vice President of Group Legal and was appointed Joint Company Secretary in May 2017. Prior to joining the Group, Mr Yeo was Senior Legal Counsel at Oracle Corporation Singapore Pte Ltd where he was responsible for legal matters across the ASEAN business region. Mr Yeo is a member of the Chartered Secretaries Institute of Singapore. He holds a Bachelor of Laws and a Bachelor of Commerce from the Australian National University.



### CHAN WAN TAK, WENDY

JOINT COMPANY SECRETARY

Ms Chan Wan Tak, Wendy is the Joint Company Secretary of VICOM Ltd. She also holds a similar appointment in ComfortDelGro Corporation Limited which is VICOM's parent company. She joined ComfortDelGro in September 2007 as Vice President of Group Finance. She is currently Senior Vice President of Group Finance of ComfortDelGro. Prior to this, Ms Chan was Vice President of Finance and Operations at k1 Ventures Limited. She had also been with Deloitte & Touche LLP as Senior Audit Manager. Ms Chan holds a Bachelor of Accounting & Finance (Hons) from the University of Glamorgan, United Kingdom. She is a non-practising Member of the Institute of Certified Public Accountants of Singapore and a Fellow of the Chartered Association of Certified Accountants.



### CHONG YEW FUI, ADRIAN

GROUP CHIEF INTERNAL AUDIT OFFICER  
COMFORTDELGRO GROUP

Mr Chong Yew Fui, Adrian is the Group Chief Internal Audit Officer of ComfortDelGro Corporation Limited. He is responsible for the internal audit functions of the Group, including VICOM Ltd's. Prior to joining the Group, he was Senior Vice President of Hyflux Ltd. Mr Chong has spent many years in the audit profession with extensive commercial, operations and overseas experience, particularly in corporate governance, systems risks and process controls. Mr Chong holds a Bachelor of Commerce (Accounting and Finance) from Murdoch University. He is a member of CPA Australia and is a Certified Information Systems Auditor. Mr Chong is also an ISACA Member.

# OPERATIONS REVIEW

## SERVICES

SINGAPORE / KUALA LUMPUR (MALAYSIA)



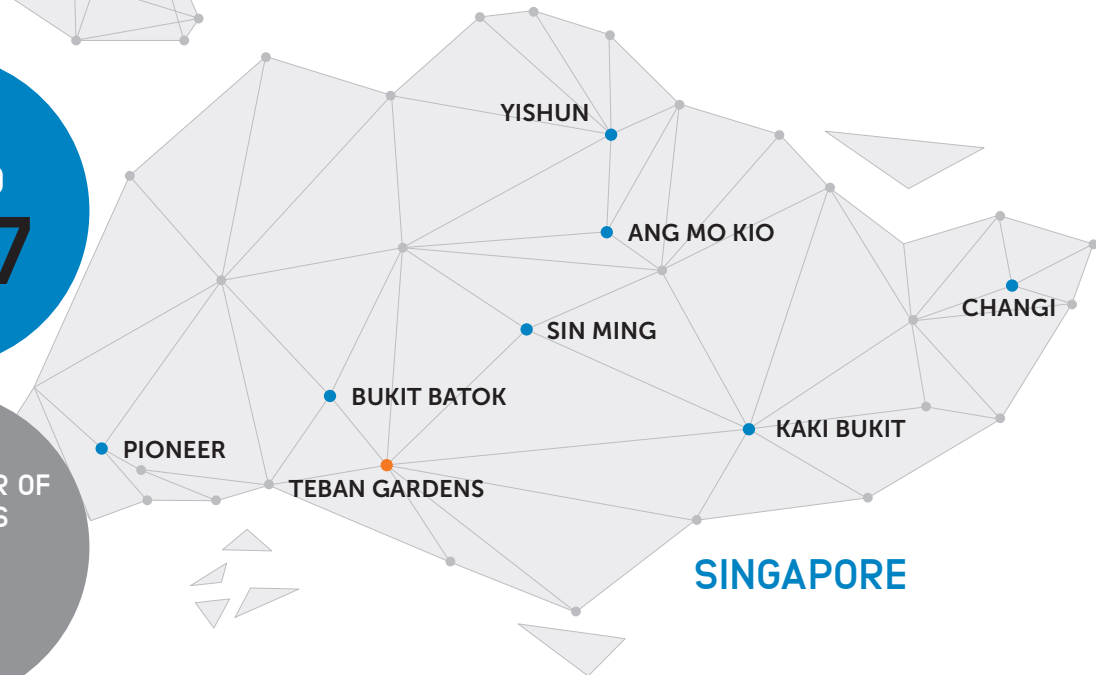
### VEHICLE TESTING BUSINESS

The Government's continuous push towards a car-lite city, which has manifested in policies like the 'zero-growth' policy for private cars and motorcycles and other schemes aimed at encouraging motorists to scrap their older vehicles, has resulted in a drop in the total number of cars due for inspection.

Fortunately, more than 37,000 passenger cars had their Certificates of Entitlement renewed in 2018, which helped mitigate the reduction. This resulted in a total of 625,753 vehicles undergoing inspection in 2019, a figure that was not much lower than the 625,940 vehicles that went through inspections in 2018. Its market share though was 74% in 2019, higher than the 73.7% in 2018.

In August 2019, Parliament passed the 'Point-to-Point Passenger Transport Bill' requiring that all licensed ride-hail and street-hail service providers with a fleet size of more than 800 vehicles have their vehicles undergo periodic inspection from July 2020.

It was also announced that both new and current Personal Mobility Devices (PMDs) would have to go through mandatory inspection to ensure that they meet the UL2272 safety standard and conform to regulations in terms of their weight, width and speed from April 2020. Subsequently, it was announced in October 2019 that all PMDs will have to be inspected every two years, starting April 2022.



- Vehicle Testing Business
- Non-Vehicle Testing Business





**A total of 5,429 compliments were received for its vehicle inspectors, up by 1,805 or 50% more than 2018. In fact, about 90% of VICOM vehicle inspectors received at least one compliment in 2019, up from 68% from previous year.**

With these new regulatory requirements came a new avenue of growth for VICOM Ltd, although another new regulation which came into effect on 5 November 2019, is likely to dampen the number of PMDs that come through our lanes: The ban of PMDs on footpaths.

With the extension of the National Environment Agency's Vehicular Emission Scheme (VES) for another year until 31 December 2020, parallel car importers, which are VICOM's major clients, took a more aggressive approach and brought in new environmentally models, capturing 20% of the overall car market in 2019, up from the 14% in 2018. As such, demand for VICOM Emission Test Laboratory (VETL) services remained strong in 2019.

Looking beyond the current plethora of inspection tests, VICOM invested in an Israeli company called Fortellix, which develops solutions to address challenges in Autonomous Vehicle (AV) testing and compliance. This investment will pave the way for VICOM to become a leading player in AV testing when it becomes a reality.

Just as alliances were forged to lay the foundation for future growth, VICOM also entered into a new partnership with Direct Asia (DA) Insurance to ensure that motorists visiting the Company's seven inspection centres could have easy access to promotional offers on motor insurance.

### **NON-VEHICLE TESTING BUSINESS**

2019 was a challenging year for VICOM's wholly-owned subsidiary, Setsco Services Pte Ltd (SETSCO), due to intense competition.

Despite that, SETSCO spread its wings further afield by securing two overseas projects from notable clients. The first being an emission test project for three garment factories in Phnom Penh, Cambodia, for the United Nations Development Programme Office. The second project was the calibration of a cube compression machine for the Ministry of Construction in Myanmar.

Having completed a project involving the provision of semi-destructive and non-destructive tests (NDT) for a pilot

batch of housing flats, SETSCO went on to secure five more batches. It also successfully secured two other NDT service contracts from two different contractors in the refinery.

In the aerospace sector, SETSCO diversified its NDT to include Level III consultancy services. It also provided value-added services by bringing its NDT services to clients' sites thereby improving productivity and minimising the risks of component damage during transit.

In the construction sector, SETSCO secured four out of ten testing packages for Singapore's North-South Corridor (NSC), a 21.5km road connecting growing towns in the North region to the city area.

On other fronts, SETSCO conducted more food hygiene inspections after a series of food poisoning cases that had resulted in a death. It also provided microbiological testing to a local hospital and is hopeful it will be able to extend it to other hospitals here.

Separately, SETSCO was engaged by a Japanese company to conduct Electro Magnetic Compatibility (EMC) monitoring on a sky train at the Changi Airport, and also performed ambient air quality monitoring for construction companies.

### DIGITAL TRANSFORMATION

Since 2015, when VICOM first introduced its Automated Payment Machines (APMs), motorists have been provided with an additional mode of payment. With 16 APMs across all seven inspection centres, not only are motorists able to complete the payment process faster, but the duration of the entire inspection process has been shortened.

To bring greater convenience to its corporate clients that use VETL services, VICOM introduced corporate PayNow in August 2019, which is instantaneous, compared to the two to three days that are required for traditional cheque clearing methods. With that, corporate clients are now able to receive VETL reports on the very same day.

VICOM's partnership with DA Insurance is also very tech savvy. Instead of insurance agents seated behind counters, agents stationed at the VICOM inspection centres are all armed with iPads so that they are completely mobile and can approach motorists actively.

VICOM also continued to improve its operational efficiency by cutting down manual work. For example, the Finance team reviewed and implemented a system for online submission of new vendors, while the Human Resources (HR) team worked with the ComfortDelGro Group's Organisational Development Department on an e-Learning Management System called HR360. Both cases resulted in a dramatic reduction in paper usage and improved tracking and accountability.

The Information Technology Department also developed software aimed at enhancing business efficiencies during the year. For example, it developed a dashboard to enable heads of departments and division directors to monitor quotations, jobs and invoice status in real-time.

SETSCO, too, embraced Industry 4.0 in its transformation journey in 2019. Its Microbiology Department, had for example, digitalised the entire microbiological testing process – from the time the client submits the Chain of Custody Form to the time approvals are given. Every step in between – the collection and delivery of samples by logistics to the laboratory personnel, the microbiological test, the verification of results as well as the delivery of e-reports to customers – is now fully digitalised.

Digitalising the process not only saved manpower, but also reduced the turnaround time for the reports and improved the tracking of the hundreds of tests that the Microbiology Department laboratories perform every day.

Apart from its Microbiology Department, SETSCO also automated its Environmental Baseline Studies (EBS) reports using Robotic Process Automation (RPA). Processes were logically grouped together and executed by a "software robot" or "bot" which mimics repeated mundane tasks. In doing so, the laborious task of having to spend eight hours testing 20 to 30 samples was reduced to a mere half hour.

With the successful implementation of RPA to its EBS reports, SETSCO plans to automate other laborious processes going forward.

### TECHNICAL EXPERTISE

Since April 2019, the Land Transport Authority (LTA) has been organising regular meetings with industry players with the objective of aligning and raising the inspection standards. To ensure all its vehicle inspectors are kept abreast of instructions given by the LTA during these meetings, quarterly training sessions were conducted for all vehicle inspectors during the year.

VICOM also conducted its 15th Technical Knowledge Exam (TKE) for its vehicle inspectors on 6 November 2019. The theory-based examination focussed on new regulations implemented during the year and highlighted common mistakes made by vehicle inspectors during the course of their work. The TKE is testament of VICOM's commitment to deliver quality inspection services to its customers. Of the 95 vehicle inspectors who took the TKE, 94.7% achieved a score of 85 marks and above. Those who received scores below 85 marks were required to be re-tested until they crossed that score.

As part of efforts to keep abreast of technology advances and potential policy changes overseas, two Senior Management staff attended the 19th International Conference for Periodic Inspection, which was organised by the International Motor Vehicle Inspection Committee (CITA). Various topics on vehicle inspection were presented and discussed during the biennial conference which was held in Seoul.

Of particular interest were proposed standards by China for the inspection of Electric Vehicles (EVs), as well as those by Korea, Germany and the Netherlands on the measurement of nitrogen oxides



(NOx) and particulate number (PN). VICOM kept the Authorities apprised of these new developments with the aim of introducing similar tests for periodic inspection.

With the nation moving towards the electrification of vehicles, it is imperative for VICOM to keep track of the development in the area of inspection for EVs. Management attended a one-day event where topics such as "Global EV Outlook and Opportunities in Singapore", "Digitalisation of e-mobility", "Technical Requirement for Electrical Safety Installations of Electric Chargers" and "EV Testing & Safety Requirement" were covered.

## CUSTOMER EXPERIENCE

Customer experience, also known as CX, is the holistic perception that customers have of their experience with a business or brand. It is the result of every interaction a customer has with the business, from navigating the website to talking to customer service and receiving the product or service.

CX plays a vital role in VICOM as a whole and much effort was put in during the year to improve the overall CX for its motorists and customers. As a result, a total of 5,429 compliments were received for its vehicle inspectors, up by 1,805 or 50% more than 2018. In fact, about 90% of VICOM vehicle inspectors received at least one compliment in 2019, up from 68% from previous year.

## RECOGNITION

VICOM bagged several awards during the year.

On 23 July 2019, Ms Lee Peck Kim, Mary, VICOM's Chief Financial Officer, won the "Best Chief Financial Officer Award" in the Mid-cap category at the 14th Singapore Corporate Awards.

At the 2019 annual Securities Investors Association (Singapore) Investors' Choice Awards, VICOM also won the "Singapore Corporate Governance Award" - Mid-cap category, and was Runner-up in both the "Shareholder Communication Excellence Award" - Mid-cap and the "Most Transparent Company Award" - Consumer Discretionary Services categories.

SETSCO also received recognition from ExxonMobil Asia Pacific for having achieved "Zero Recordable Injuries" record in 2018. It was also given the 'Safety Excellence and Bonus Award' from Petrochemical Corporation of Singapore (Private) Limited.

One of its staff from the Polymer Testing Department under its Construction Technology Division, Mr Salim Suwignjo, also received a commendation from Enterprise Singapore on 2 July 2019 for his contributions to the development of a number of standards towards Singapore's Standardisation and Accreditation Programme.

## ACCREDITATION

With the launch of the Data Protection Trust Mark (DPTM) by the Infocomm Media Development Authority (IMDA) and Personal Data Commission (PDPC) in 2017, the VICOM Group wasted no time in applying for this important certification. A three-day external audit took place in 2019 and the Group is expecting to be DPTM-certified in 2020. With this certification, the Group will be amongst the first few companies in Singapore to obtain the trustmark.

In December, SETSCO was made the certification body for Structural Steelworks Fabricators by the Singapore Accreditation Council. With this accreditation, SETSCO is able to expand the scope of its product certification to include steel fabrication.

Another feather was added to its cap when SETSCO, as an organisation outside the European Union, was authorised by the European Aviation Space Agency (EASA) to give Part-145 approvals on specialised NDT services. With this approval, SETSCO is now able to provide specialised NDT services to registered aircrafts such as Airbus in Europe in addition to Boeing from the United States.

SETSCO was awarded new scope of accreditation including staphylococcal enterotoxin, sterility, bacterial endotoxin, consolidation and triaxial tests that would enable it to offer an expanded range of services to its customers.

## RELOCATION OF SETSCO

During the year, work on the \$50 million six-storey high Jurong Town Corporation industrial building located at Bukit Batok Street 23 continued. Laboratories, offices and a dormitory are being fitted and SETSCO will relocate to this new premises by the end of 2020 as planned. With larger premises, SETSCO will be able to expand the depth and breadth of its testing services and also raise productivity through better workflow re-design of all the laboratories.

# SUSTAINABILITY REPORT

**As a leader in the Testing, Inspection and Certification industry, VICOM Ltd takes great pride in being at the forefront of creating a safer and greener tomorrow. In 2019, we embarked on various initiatives and activities for a safer, greener and more caring society.**

We are guided by our values and principles. We are committed to engage various communities, reach out to them, understand the hardships that they face and tailor activities to better improve their living conditions. To us, Corporate Social Responsibility is engrained in our institution.

## ENVIRONMENTAL

It is VICOM's mission to keep the environment clean and pollution free by ensuring that vehicles are road worthy and within emission limits. Various internal measures and procedures have also been put in place to ensure that our usage of energy and resources are optimised and regulated.

### Improving Energy and Water Efficiency

During the year, energy-saving electrical components and appliances such as energy-saving induction lamps, energy-efficient air-conditioning units, motion detectors and water-saving devices were installed in our premises. Our vehicle inspection centres completed the switch over to more energy-efficient Light Emitting Diodes (LEDs) for all high-bay lights. We were also more selective with our service providers and would require that they use environment friendly and efficient materials for maintenance and replacement work within our premises. These measures proved effective as overall electricity consumption intensity was reduced by 2.1% to 50,392kWh per million revenue, as compared to the 51,470kWh per million revenue in the previous year.

The installation of water-saving devices also paid off with our water consumption intensity reducing significantly from 424CuM per million revenue in 2018 to 359CuM per million revenue in 2019, a decrease of 15.3%.

### Promoting A Green Culture

We continued to drive Green initiatives in 2019, reminding our staff to practise the three 'Rs' – Reduce, Reuse and Recycle – for

office equipment such as paper, obsolete computers, printers and cartridges, as well as to practise energy-saving and water-saving habits. We not only continued to support the Earth Hour initiative on 28 March 2019 by switching non-essential lights off, we also switched the lights in our offices located in Sin Ming and Teban Garden Crescent off during lunch every day. The Sin Ming office went one step further by switching the air-conditioning units off during lunch.

To convey the message on Environment, we conducted talks and demonstrations to share our knowledge and expertise on vehicle inspection and emissions standards. In May 2019, we hosted a group of 78 students, who are pursuing Environmental Studies at the Singapore Republic Polytechnic, at one of our vehicle inspection centres. Over the course of three days, totalling over 40 hours, the students had hands-on experience on how vehicle safety inspections and vehicle emission tests were conducted.

## SOCIAL

### Safety and Security

The safety of our customers and staff is of paramount importance.

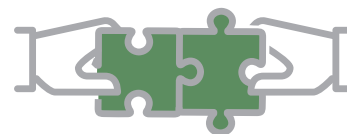
Several upgrades and initiatives were implemented across our vehicle inspection centres in 2019 to enhance customers' safety and security. Both VICOM and SETSCO Safety Committees also worked very hard to walk the ground, improve work safety practices and educate all employees about safety. As a result, VICOM achieved zero workplace accidents and zero loss time injury in 2019. However, SETSCO reported two counts of workplace accidents in 2019. The first injury was due to a traffic accident while the second injury was a result of a staff twisting his ankle as he was walking back to the vehicle.



REACHED OUT TO MORE THAN

**600**

BENEFICIARIES



MORE THAN

**520**

VOLUNTEER HOURS

In 2018, arm barriers were installed at our Bukit Batok Inspection Centre to deter unauthorised entries into the inspection lanes. When that proved effective, another 22 arm barriers were installed across all the inspection centres in 2019. More arm barriers will be installed in 2020. Leveraging on technology, a new security system that comes with barriers and remote communication capabilities was installed at the Pioneer Inspection Centre. This enabled remote communication and verification of customers' identities without the need to deploy a security guard physically on site.

We also conducted fire drills and carried out business continuity exercises to ensure that our inspection centres are able to operate continuously should disruptions, such as power failures, were to happen.

### Human Rights and Labour Practices

We believe that employees' wellness is important and critical to the success of the Group. To stay ahead of competition and challenges, we continued to leverage on our parent company, the ComfortDelGro Group's talent management programmes to develop and strengthen our talent pipeline. We aligned closely with ComfortDelGro's



SETSCO continued to organise its yearly blood donation drives within its premises with the support of the Singapore Red Cross Society. Having the blood donation drive on its premises makes it more convenient for staff to donate without having to make a trip out of office.

In 2019, the VICOM Group organised a “Walk for Health” event for staff on five different dates at two different locations. Depending on where their office is located, participants were encouraged to either walk from the office at Teban Gardens Crescent to Jurong East MRT Station or from Sin Ming Drive to Bishan Park. For every 200m walked, NTUC Fairprice donated one bowl of brown rice and one bowl of white rice to the needy residents of South East Community Development Council. In all, more than 5,000 bowls of rice were raised for the needy.

## GOVERNANCE

In VICOM, we conduct our business with integrity and transparency. We have in place strong processes to provide checks and balances and conduct regular audits on internal practices.

### Customer Privacy

The Data Protection Trustmark (DPTM) Certification was announced by the Infocomm Media Development Authority (IMDA) and Personal Data Protection Commission (PDPC) in 2017 as part of several initiatives to ensure that the data protection ecosystem in Singapore stays up-to-date.

VICOM and SETSCO completed a three-day DPTM audit in 2019 and are expecting to be DPTM-certified in 2020. With this certification, we will be amongst the very few companies in Singapore and the first in the Testing, Inspection and Certification industry to obtain this important trustmark. It will give the customers the added assurance and trust that we have a certified system to protect their personal data. SETSCO is also one of the three appointed Assessment Bodies by the IMDA and PDPC for DPTM.

robust processes and policies in human capital, leadership development and rewards, thus ensuring a high quality and sustainable talent pipeline in VICOM Group.

### Local Communities

With the belief that no gift is too small to give, VICOM’s ‘Care & Share’ programme entered its 19th year. For the year under review, the VICOM Group staff volunteered a total of 522 hours towards its outreach programmes.

Our Care & Share Committee and volunteers continued to reach out to the needy, elderly and the unprivileged through monthly contributions from staff and ‘dollar-for-dollar’ contributions matched by the Company.

During the Lunar New Year in 2019, 220 seniors from the Thye Hwa Kwan @ Indus Moral Centre were treated with a sit-down eight-course lunch, table games, lucky draws as well as a sing-along session with Dr Lily Neo, Member of Parliament for the Kreta Ayer-Kim Seng constituency within the Jalan Besar Group Representation Constituency. The seniors were also gifted ‘red packets’ from VICOM.

The Care & Share team also celebrated Lunar New Year with the patients and staff of HCA Kang Le Hospice (Marsiling) where they were treated to a sumptuous lunch prepared according to their dietary preference. In May 2019, 16 patients from the same hospice were invited to participate in a cupcake baking session at SASCO Senior Citizens’ Home at Khatib (SASCO@Khatib). There, our staff

volunteers organised a singing session with the patients and assisted them with light exercises before treating them to a healthy lunch buffet. The volunteers then teamed up with the patients to bake and decorate their cupcakes which they got to bring home to share with their loved ones.

In October 2019, VICOM donated \$5,000 towards ‘The Dandelion Ride’, an event organised by the Hospice Care Association, which aims to raise awareness of hospice care so as to encourage and attract volunteers and/or donors.

Along the same vein, the Care & Share team also organised a ‘Bake a Christmas Cake’ workshop at SASCO@Khatib for 40 underprivileged children from Star PALS (Paediatric Advanced Life support) – a palliative home care service for children and youth with life-threatening or life-limiting conditions. Besides treating them to a lunch buffet, each child was gifted \$20 shopping vouchers bought by VICOM staff out of their own pockets. Not only did the children ended up with loads of prizes and goodies such as cakes, ginger bread and candy house cookies, but they brought home with them fond memories as well.

To help the children further, we placed donation boxes at all seven of our inspection centres to help raise funds for Star PALS. A total of \$2,300 was collected to help the children’s families defray their medical expenses. VICOM also donated \$1,200 worth of taxi vouchers to assist them with their trips to and from the hospitals.

# CORPORATE GOVERNANCE

**VICOM LTD (“VICOM” or the “Company”, and together with its subsidiaries, the “Group”), believes that a fundamental measure of our success is the shareholder value we create over the long-term.**

We will continue to:

- Focus relentlessly on our customers;
- Make corporate decisions to build long-term value rather than short-term considerations;
- Maintain our lean culture as we understand the importance of being cost conscious;
- Hire and retain skilled and dedicated Employees; and
- Look for sustainable ways to protect the environment.

## CORPORATE GOVERNANCE STATEMENT

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 of Corporate Governance issued by the Monetary Authority of Singapore dated 6 August 2018 (the “Code”) 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.

This Report sets out the Corporate Governance practices that were in place during the Financial Year 2019, with specific references to the Code. For the Financial Year 2019, we are pleased to report that the Company complied in all material respects with the Code.

## 1. BOARD MATTERS

The Board of Directors (the “Board”) has a duty to protect and enhance the long-term value of the Company and achieve sustainable growth for the Group. It sets the overall strategic direction of the Company and oversees the proper conduct of the business, performance and affairs of the Group. Board members are expected to act in good faith and exercise independent judgement in the best interests of the Company.

In appointing Directors, the Company seeks individuals who have integrity, expertise, business acumen, shareholder orientation and a genuine interest in the Group.

## PRINCIPLE 1: THE BOARD’S CONDUCT OF AFFAIRS

### Board’s Role and Responsibilities

At the helm of the decision-making process of the Company is the Board of Directors. The Board is headed by the non-executive and non-independent Chairman, Mr Lim Jit Poh, and is responsible for:

- (i) Providing entrepreneurial leadership and guidance, setting strategic directions and objectives of the Group (which include appropriate focus on value creation, innovation and sustainability) and ensuring that adequate financial and human resources are in place to achieve the objectives;
- (ii) Ensuring that appropriate and adequate systems of internal controls, risk management processes and Financial Authority Limits are in place to safeguard Shareholders’ interests and the Group’s assets, and to achieve an appropriate balance between risks and company performance;
- (iii) Challenging Management constructively and monitoring its performance;
- (iv) Identifying the key Stakeholder groups and guiding Management in the Company’s strategy and approach in addressing the concerns of these key Stakeholder groups, and ensuring transparency and accountability to all Stakeholders;
- (v) Instilling an ethical corporate culture and ensuring the Company’s values, standards, policies and practices are consistent with the culture; and
- (vi) Considering environmental, social and governance issues as part of its strategic formulation on sustainability.

### Induction, Training and Development of Directors

Upon appointment as a Director, the Board Chairman will send an official letter of appointment to the Director, which clearly explains his/her role, duties and responsibilities.

Management will conduct a comprehensive orientation programme for newly appointed Directors, where key aspects of the businesses, including financial and Corporate Governance policies are discussed. Site visits will also be arranged for new Directors so that they can better familiarise themselves with the Group’s operations. When a Director is appointed to a Board Committee, he/she is provided with its terms of reference.



Directors are encouraged to undergo continual professional development during the term of their appointment to update their knowledge and better equip themselves to discharge their duties as Directors for the Company. The fees for the courses are paid for by the Company. The Company Secretaries assist in professional development and training by regularly disseminating details of suitable seminars and courses organised by the Singapore Institute of Directors and other professional bodies and arranging for the Directors to attend such courses when requested.

The Company Secretaries also update the Board on Corporate Governance practices and circulate articles relating to changes in laws relevant to the Group's businesses. External consultants are also engaged to conduct seminars on specific topics as and when necessary. For example, the Directors attended a Sustainability Workshop conducted by PAIA Consulting on 17 October 2019.

Regular presentations are made by Management to the Board to enable Directors to better familiarise themselves with the Group's businesses. Site visits for the Board are also organised to enable Directors to learn more about the Group's operations. During such visits, Directors spend time with Management to discuss key strategies and policies pertaining not just to the specific operation, but also to the Group in general. Such meetings help Directors become better equipped to make informed decisions relating to the future direction of the Group.

### **Reserved Matters**

VICOM has adopted clear established and documented internal guidelines setting forth certain matters that require the Board's approval. Under these guidelines, acquisitions of businesses, disposals or changes in equity interests in existing subsidiaries/associates, investment in financial instruments, tender for businesses above the prescribed limits, assessing and approving key business decisions, funding and investment initiatives and other corporate actions, including approval of the Financial Authority Limits, Annual Budget and Capital Expenditure and the release of Financial Results require approval from the Board. In addition, the acceptance of credit facilities from banks, the establishment of capital market programmes and the issuance of debt instruments require the approval of the Board.

The Board periodically reviews the adequacy and effectiveness of internal controls, risk management and Financial Authority Limits to ensure that while there is delegation of authority, there are sufficient checks and balances in place to monitor such delegation.

### **Conflicts of Interest**

All Directors are required to avoid situations where their own personal or business interests may conflict or appear to conflict with the interests of the Company. Where a Director has a conflict of interest, or it appears that he/she might have a conflict of interest in relation to any matter, he/she must immediately declare his/her interest at a meeting of the Directors or send

a written notice to the Company containing details of his/her interest in the matter and the actual or potential conflict, and recuse himself/herself from participating in any discussion or decision on the matter.

### **Delegation by the Board**

To assist the Board in the detailed consideration of the various issues at hand and to facilitate decision-making, three Board Committees are formed, namely, the Audit and Risk Committee (ARC), the Nominating Committee (NC) and the Remuneration Committee (RC). Ad hoc committees are also formed to look at specific issues from time to time.

Each Board Committee is governed and regulated by its own terms of reference, which sets out the scope of its duties and responsibilities, regulations and procedures governing the manner in which the Board Committee is to operate and how decisions are to be taken.

Although the Board Committees are empowered to make their own decisions, the Board is ultimately responsible for all decisions made by the Board Committees.

### **Directors' Attendance at Board and Board Committee Meetings**

At least four scheduled Board Meetings are held every year for the purpose of approving the release of the Financial Results every quarter and the Annual Budget. The Board Meetings to approve the Financial Results are held within 45 days after the end of each quarter and the financial year. The Annual Budget is approved at the Board Meeting convened to consider the third quarter's results. Ad hoc Board and Board Committee Meetings are also held from time to time when the need arises. For instance, in 2019, the Board held an additional off-site meeting on 18 July 2019 to conduct a Corporate Strategy Review.

On 9 January 2020, Singapore Exchange Regulations ("SGX RegCo") announced that quarterly reporting of financial results will no longer be mandatory with effect from 7 February 2020. Accordingly, the Company would only announce financial results semi-annually. However, in the interest of good corporate governance, the Board will continue to hold Board meetings on a quarterly basis to review the performance of the Group.

Directors who are unable to attend meetings in person can still participate in the discussions through tele-conferencing. Decisions of the Board and Board Committees may also be obtained via circular Resolutions. Directors are free to seek clarifications and explanations from Management on the reports and papers submitted to the Board.

## Attendance of Directors at Annual General Meeting, Board and Board Committee Meetings in 2019

Name	Annual General Meeting	Board		Audit and Risk Committee		Nominating Committee		Remuneration Committee	
	Attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Lim Jit Poh	✓	5	5	–	–	2	1	2	2
Yang Ban Seng	✓	5	5	–	–	2	2 <sup>a</sup>	2	2 <sup>a</sup>
Sim Wing Yew	✓	5	5	4	4 <sup>a</sup>	2	1 <sup>a</sup>	2	2 <sup>a</sup>
Shim Phiau Wui, Victor	✓	5	5	4	4	2	1	2	1
Goh Yeow Tin	✓	5	5	4	4	2	1	2	1
June Seah Lee Kiang	✓	5	5	–	–	2	2	2	2
Soh Chung Hian, Daniel	✓	5	5	4	4	2	2	–	–
Tan Kim Siew	✓	5	5	–	–	2	2	2	2
Tan Poh Hong <sup>b</sup>	–	4	4	3	3	–	–	1	1
Teo Geok Har, Nancy	✓	5	5	4	4	–	–	2	2

## Notes:

(a) Attended meetings by invitation of the Committee.

(b) Appointed on 25 April 2019.

**Access to Information**

Prior to each Board and Board Committee Meeting, and where needed, Management provides Directors with complete, adequate and timely information. The Board also receives monthly management accounts, updates on key performance indicators and quarterly Investor Relations (IR) Reports covering IR activities and updates of analysts' and investors' views and comments. This enables the Board to make informed and sound business decisions and be kept abreast of key challenges, opportunities and developments for the Group. As a general rule, reports to the Board and Board Committees are disseminated to Directors prior to meetings to provide sufficient time for review and consideration, so that discussions at the meetings are productive and effective. All information is encrypted if distributed electronically.

**Independent Professional Advice**

Directors can request for additional information and has full access to Management. Management provides information requested by Directors for its meetings and decision making in a timely manner. Should there be a need to obtain independent professional advice on matters relating to the businesses of the Group or issues affecting the duties of the Directors, the Company will arrange for the appointment of relevant professional advisers at its own cost.

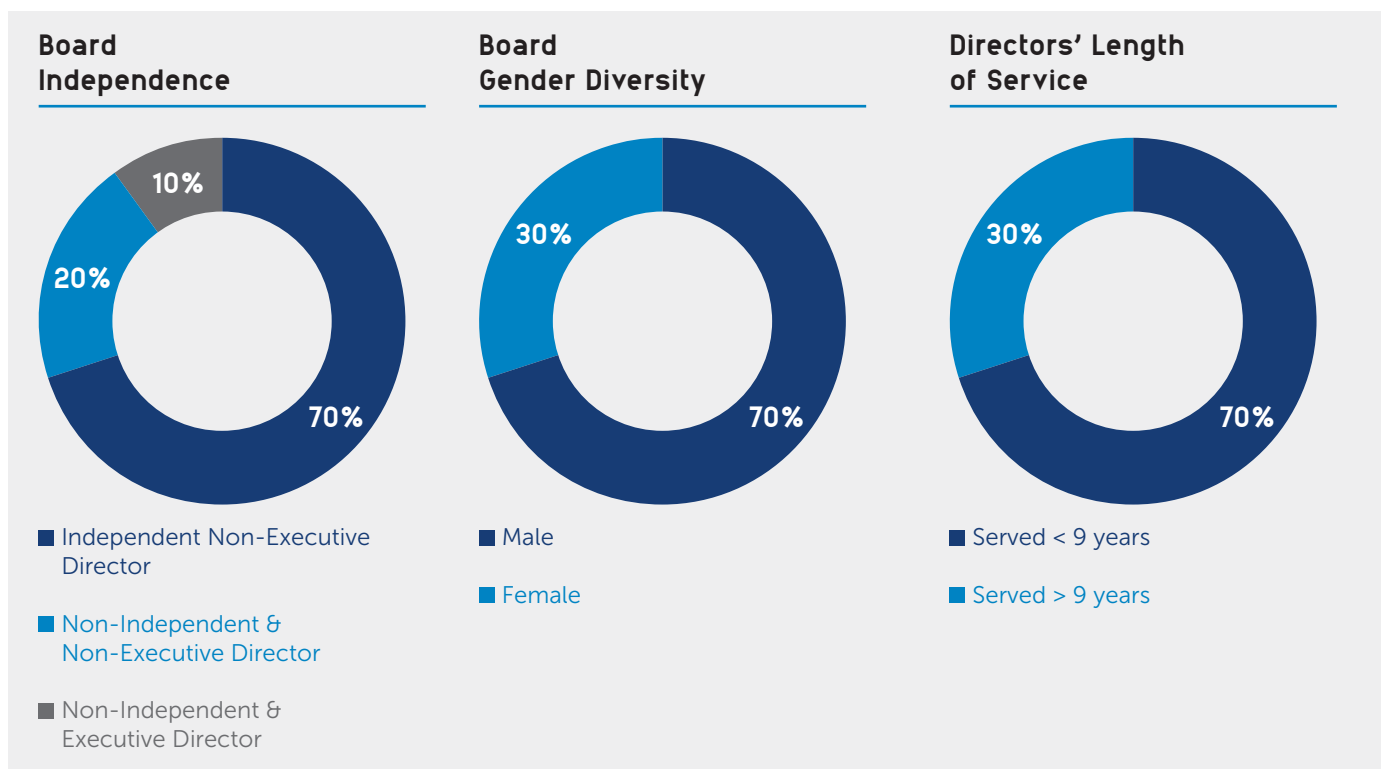
**Company Secretaries**

The Company Secretaries assist in organising Board and Board Committee Meetings and prepare the agenda in consultation with the Chairman and CEO. The Company Secretaries attend the Board and Board Committee Meetings. The Company Secretaries

keep the Directors informed of any significant developments or events relating to the Group, including compliance with all relevant rules and regulations. The Directors have separate and independent access to the Company Secretaries. The appointment and removal of the Company Secretaries are subject to the approval of the Board.

**PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE****Board Independence**

As at 31 December 2019, the Board comprised ten Directors with 70% independent Directors. There is a strong level of independence in the Board. Except for the Chairman and the Deputy Chairman who are non-executive non-independent Directors, as well as the Chief Executive Officer (CEO) who is an executive non-independent Director, all the remaining seven non-executive Directors (NED) are considered by the NC to be independent. This composition exceeds the requirement under the Code for the majority of the Board to comprise independent Directors where the Chairman is not an independent Director. The Chairman and Deputy Chairman are nominees of ComfortDelGro Corporation Limited (ComfortDelGro), a Substantial Shareholder (as defined under the Code), and therefore non-independent. As such a Lead Independent Director has been appointed with effect from 1 January 2013. The Chairman, Deputy Chairman and CEO are different persons and are not immediate family members. The Chairman and Deputy Chairman are also not part of the Management team. No person will be able to influence the decisions of the Board as the over-whelming majority of the Directors are independent NEDs.



The NC is responsible for assessing the independence of the Directors on an annual basis. Each Director is required to complete a Confirmation of Independence checklist which is drawn up in accordance with the guidelines provided in the Code and requires each Director to assess his/her own independence. The Director is required to declare any circumstances in which he/she may be considered non-independent. The NC will then review the Confirmation of Independence to determine whether a Director is independent. The NC deems a Director who is associated with a Substantial Shareholder in the current and immediate past financial year (as defined in the Code) as non-independent. Mr Lim Jit Poh is deemed as non-independent as he is both the nominee and the Chairman of ComfortDelGro, a Substantial Shareholder of the Company. Mr Yang Ban Seng is deemed as non-independent as he is both the nominee and the Managing Director/Group CEO of ComfortDelGro, a Substantial Shareholder of the Company. Mr Sim Wing Yew is deemed as non-independent as he is the Executive Director and CEO of the Company.

As at 31 December 2019, two out of the seven independent Directors have served on the Board for more than nine years. They are Mr Goh Yeow Tin and Ms Teo Geok Har, Nancy. The NC takes the view that a Director's independence cannot be determined solely and arbitrarily on the basis of the length of service. A Director's contribution in terms of experience, expertise, professionalism, integrity, objectivity and independent judgement in engaging and challenging Management in the best interests of the Group as he/she performs his/her duties in good faith, are more critical measures in ascertaining his/her independence than the number of years served on the Board. Hence, the Board does not impose a limit on the length of service of the independent Directors. In taking a holistic approach, the

Board and the NC exercise due and careful review, taking into consideration all other factors, in assessing the independence of a Director. These factors include, inter alia, if the Director has any interest, business, relationship and/or any other material contractual relationship with the Group which could reasonably be perceived to compromise his/her independence and interfere with the exercise of his/her independent business judgement. The Board is of the view that all independent Directors remain independent in the exercise of their judgement on Board matters.

#### Independent Judgement

All Directors are aware of their fiduciary duties and exercise due diligence and independent judgement in ensuring that their decisions are objective and in the best interests of the Company and its Group.

#### Board Size, Composition and Competency

The NC examines the size and composition of the Board and the Board Committees annually to ensure an appropriate balance and diversity of knowledge skills, experiences, age and gender and the size is conducive to effective discussion and decision making, with an appropriate number of independent Directors.

The bulk of the Group's businesses is regulated. Having considered the scope and nature of the operations of the Group and the requirements of its businesses, the NC and the Board are of the view that the current size of ten Directors is appropriate.

The Group is committed to building an open, inclusive and collaborative culture and recognises the importance of all aspects of diversity in supporting the achievement of its strategic objectives, growth and sustainable development.



The Board recognises the merits of gender diversity in relation to composition of the Board and in identifying suitable candidates for new appointments to the Board would ensure that female candidates are included for consideration. As at 31 December 2019, out of ten directors on the Board three of them or 30% are females.

The Directors are individuals with leadership experiences in business, government and the labour movement and with a broad diversity of expertise and experience including accounting, finance, technical testing, engineering, regulatory and business management. Each Director provides a valuable network of industry contacts and brings in different perspectives and ideas at Board discussions.

The NC is satisfied that the Board and Board Committees comprise Directors who as a group provide an appropriate balance and diversity of skills, experience, gender, age, knowledge and core competencies required for the Board and Board Committees to discharge their responsibilities effectively and ensure that the Group continues to be able to meet the challenges and demands of the markets in which it operates. The current makeup of the Board and Board Committees reflects our commitment to all aspects of diversity.

The individual profile of the Directors, their principal commitment and listed company directorships and chairmanships held currently in the preceding five years, are found in the 'Board of Directors' and 'Directors' Particulars' sections on pages 9 to 13 and pages 40 to 42 of this Annual Report.

### Non-Executive Directors' Participation

All the NEDs have unrestricted access to the Management and are well supported by accurate, complete and timely information, including monthly and quarterly performance reports. They participate actively at Board and Board Committee Meetings to constructively challenge Management and help develop proposals on business strategy and other business and governance issues and also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

All the members of the ARC, RC, and NC are NEDs. There is no executive Director on these Committees.

The non-executive Chairman, who is not a Member of ARC, meets with the chairman of the ARC and External Auditors annually in the absence of Management. From time to time when required, the NEDs led by the Lead Independent Director meet without the presence of Management before or after Board Meetings. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.

### PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

#### Roles of Chairman and CEO

The roles of the Chairman and the CEO are kept separate and distinct to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent

decision making. This is a deliberate policy agreed by the Board and one that is strictly adhered to. This ensures Management accountability and Board independence. The Chairman is responsible for the effective functioning of the Board, while the CEO is responsible for the operations and management of the Group's businesses. The Chairman and the CEO are not related.

The Chairman:

- (i) Leads the Board, facilitates effective contribution of all Directors, sets the agenda and promotes comprehensive, rigorous and open discussions at Board Meetings among the Directors, as well as between the Board and Management;
- (ii) Oversees the translation of the Board's decisions into executive actions;
- (iii) Ensures adequacy and timeliness of information flow between the Board and Management and effective communications with Shareholders and other Stakeholders;
- (iv) Encourages constructive relations within the Board and between the Board and Management; and
- (v) Promotes high standards of Corporate Governance and transparency.

The CEO is given full executive responsibility for the management of the Group's businesses and the implementation of the Group's strategies and policies as decided by the Board and reports to the Board on a regular basis.

The Chairman and the CEO represent the Board at official functions and meetings with Shareholders and other Stakeholders such as employees, regulators and customers. A detailed description of our engagements with Stakeholders can be found from pages 22 and 23 of our Sustainability Report.

### Lead Independent Director

Consistent with the Code, as the Chairman is deemed non-independent, the Board unanimously appointed Professor Shim Phiau Wui, Victor as the Lead Independent Director with effect from 1 September 2019. Professor Shim is the Chairman of the NC and a Member of the ARC.

### PRINCIPLE 4: BOARD MEMBERSHIP

There is a formal and transparent process for the appointment and reappointment of Directors to the Board, taking into account the need for progressive renewal of the Board.

#### Nominating Committee

As at 31 December 2019, the NC comprised five NEDs, of whom four including the chairman of the NC is independent. The Chairman of the NC is also the Lead Independent Director and he is not associated with a Substantial Shareholder. The NC is responsible for regularly reviewing the composition of the Board, identifying and proposing suitable candidates for appointment to the Board and ensuring succession plans are in place. The renewal

of Board membership is an ongoing process to ensure good governance and to maintain relevance in a changing business environment. All decisions by the NC are made by a majority of votes of the NC members who are present and voting. The key terms of reference of the NC include the following:

- (i) Review the Board's succession plans and make recommendations to the Board on all appointments and re-appointments of Directors and CEO of the Company;
- (ii) Assess the effectiveness of the Board and Board Committees and contribution by each individual Director;
- (iii) Develop a process for evaluation of the Board, its Board Committees' and Individual Directors' performance, including comparison with industry peers; and
- (iv) Make recommendations to the Board on the review of training and professional development programmes for Directors.

#### **Multiple Board Representations**

The NC subscribes to the view that it is important for Directors to devote sufficient time and attention to the affairs of the Group. Consistent with the guidelines in the Code, the NC and the Board have adopted the following as a proactive step in ensuring this:

- A Director who is in full-time employment should not serve as a Director on the Board of more than three listed companies; and
- A Director who is not in full-time employment should not serve as a Director on the Board of more than six listed companies.

As the number of board representations should not be the only measure of a Director's commitment and ability to contribute effectively, the NC takes the view that if a Director wishes to hold more board representations than the maximum stated in the guidelines, a request must be made to the Chairman of the Board for approval. As a policy, the Chairman himself should not hold more than six directorships in listed companies if he is not in full-time employment and not more than three directorships in listed companies if he is in full-time employment.

In assessing a Director's contribution, the NC takes a holistic approach. Focusing solely on Directors' attendance at Board and Board Committee Meetings per se may not be an adequate evaluation of the contribution of the Directors. Instead, their abilities to provide valuable insights and strategic networking to enhance the businesses of the Group, availability for guidance and advice outside the scope of formal Board and Board Committee Meetings and contributions in specialised areas are also factors relevant in assessing the contributions of the Directors.

As a policy, the CEO, being an executive of the Company, besides adhering to the guidelines set on the maximum number of board representations on listed companies, will also have to seek the approval of the Chairman before accepting any directorships of companies not within the Group. In considering whether or not to grant the approval, the Chairman will consider the time commitment of the CEO and whether the new external

directorships will provide strategic fit and networking for the businesses of the Group. The Chairman will also ensure that the CEO will not accept appointments to the boards of competitors.

As at 31 December 2019, all Directors comply with the guideline on multiple board representation.

#### **Alternate Director**

Consistent with the Code, there is no alternate Director on the Board.

#### **Process for Selection, Appointment and Re-appointment of Directors**

As part of the Board Succession Plan, new Directors may be identified from time to time for appointment to the Board after the NC evaluates and assesses their suitability in strengthening the diversity of skills, experience, gender, knowledge and core competencies of the Board relevant to the businesses of the Group.

The process for selection of new Directors is as follows:

- (i) The NC assesses the desired competencies and attributes of the Board taking into account the Group's businesses and its strategic objectives.
- (ii) The NC then assesses the competencies and attributes to include into the current representation to achieve the desired mix. This forms the basis for selection of new Directors.
- (iii) New Directors are sourced through various channels, including recommendations of Directors and Management.
- (iv) Potential candidates are interviewed by the NC to assess suitability and commitment.
- (v) The NC makes recommendations to the Board for approval.

The Constitution of the Company provides that one-third of the Directors are subject to retirement and re-election by rotation at every Annual General Meeting (AGM). All Directors are required to retire from office at least once every three years. Re-election is, however, not automatic, and all Directors are assessed by the NC on their past performance and contributions before being recommended to Shareholders for re-election. Newly appointed Directors are also subject to retirement and re-election at the AGM immediately following their appointments. At the forthcoming AGM, Mr Yang Ban Seng, Ms June Seah Lee Kiang, Professor Shim Phiau Wui, Victor and Ms Teo Geok Har Nancy are due for re-election pursuant to Regulation 98(b) of the Constitution of the Company, while Ms Tan Poh Hong is due for re-election pursuant to Regulation 99 of the Constitution of the Company. Ms Teo Geok Har Nancy will not be seeking re-election and will retire at the conclusion of the forthcoming AGM.

#### **Key Information on Directors**

The profile of the Directors and key information are set out in this Annual Report from page 9 to 13. The Notice of AGM sets out the Directors proposed for re-election or re-appointment at the forthcoming AGM. Key information on Directors are also available on the Company's website.

### PRINCIPLE 5: BOARD PERFORMANCE

Each year, the Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The NC is delegated by the Board to undertake a process to assess the effectiveness of the Board in terms of overall performance and growth of the Group, achieving an adequate return for Shareholders, preventing conflicts of interest and balancing the competing demands of the Group. In evaluating the contributions and performance of each individual Director, factors taken into consideration include attendance at AGM, Board and Board Committee Meetings and corporate activities, contributions in specialist areas and maintenance of independence. The performance criterion is determined by the NC and does not change from year to year.

In the last quarter of 2019, the NC conducted a performance evaluation of the Board, the Board Committee, and individual Directors. The performance evaluation included key points on Board's composition, Board's contributions, contributions at Board Committees and conduct of proceedings and whether the Directors had discharged their duties effectively. The findings were then presented by the Chairman of the NC to the Board during its meeting for deliberation and discussion on possible areas for improvement to enhance overall effectiveness.

## 2. REMUNERATION MATTERS

### PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

VICOM recognises the importance of having a skilled and dedicated workforce to manage and grow the businesses in an increasingly competitive and challenging environment. It therefore places great emphasis on motivating staff through engagement, recognition and an alignment of rewards to the performance, as well as long-term interests of the Group and Shareholders.

#### Remuneration Committee

The RC plays an important role in the Group's remuneration policies, as well as oversees the talent management and succession planning for Key Management Personnel. Besides providing the Board with an independent review and assessment of Directors' fee, it also reviews the remuneration framework and strategy for executive compensation, with the purpose of developing talent and building leadership bench strength to ensure the Group's continued success and enhancing shareholder value.

As at 31 December 2019, the RC comprised six independent NEDs, of whom five including the chairman of the RC are independent. This is in accordance with the Code. The RC considers all aspects of remuneration to ensure they are fair. Members of RC are independent of Management and also free from any business or other relationships, which may materially interfere with the exercise of independent judgement.

All decisions by the RC are made by a majority of votes of the RC members who are present and voting. Any member of the RC with a conflict of interest in relation to the subject matter under consideration would abstain from voting, approving or making recommendations that would affect the decisions of the RC. The CEO is not present at any RC discussions pertaining to his own compensation and the review of his performance. He is, however, in attendance when the compensation of Key Management Personnel is discussed. No Director is involved in deciding his or her own remuneration.

The key terms of reference of the RC include the following:

- (i) Oversee the talent management and succession planning for Key Management Personnel;
- (ii) Review and recommend to the Board the remuneration framework for compensation to each Director, and ensure that the level of remuneration offered is appropriate to the level of contribution;
- (iii) Review and approve the remuneration of Key Management Personnel that is aligned with the long-term interests of the Group to ensure that the overall remuneration package is attractive to retain and motivate Key Management Personnels; and
- (iv) Review the Group's obligations arising in the event of termination of Directors' and Key Management Personnel's services in a fair, reasonable and equitable manner, including the cessation of financial incentives that have been earned but not yet disbursed due to exceptional circumstances of misstatement or misconduct.

The RC has unrestricted access to the ComfortDelGro Group Chief Human Resource Officer, who attends all RC meetings and provides the relevant market remuneration data and practices to the Committee. The RC may also seek independent external expert advice on such matters where needed. In 2019, the Group continued to engage the services of an external consulting firm, Willis Towers Watson, to conduct an Executive Compensation Benchmarking exercise for an independent review of the compensation packages of its senior executives.

### PRINCIPLE 7: LEVEL OF MIX OF REMUNERATION

The Company is transparent on its remuneration policies, level and mix of remuneration, the procedures for setting remuneration, and the relationship between remuneration, performance and value creation.

The level and structure of remuneration of the Board and Key Management Personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company, and it is appropriate to attract, retain and motivate the Directors and Key Management Personnel to successfully manage the Company for the long term.

### Performance-related Remuneration

The Group is committed to creating and enhancing shareholder value through growth that is sustainable and profitable. The remuneration packages of the CEO and Key Management Personnel comprise fixed and variable components, and is appropriate and proportionate to sustained performance and value creation of the Company. The variable component in the form of year end performance bonuses, forms a significant proportion of the remuneration packages and is dependent on the profitability of the Group and individual performance. Subject to market conditions and the operating environment, the Group targets a total compensation package with fixed to variable component ratios of 70:30 for Rank and File Employees, 60:40 for Middle Management staff and 50:50 for Senior Management staff. The Group believes that a higher proportion of performance related component would ensure greater alignment of interests of the employees with those of Shareholders and contributes to sustainable performance and value creation in the long-term.

The Directors' fee structure for 2019 is set out below:

Board	Basic fee (per annum)	
Chairman	S\$62,000	
Deputy Chairman	S\$46,500	
Lead Independent Director	S\$37,200	
Member	S\$31,000	
	Additional fees (per annum) as	
Board Committee	Chairman	Member
Audit and Risk Committee	S\$20,667	S\$14,467
Nominating Committee	S\$10,334	S\$7,234
Remuneration Committee	S\$10,334	S\$7,234

The attendance fees payable to non-executive Directors for attendance at each Board and Board Committee Meeting are as follows:

Meetings	Attendance fee (per meeting)	
	In-person	Dial-in
Board	S\$1,000	S\$500
Board Committee	S\$1,000	S\$500

\* Directors are only paid one attendance fee when two or more meetings are held on the same day.

## PRINCIPLE 8: DISCLOSURE ON REMUNERATION

### Remuneration of Directors and Executives

CEO's remuneration:

Remuneration	The Group			
	Salary	Bonus	Others	Total Compensation
	S\$	S\$	S\$	S\$
2019				
Sim Wing Yew	290,400	290,400	80,040	660,840

## CORPORATE GOVERNANCE

The remuneration of the non-executive Directors comprised entirely Directors' fees as follows:

	Directors' fees
	2019
	S\$
Lim Jit Poh	76,468
Yang Ban Seng	46,500 <sup>1</sup>
Shim Phiau Wui, Victor	55,810
Goh Yeow Tin	58,894
June Seah Lee Kiang	47,599
Soh Chung Hian, Daniel	58,901
Tan Kim Siew	45,468
Tan Poh Hong	36,242 <sup>2</sup>
Teo Geok Har, Nancy	53,670

### Notes:

- 1 Mr Yang's Directors Fees are paid to the company's holding company ComfortDelGro Corporation Limited.
- 2 Amount constitutes Ms Tan Poh Hong's Directors' fees for the period from 25 April 2019 to 31 December 2019. Ms Tan was appointed as an Independent Non-Executive Director and a Member of both the Audit and Risk Committee and the Remuneration Committee with effect from 25 April 2019.

The remuneration of the Executives in the five key portfolios having regard to the performance of the individuals and the Group, are as follows:

Remuneration band	The Group			
	Salary	Bonus	Others	Total Compensation
	%	%	%	%
<b>2019</b>				
<b>S\$500,000 to S\$749,999</b>				
Sze Thiam Siong	51.2	38.4	10.4	100
<b>S\$250,000 to S\$499,999</b>				
Chung Tying Chun	58.3	31.6	10.1	100
Yusoof Aynuddin	51.3	36.3	12.4	100
Lee Peck Kim, Mary	59.9	34.9	5.2	100
<b>Below S\$250,000</b>				
Yip Chun Wah	64.6	26.9	8.5	100

The total remuneration paid to these five Executives holding the key portfolios (who are not Directors or the CEO) amounts to S\$1,653,600.

### Remuneration of Certain Related Employees

During the Financial Year 2019, no key executive whose remuneration exceeded S\$100,000 was a substantial shareholder of the Company, or an immediate family member of a Director or the CEO. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister and parent.

### 3. ACCOUNTABILITY AND AUDIT

The Board has overall accountability to the Shareholders of the Company and ensures that the Group is managed well and guided by sustainable long-term strategic objectives. The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects. Price sensitive and trade sensitive information, Annual Reports and other material corporate developments are disseminated in a timely and transparent manner and posted on the Company's website as well as SGXNet. The Financial Results are reported each quarter via SGXNet with an accompanying Negative Assurance by the Board to confirm that nothing has come to its attention that may render the results false or misleading in any material aspects. The Company believes that prompt and full compliance with statutory reporting requirements is fundamental to maintaining Shareholder confidence and trust.

The Group has formalised a Policy on Securities – Restrictions Against Dealings to provide guidance to Directors and executives of the Group in relation to dealings in the securities of the Company, ComfortDelGro Corporation Limited (ComfortDelGro) and SBS Transit Ltd (SBS Transit). Directors and executives of the Group are prohibited from dealing in the securities of the Company, ComfortDelGro and SBS Transit during the period commencing two weeks before the announcement of the Company's, ComfortDelGro and SBS Transit's first, second and third quarter results, and one month before the announcement of the full-year results and ending on the date of the announcement of the relevant results. All Directors and executives are notified of the trading blackout periods before the start of the financial year and are given reminders prior to each trading blackout period.

All Directors and executives of the Group are also told that they must not deal in (i) the securities of the Company, ComfortDelGro and SBS Transit on short-term consideration and/or while in possession of unpublished material price-sensitive and trade sensitive information relating to the relevant securities; and (ii) the securities of other listed companies while in possession of unpublished material price-sensitive information relating to those securities. Executives are required to notify the Company upon disposal of shares arising from the exercise of options under the Employees' Share Option Scheme which expired on 26 April 2011.

The Group has put in place a Standard Operating Procedure (SOP) on compilation of information on privy persons who have access to material information of transactions that have yet to be disclosed to the public. The SOP prescribes that the person-in-charge of such transactions must remind all privy persons to keep all material information strictly confidential.

### PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its Shareholders.

Risk management is an important and integral part of VICOM's strategic planning and decision making process. Key risks are identified and presented to the ARC and Board annually. Ownership of the risk management process is clearly defined and cascaded to the executive and functional levels, with stewardship retained at Senior Management. Plans that are necessary to manage and mitigate the risks are in place and closely monitored. The adequacy of the risk governance, risk policy and internal controls in place is also assessed as part of the process. A detailed description of the Group's approach to internal controls and risk management can be found from pages 43 to 45 of this Annual Report.

In 2019, the Group engaged an external consultant to review its risk management framework. The findings affirmed that key foundations of enterprise risk management ("ERM"), including ERM function, risk governance and processes are in place in the Group. The consultants have also scrutinized the documentation and evidence of all risk controls, and are satisfied that the required measures and processes are in place.

The Internal and External Auditors conduct reviews in accordance with their audit plans. Any material non-compliance and recommendations for improvements on the internal controls are reported to the ARC. The ARC also reviews the effectiveness of the actions taken by Management on the recommendations made by the Internal and External Auditors. The recommendations are followed up as part of the Group's continuous review of the system of internal controls.

For the Financial Year 2019, the Board has received assurance from the CEO and Chief Financial Officer (CFO) that (i) the financial records have been properly maintained and the financial statements are prepared in compliance with the Singapore Financial Reporting Standards (International) and are correct in all material aspects and give a true and fair view of the operations and finances of the Group; and (ii) the Group's internal controls system (including financial, operational, compliance and information technology controls) and risk management systems are adequate and effective.

Key risks, mitigating controls and business continuity plans in place are reviewed annually by the ARC and the Board. Based on these reviews, the Board is of the view, with the concurrence of the ARC, that the systems of risks management and internal controls in place for the Group are adequate and effective to address its financial, operational, compliance and information technology risks and to provide reasonable assurance against material financial misstatements or loss.



### PRINCIPLE 10: AUDIT AND RISK COMMITTEE

As at 31 December 2019, the ARC comprises five independent NEDs. None of the ARC members are previous partners or directors of the External Auditors within the previous 24 months and none of the ARC members hold any financial interest in the External Auditors. The Chairman and Members of the ARC are rotated periodically. The Board has reviewed and is satisfied that the members of the ARC are appropriately qualified to discharge their responsibilities.

The members collectively bring with them recent and relevant managerial and professional expertise in accounting and related financial management domains, as follows:

- (i) Mr Soh Chung Hian, Daniel, Chairman of the ARC, is a non-executive and independent Director of VICOM. He is also a member of the Nominating Committee of the Company. Mr Soh is a fellow member of the Institute of Singapore Chartered Accountants, Mr Soh began his career in 1977 with Ernst & Young LLP, Singapore, and was a partner from 1990 till his retirement in December 2012. His 35 years of experience saw him auditing many publicly listed companies and working on many IPOs of listed companies. Mr Soh holds a Bachelor of Accountancy from the then University of Singapore and a Master of Business Administration from International Centre of Management in the United Kingdom.
- (ii) Mr Goh Yeow Tin, Member of the ARC, is a non-executive and independent Director of VICOM. He is also a member of the Remuneration Committee of the Company. Mr Goh is a Member of the Singapore Institute of Directors and an independent Director of KTMG Limited, Sheng Siong Group Ltd, AsiaPhos Limited and TLV Holdings Limited. Prior to that, Mr Goh was the Vice President of Times Publishing Ltd and was responsible for the Group's Retail and Distribution businesses. Mr Goh was appointed a Justice of the Peace in September 2015 and was awarded the Public Service Star (Bar) the same year by the President of the Republic of Singapore. Mr Goh holds a Bachelor of Engineering (Mechanical) (Hons) from the University of Singapore and a Master of Engineering (Industrial Engineering & Management) from the Asian Institute of Technology.
- (iii) Prof Shim Phiau Wui, Victor, Member of the ARC, is a Lead Independent and non-executive Director of VICOM. He is also a Chairman of the Nominating Committee of the Company. Professor Shim was a Colombo Plan Scholar. He holds a Bachelor of Mechanical Engineering (First Class Honours) from the University of Auckland, New Zealand, a Master of Engineering from the National University of Singapore, and a Doctor of Philosophy from the University of Cambridge, UK. He is a registered Professional Engineer and a Senior Member of the Institution of Engineers, Singapore. He has received awards at NUS for Teaching Excellence, Innovative Teaching and Outstanding Service, and was conferred the Singapore National Day Public Administration Medal (Silver) in 2012.
- (iv) Ms Tan Poh Hong, Member of the ARC, is a non-executive and independent Director of VICOM. She is also a member of the Remuneration Committee of the Company. She is an independent Director on the Boards of Sheng Siong Limited, Centurion Corporation Limited and AnnAik Limited. She is a Council Member of the Singapore Red Cross and a Board Member of the Industrial & Services Corporative Society Limited, Jilin Food Zone Pte Ltd and Barramundi Asia Pte Ltd. Ms Tan holds a BSs (Hons) in Estate Management from the National University of Singapore, and a Master of Business Administration (with distinction) from New York University. She was awarded the Public Administration Medal (Gold) in 2013, and the Public Service Medal in 1999 by the Singapore Government and the NTUC Medal of Commendation in 2001.
- (v) Ms Teo Geok Har, Nancy, Member of the ARC, is a non-executive and independent Director of VICOM. She is also a Member of the Remuneration Committee of the Company. She was formerly the Chief Executive Officer of the Singapore Labour Foundation. She is also a Director of Dashmesh Singapore Pte Ltd. Ms Teo holds a Bachelor of Social Science (Hons) and a Bachelor of Arts, both from the University of Singapore. She attended the Advanced Management Programme at the Wharton School of Business, University of Pennsylvania, USA in 2004.

Members of the ARC keep abreast of relevant changes to accounting standards and issues through attendance at relevant seminars/talks, articles and news circulated by the Company Secretaries and regular updates by the External Auditors at ARC Meetings.

The terms of reference of the ARC are aligned with the provisions of Section 201B(5) of the Companies Act, Cap. 50 and include the following:

- (i) Risk identification and reviewing the adequacy and effectiveness of financial, operational, compliance and information technology controls and risk management systems to ensure effectiveness in the management of risks and compliance with internal policies and external regulations;
- (ii) Review the effectiveness, adequacy and independence of the Group's internal audit function;
- (iii) Review the quarterly and annual financial statements and also significant accounting and reporting issues and their impact on financial statements so as to ensure the integrity of the financial statements and any formal announcements relating to the Group's financial performance and recommend to the Board the acceptance of such financial statements;
- (iv) Review the scope and results of the audits undertaken by the Internal and External Auditors, including non-audit services performed by the External Auditors to ensure that there is a balance between maintenance of objectivity and cost effectiveness;
- (v) Review Interested Person Transactions;



- (vi) Recommend the appointment, re-appointment or removal of the External Auditors at the AGM and review the fees due to them;
- (vii) Review and approve the annual audit plans of the External Auditors;
- (viii) Review and approve the Internal Auditor's annual and three-year rolling work plans; and
- (ix) Review the effectiveness of the Group's Whistle Blowing Policy. The Whistle Blowing Policy is described on page 45 of this Annual Report.
- (v) Interested Person Transactions;
- (vi) Corporate Service Charges for 2019;
- (vii) Risk Management and adequacy and effectiveness of internal controls;
- (viii) Independence of the External Auditors;
- (ix) Re-appointment of External Auditors and its remuneration and recommendation to the Board; and
- (x) Significant matters (if any) raised through the whistle-blowing channel.

#### Audit and Risk Committee's Activities

The ARC held four meetings during the financial year under review. The CEO, CFO, ComfortDelGro Group Chief Internal Audit Officer (GCIAO) and the External Auditors were present at these meetings. The ARC reviewed and considered the following:

- (i) Overall scope of both internal and external audits and results of their respective audits;
- (ii) Significant internal and external audit observations and Management's responses;
- (iii) Quarterly and full year results announcements and the financial statements and recommendation to the Board;
- (iv) Adoption of the Singapore Financial Reporting Standards (International);

In the performance of its duties, the ARC has explicit authority to investigate the affairs falling within its terms of reference, with full access to and cooperation from Management, discretion to invite any Director or executive officer to attend its meetings and reasonable resources to enable it to discharge its duties properly.

The ARC meets with the Internal and External Auditors annually in the absence of Management.

During these meetings, the Auditors may raise issues encountered in the course of their work directly to the ARC.

#### Significant Financial Reporting Matters

In the review of the financial statements of the Group, the ARC considered the following key audit matters:

Significant matters	Review of significant matters by the ARC
Allowance for expected credit losses for trade receivables	<p>The Group makes allowances for expected credit losses based on an assessment of the recoverability of trade receivables. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation.</p> <p>Our audit procedures included critically challenging Management's assessment review for the allowance for expected credit losses. We have evaluated the design and implementation of key controls over the allowance for expected credit losses; assessed Management's assumptions about risk of default and expected credit loss rate; and assessed movement in the allowance for expected credit losses, write-off and recoveries of receivables. We found Management's key assumptions to be reasonable.</p>

Following the review and discussions on the above, the ARC recommended to the Board to approve the financial statements of the Group for the financial year ended 31 December 2019.

### Review of Independence of External Auditors

Prior to the re-appointment of the External Auditors, the ARC assesses their independence based on the guidelines set by the Accounting and Corporate Regulatory Authority and the Accountants Act. Having satisfied itself that the independence of the External Auditors, Deloitte & Touche LLP, is not impaired by their provision of non-audit services to the Group and that Rules 712, 715 and 716 of the SGX-ST Listing Manual have been complied with, the ARC has recommended to the Board that Deloitte & Touche LLP be nominated for reappointment as the Company's External Auditors at the next AGM.

As a further safeguard of Deloitte & Touche LLP's independence, the Deloitte & Touche LLP's partner in-charge of auditing the Company is changed every five years.

### Internal Audit

The internal audit function of the Group is performed by the ComfortDelGro Group Internal Audit Division comprising six suitably qualified and experienced Internal Audit staff including the GCIAO. The ComfortDelGro Group Internal Audit staff have professional qualifications and are members of the Institute of Singapore Chartered Accountants, Information Systems Audit and Control Association or Institute of Internal Auditors. The GCIAO reports functionally to the Chairman of the ARC and administratively to the CEO. The ComfortDelGro Group ARC approves the hiring, removal and evaluation of the GCIAO.

The Group Internal Audit Division adopts a risk based approach in its continuous audit work with focus on material internal control systems including financial, operational, information technology and compliance controls. It provides an independent and objective evaluation of the internal control systems and Corporate Governance processes of the Group. The annual and three year rolling audit plans are developed by the GCIAO in consultation with, but independent of, Management and are subject to the ARC's approval before the start of each financial year. Quarterly internal audit summary reports are also prepared and submitted to the ARC on the status of audits carried out. Any material non-compliance or lapses in internal controls are reported to the ARC and the CEO for improvements to be made. The ARC has full access to the GCIAO, and meets with the GCIAO at least once a year in the absence of Management. The Group Internal Audit Division is given unfettered access to all the Group's documents, records, properties and personnel, including access to the ARC.

The activities and organisational structure of the ComfortDelGro Group Internal Audit Division are monitored and reviewed by the ARC periodically to ensure that it has the necessary resources to adequately perform its functions and that there are no unjustified restrictions and limitations placed on the performance of its duties. The ComfortDelGro Group Internal Audit Division has adopted the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional

Practices Framework issued by the Institute of Internal Auditors (IIA Standards). The ComfortDelGro Group Internal Audit Division successfully completed its external Quality Assurance Review in 2018 by PricewaterhouseCoopers LLP and continues to meet or exceed the IIA Standards in all key aspects. The next Quality Assurance Review is scheduled for 2023.

The ARC finds the ComfortDelGro Group Internal Audit Division independent, effective and adequately resourced.

## 4. SHAREHOLDER RIGHTS AND ENGAGEMENT

### PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

#### Disclosure of Information to Shareholders

The Company notifies Shareholders in advance of the dates of release of its Financial Results through the Company's website as well as SGXNet. Communications with Shareholders is conducted through announcements to the SGXNet, media and analyst briefings after the announcement of the Financial Results together with its presentation materials, as well as the posting of announcements and press releases on the Company's website. The Group has formalised a Policy on Securities – Drafting and Releasing SGX Announcements to provide guidance on preparation of SGX announcements.

Shareholders may send in their requests or queries through the feedback channel provided on the website. The ComfortDelGro Group's Investor Relations (IR) team is accessible throughout the year to address Shareholders' queries. The contact details of the ComfortDelGro Group Chief Investor Relations Officer (GCIRO) can be found on the website.

Beyond complying with the requirements of the Code, the SGX-ST Listing Manual and the Companies Act, Cap. 50, the Company has also taken various additional measures to enhance Corporate Governance and improve transparency, including:

- (i) The Notice of AGM is released publicly at least 28 days before the AGM is held; and
- (ii) The Annual Report is available to all Shareholders at the Company's website at least 28 days before the AGM to ensure that all Shareholders have adequate time to review the Annual Report before the AGM. The electronic documentation demonstrates the Group's commitment towards Green and sustainable efforts. Upon request, hard copies are provided to Shareholders.

#### Conduct of Shareholder Meeting

The Company encourages and supports shareholder participation at general meetings, and views the AGM as a good opportunity for Shareholders to meet the Board and Senior Management. The top criterion for selecting the AGM venue is an easy to reach location within Singapore accessible by public transport. Shareholders are informed of Shareholders' Meetings through notices published in the newspapers and circulars sent to all Shareholders. All registered Shareholders are invited to attend

and participate actively in the AGM and are given the opportunity to seek clarification or question the Group's strategic direction, business, operations, performance and proposed Resolutions.

All Directors including the Chairman of the Board, CEO and the Chairpersons of the various Board Committees together with Senior Management and the Company Secretaries are present to address any question or feedback raised by the Shareholders at the AGM and thereafter, including those pertaining to the proposed Resolutions before they are voted on. The External Auditors are also present to address Shareholders' queries about the conduct of audit and the preparation and contents of the Auditor's Report.

The Board had since 2009 removed and stopped seeking the general authority to issue shares to address concerns from the Shareholders that if this general authority to share issue was mandated, the Company could subsequently issue shares pursuant to this mandate, which would dilute their shareholding percentages and affect their voting rights.

The Constitution of the Company provides for voting in person and by proxy at the AGM of the Company. Each Shareholder is allowed to appoint up to two proxies to vote on his behalf at Shareholders' Meetings through proxy forms sent in advance. Relevant intermediaries such as the Central Provident Fund and custodian banks are entitled to appoint more than two proxies to attend, speak and vote at Shareholders' Meetings. Shareholders who hold shares through these relevant intermediaries will be allowed to attend, speak and vote at the AGM subject to being appointed a proxy by their respective relevant intermediaries.

Each issue or matter requiring Shareholders' approval is tabled as a separate and distinct Resolution. All the Resolutions at the Shareholders' Meetings are single item Resolutions. The Company will consider implementing absentia voting methods such as voting via mail, e-mail or fax when security, integrity and other pertinent issues are satisfactorily resolved.

The Company prepares Minutes of General Meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting and responses from the Board and Management. The Minutes are available to Shareholders on the Company's website.

The Company has adopted electronic poll voting for General Meetings since 2013 to ensure greater transparency and efficiency in the voting process and results. Shareholders are invited to vote on each of the Resolutions by poll, using an electronic voting system. The results of all votes cast for or against each Resolution or abstentions if any and the respective percentages (Voting Results) and the names of the independent scrutineers for the AGM are presented during the AGM and are announced via the SGXNet after the AGM. Voting by poll is the most accurate means of tabulating Shareholders' votes according to the number of shares owned. We believe that this will encourage greater Shareholders' participation at the Company's General Meetings and demonstrates VICOM's commitment to high standards of Corporate Governance and transparency.

### **Dividend Policy**

The Company's dividend policy is to pay out at least 90% of profit attributable to Shareholders of the Company. The dividend policy takes into account the long-term objective of maximising shareholder value, availability of cash and retained earnings, projected Capital Expenditure and growth opportunities. The Company declares dividend semi-annually and informs its Shareholders of the dividend payments via announcements in the SGXNet. Dividends are paid to Shareholders in an equitable and timely manner.

### **PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS**

#### **Regular, Effective and Fair Communications with Shareholders**

It is our policy to disseminate accurate and pertinent information to the market in a timely and transparent manner as part of good Corporate Governance. We have put in place an IR programme to promote regular, effective and fair communications with Shareholders and the investment community. The dedicated ComfortDelGRO IR team works with Senior Management to proactively carry out this engagement programme.

Communications with the SGX-ST is handled by the Company Secretaries, while communications with Shareholders, analysts and fund managers is handled by the GCIRO. Specific guidelines have been laid down for compliance in respect of all public communications. The Company does not practise selective disclosure in the communication of material information.

In addition, the Company has put in place operational procedures to respond promptly to queries from the SGX-ST on any unusual trading activities in its securities and to clear all announcements to the SGXNet with the Board.

## **5. MANAGING STAKEHOLDERS RELATIONSHIPS**

### **PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS**

The Company recognises the importance of engaging and balancing the needs and interests of material stakeholders as part of its overall responsibility to ensure that the best interests of the Company are served.

The Company has arrangements in place to enable it to engage stakeholders so as to better understand and take action to address their needs and interests. The basis for and methods of engagement with the stakeholders, along with the key areas of focus for each stakeholder group, can be found on pages 22 to 23 of the Sustainability Report. Our Sustainability Report highlights the economic, environmental and social aspects of our developments and operations in accordance with the Global Reporting Initiative Guidelines (G4 Core) and is issued ahead of the requirement under the SGX-ST Listing Manual.

The Company maintains a current corporate website to communicate and engage with stakeholders.

### ADDITIONAL MEASURES TO ENHANCE CORPORATE GOVERNANCE

The Company has also undertaken various additional measures to enhance Corporate Governance as follows:

#### Corporate Gifts/Entertainment Policy

Whilst business gifts and entertainment are courtesies that build goodwill and sound working relationships among Business Partners, the Group does not tolerate the improper use of gifts or entertainment to gain any special advantage in a business relationship.

The Group discourages the receipt of gifts or acceptance of entertainment, loans or other favours as these may compromise an employee's ability to make objective, independent and fair business decisions. Offering excessive gifts in whatever form or entertainment to others can also be opened to misinterpretation.

Employees are therefore not permitted to offer or accept any gifts or entertainment without first seeking their supervisor's authorisation. Employees who receive gifts directly or indirectly in relation to their employment with the Group are expected to notify their supervisors and declare such gifts to the Group Human Resource Department. All gifts declared are processed through structured corporate procedures to ensure proper accountability.

Business gifts presented and entertainment on the Group's behalf are consistent with generally Corporate Governance accepted business practices and ethical standards and do not violate any applicable laws, regulations or policies of any country we operate in or company in which we have dealings with.

#### Anti-Corruption Policy

The Group complies with all the laws of the jurisdictions in which it operates and conducts businesses in an open, transparent manner, and prohibits employees from directly or indirectly offering, promising to pay, or authorising the payment of money or anything of value for the purpose of gaining perceived personal advantage for the Group. All employees are responsible for following the Group's procedures, including audit controls, for carrying out and reporting business transactions.

#### Block Leave Policy

As a further risk mitigation measure and to enhance governance, the Group has a Block Leave Policy in place which applies to Employees holding key functions. This arrangement allows covering officers to fully step into the duties of the Employees on leave as an additional check and balance against any breaches.

#### Health and Safety Policy

Given the nature of the Group's businesses, the health and safety of the employees and customers are of paramount importance. We comply with statutory requirements and regulations and procedures are put in place to guide proper safe work practices for the well-being of all employees and customers. Employees are sent for training to equip them with the required competencies.

Employees are to observe safety rules and carry out safe work practices that apply to their jobs to ensure a safe work environment for everyone.

#### Information Protection Policy

The Group has also implemented an Information Protection Policy to ensure that all documents and data information of the Group are properly safeguarded.

Information is classified into secret, confidential, restricted and unrestricted use based on its nature, contents and implications. Processes and systems used to store, process or communicate the information provide protection from unauthorised disclosure and use.

#### Data Protection Policy

All Business Units are required to comply with applicable laws pertaining to data protection. In particular, the Business Units in Singapore have implemented data protection policies and practices to ensure compliance with the obligations under the Personal Data Protection Act and Do Not Call provisions that came into force in 2014.

#### Cyber Security Policy

The Group has adopted the international information Security Standard ISO 27000 in assessing and formulating the Company's cyber security framework. The Group regularly reviews its cyber security measures to ensure effective protection of our information technology systems and databases. We have implemented multi-layered defence, including firewalls, intrusion prevention system, network access control, server hardening, data encryption and employee security training. We keep abreast of the evolving threats and the latest techniques, and actively collaborate with cyber security authorities and regulators to develop appropriate countermeasures.

We will continue to strengthen our capabilities in light of the way cyber security risks will evolve with the digital age. As and when necessary, we will take appropriate risk management decisions and implement security controls to secure our information infrastructure systems and databases.

#### Supplier Ethics Policy

The Group procures a wide range of goods and services from various businesses, companies, persons and entities and requires its suppliers to be in full compliance with all applicable laws and regulations and practise fair competition in accordance with local anti-trust and competition regulations. Suppliers must conduct their businesses with integrity, transparency and honesty and the Group does not condone any corrupt and fraudulent practice.

Suppliers must have in place health and safety policies for its employees and be committed to good environmental, social and governance practices. Suppliers must not trade in the securities of the Group while in possession of confidential non-public information.

### Creditors' Payment Policy

The Group values its suppliers and is committed to safeguarding creditors' rights and acknowledges the importance of paying invoices, especially those of small businesses, in a timely manner.

It is the Group's practice to agree terms with suppliers when entering into contracts. We negotiate with suppliers on an individual basis and meet our obligations accordingly.

### Interested Person Transactions

#### LISTING MANUAL – RULE 907

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
ComfortDelGro	ComfortDelGro is the majority shareholder of the Company	\$1,959,345	NIL
SBS Transit Ltd	SBS is an associate of the Company	\$697,213	NIL

There is no Shareholders' mandate for Interested Party Transactions pursuant to Rule 920 of the Listing Manual.

# DIRECTORS' PARTICULARS

Name	Age	Present Directorships / Chairmanships (as at 31 December 2019)	Past Directorships / Chairmanships held over the preceding five years (from 1 January 2015 to 31 December 2019)	Present Principal Commitments	Past Principal Commitments over the preceding five years
<b>Lim Jit Poh</b> Chairman (Non-executive & Non-independent)	80	<p><b>Principal Directorship in the VICOM Group</b></p> <ul style="list-style-type: none"> <li>• Setsco Services Pte Ltd</li> </ul> <p><b>Principal Directorships in the ComfortDelGro Group</b></p> <ul style="list-style-type: none"> <li>• ComfortDelGro Corporation Limited</li> <li>• Beijing Jin Jian Taxi Services Co., Ltd</li> <li>• Comfort Transportation Pte Ltd</li> <li>• CityCab Pte Ltd</li> <li>• ComfortDelGro Engineering Pte Ltd</li> <li>• CityFleet Networks Limited</li> <li>• ComfortDelGro Corporation Australia Pty Ltd</li> <li>• Guangzhou Xin Tian Wei Transportation Development Co., Ltd</li> <li>• Metroline Limited</li> <li>• Swan Taxis Pty Ltd</li> </ul> <p><b>Directorship in the SBS Transit Group</b></p> <ul style="list-style-type: none"> <li>• SBS Transit Ltd*</li> </ul> <p><b>Other Companies</b></p> <ul style="list-style-type: none"> <li>• Family Leisure Pte Ltd</li> <li>• NCI Golf Pte Ltd</li> <li>• Pasir Ris Resort Pte Ltd</li> <li>• SLF Leisure Enterprises (Pte) Ltd</li> <li>• Surbana Property Investment Pte Ltd</li> <li>• CapitaLand Township Development Fund Pte Ltd</li> <li>• CapitaLand Township Development Fund II Pte Ltd</li> </ul>	<ul style="list-style-type: none"> <li>• Ascott Residence Trust Management Ltd*</li> </ul>	Nil	Nil

\* Listed Company



Name	Age	Present Directorships / Chairmanships (as at 31 December 2019)	Past Directorships / Chairmanships held over the preceding five years (from 1 January 2015 to 31 December 2019)	Present Principal Commitments	Past Principal Commitments over the preceding five years
<b>Yang Ban Seng</b> Deputy Chairman (Non-executive & Non-independent)	63	<p><b>Principal Directorships in the VICOM Group</b></p> <ul style="list-style-type: none"> <li>• Setsco Services Pte Ltd</li> <li>• JIC Inspection Services Pte Ltd</li> </ul> <p><b>Principal Directorships in the ComfortDelGro Group</b></p> <ul style="list-style-type: none"> <li>• ComfortDelGro Corporation Limited</li> <li>• Beijing Jin Jian Taxi Services Co., Ltd</li> <li>• Comfort Transportation Pte Ltd</li> <li>• CityCab Pte Ltd</li> <li>• ComfortDelGro Engineering Pte Ltd</li> <li>• CityFleet Networks Limited</li> <li>• ComfortDelGro Corporation Australia Pty Ltd</li> <li>• Guangzhou Xin Tian Wei Transportation Development Co., Ltd</li> <li>• Metroline Limited</li> <li>• Swan Taxis Pty Ltd</li> </ul> <p><b>Directorships in the SBS Transit Group</b></p> <ul style="list-style-type: none"> <li>• SBS Transit Ltd*</li> <li>• SBS Transit DTL Pte Ltd</li> </ul>	Nil	<ul style="list-style-type: none"> <li>• ComfortDelGro Corporation Limited* (Managing Director &amp; Group Chief Executive Officer)</li> <li>• SBS Transit Ltd* (Executive Deputy Chairman)</li> </ul>	Nil
<b>Sim Wing Yew</b> Chief Executive Officer (Executive & Non-Independent)	52	<p><b>Directorship in the ComfortDelGro Group</b></p> <ul style="list-style-type: none"> <li>• ComfortDelGro Engineering Pte Ltd</li> </ul> <p><b>Directorships in the VICOM Group</b></p> <ul style="list-style-type: none"> <li>• VICOM Inspection Centre Pte Ltd</li> <li>• Setsco Services Pte Ltd</li> <li>• JIC Inspection Services Pte Ltd</li> <li>• Setsco Consultancy International Pte Ltd</li> <li>• Setsco Services (M) Sdn Bhd</li> <li>• Setsco Middle East Laboratory LLC</li> </ul>	Nil	Nil	Nil
<b>Shim Phyu Wui, Victor</b> Director (Non-executive & Lead Independent)	66	Nil	Nil	<ul style="list-style-type: none"> <li>• National University of Singapore (Professor of Mechanical Engineering and Associate Vice-President for Global Relations)</li> </ul>	Nil

\* Listed Company

## DIRECTORS' PARTICULARS

Name	Age	Present Directorships / Chairmanships (as at 31 December 2019)	Past Directorships / Chairmanships held over the preceding five years (from 1 January 2015 to 31 December 2019)	Present Principal Commitments	Past Principal Commitments over the preceding five years
<b>Goh Yeow Tin</b> Director (Non-executive & Independent)	69	<b>Other Companies</b> <ul style="list-style-type: none"> <li>• TLV Holdings Limited*</li> <li>• KTMG Limited*</li> <li>• Sheng Siong Group Ltd*</li> <li>• AsiaPhos Limited*</li> <li>• Edu-Community Pte Ltd</li> <li>• Kiran Electronics B&amp;C Services Pte Ltd</li> <li>• Seacare Manpower Services Pte Ltd</li> <li>• Seacare Foundation Pte Ltd</li> <li>• SGP Global Pte Ltd (Formerly known as WaterTech Pte Ltd)</li> </ul>	<ul style="list-style-type: none"> <li>• OEL (Holdings) Limited*</li> <li>• Singapore Post Limited*</li> <li>• Seacare Medical Holdings Pte Ltd</li> </ul>	Nil	Nil
<b>June Seah Lee Kiang</b> Director (Non-executive & Independent)	66	Nil	Nil	<ul style="list-style-type: none"> <li>• The Peranakan at Claymore Connect (Partner)</li> <li>• Omise Co. (Head of Business Development)</li> </ul>	<ul style="list-style-type: none"> <li>• Visa (Head of Merchant and Acquirer Partnerships)</li> </ul>
<b>Soh Chung Hian, Daniel</b> Director (Non-executive & Independent)	66	<b>Other Companies</b> <ul style="list-style-type: none"> <li>• Lum Chang Holdings Limited*</li> <li>• British and Malayan Holdings Limited*</li> <li>• Sunright Limited*</li> <li>• British and Malayan Trustees Limited</li> <li>• Agency for Integrated Care Pte Ltd</li> </ul>	<ul style="list-style-type: none"> <li>• Eu Yan Sang International Ltd*</li> <li>• QAF Limited*</li> <li>• JDJ Investment Pte Ltd</li> </ul>	Nil	Nil
<b>Tan Kim Siew</b> Director (Non-executive & Independent)	66	<b>Directorship in the SBS Transit Group</b> <ul style="list-style-type: none"> <li>• SBS Transit Ltd*</li> </ul>	Nil	Nil	Nil
<b>Tan Poh Hong</b> Director (Non-executive & Independent)	61	<b>Other Companies</b> <ul style="list-style-type: none"> <li>• Sheng Siong Limited Corporation Limited*</li> <li>• Centurion Corporation Limited*</li> <li>• AnnAik Limited*</li> <li>• Barramundi Asia Pte Ltd</li> <li>• Jilin Food Zone Pte Ltd</li> </ul>	<ul style="list-style-type: none"> <li>• Agri-Food and Veterinary Authority (Chief Executive Officer and Board Member - 2009-2017)</li> </ul>	Nil	<ul style="list-style-type: none"> <li>• Agri-Food and Veterinary Authority (Chief Executive Officer and Board Member - 2009-2017)</li> </ul>
<b>Teo Geok Har, Nancy</b> Director (Non-executive & Independent)	65	<b>Other Company</b> <ul style="list-style-type: none"> <li>• Dashmesh Singapore Pte Ltd</li> </ul>	Nil	Nil	Nil

\* Listed Company

# RISK MANAGEMENT

**The VICOM Group's Risk Management Framework provides a systematic process for the Group and its Business Units to identify and review the nature and complexity of the risks involved in their business operations and to prioritise resources to manage them. The Group is committed to enhance shareholder value through growth that is sustainable and profitable, while taking measured and well-considered risks.**

The Group's approach to risk management is underpinned by several key principles:

- The risk management process is a continuous and iterative one, as the Group's businesses and operating environments are dynamic. Risk identification, assessment and risk management practices are reviewed and updated regularly to manage risks proactively.
- We promote and inculcate risk awareness among all our employees by embedding risk management processes into day-to-day business operations and setting an appropriate tone at the top. Regular exercises, continuous education and training, as well as communications through various forums on risk management are carried out to sustain a risk-informed and risk-aware culture in the Group.
- Ownership of and accountability for the risk management process is clearly defined and assigned to the Business Units, departments and individuals. Managers at each level have intimate knowledge of their businesses and take ownership of risk management, with stewardship retained at Senior Management.

The Group Chief Executive Officer (CEO) works closely with the ComfortDelGro Group's Management Risk Committee and takes the lead to ensure that the Risk Management Framework is diligently implemented across the Group. Key risks for the Group are identified and presented to the Audit and Risk Committee and the Board annually.

The different Business Units have different risk profiles, thereby necessitating different programmes to manage the risks. The risk management programmes are regularly reviewed and tested to ensure that they remain relevant, and that they meet changing business requirements. The key risks faced by the Group, the relevant mitigating factors and how they are managed are set out in the paragraphs below.

## FINANCIAL RISKS

The Group has established internal control systems to safeguard its assets and regularly reviews the effectiveness of these controls to improve and fortify financial discipline. All policies and procedures on financial matters, including approval limits and authority, are clearly defined in the Group's Financial Procedures Manual.

## Financial Authority Limits

Comprehensive and specific financial authority limits are put in place for capital expenditure, operating expenses, treasury matters, direct investments, revenue tender participation, and disposal and write-off of assets. These authority limits are delegated based on the organisational hierarchy from the Board down to the Group CEO and the Heads of Business Units/Departments, with the Board retaining the ultimate authority. Any expenditure exceeding the highest authority limit is referred to the Board for approval. To ensure that the Group's assets continue to be managed prudently, the Board periodically reviews the mandate that it delegates to Management.

## Budgetary Control

A robust and comprehensive Annual Budget is prepared and approved by the Board prior to the commencement of each financial year. Material variations between actual and budgeted performance are reviewed on a monthly basis. The capital expenditure budget is approved in-principle by the Board as part of the Annual Budget. Each capital expenditure is subjected to rigorous justification and review before it is incurred in accordance with the Group's financial authority limits. Specific approvals must be sought for unbudgeted expenditures. Tight control on manpower is exercised through the headcount budget.

## Financial Risk Management

The Group recognises that prudent management of financial risks is an important aspect in the creation of shareholder value. The main areas of financial risks faced by the Group are foreign exchange/currency risk, interest rate risk, credit risk and liquidity risk. It is the Group's policy not to participate in financial derivative instruments. Sensitivity analysis and reviews of the Group's exposure to financial risks under changing market conditions are carried out regularly.

A detailed description of the financial risks and how the Group manages them are set out in the Notes to the Financial Statements on pages 62 to 101.

## Economic Cycle

Changes in economic conditions in the countries that the Group operates in may impact the businesses in terms of customer demand and the cost of providing the services. We manage these risks by continuously scanning and monitoring political and economic issues. We also monitor demand trends, cost structures, and operating margins closely. Expenses are managed

## RISK MANAGEMENT

in the light of revenue patterns and changing market conditions. Where possible, revenue risks are mitigated by diversifying revenue streams.

### OPERATIONAL RISKS

Operational risks may arise from failures in internal controls, operational processes or the supporting systems. The Group has put in place operating manuals, standard operating procedures, authority guidelines and a regular reporting framework to manage these risks.

#### Safety

Managing the safety of our customers, our staff and the public is the cornerstone of the Group's safety policy. We conduct safety briefings and drills regularly to instil a safety conscious culture in our employees at all levels. Safety audits are conducted regularly to ensure that safety standards are maintained.

#### Environmental

The Group is committed to being a socially responsible organisation through minimising the impact our business activities have on the environment. Our operations, accidents and natural events can result in pollution or other environmental risks. To limit these risks, we engage in active environmental risk management, ensuring that we target the problems that could arise and that preventive measures are put in place. We comply with all relevant regulations in the countries that we operate in. Ways in which the Group works to protect the environment can be found in our Sustainability Report section of this Annual Report as well as in the Sustainability Report of our parent company, ComfortDelGro Corporation Limited.

#### Human Resource

The Group's ability to develop and grow the business depends on the quality of its employees, and it is committed to invest in building its resource pool. We have in place various programmes and processes that focus on several key areas, including talent management, building management bench strength, succession planning, performance management, compensation and benefits, training and development, and employee conduct and supervision. We ensure that our employees are selected and promoted based on merit, they understand their responsibilities and are given access to necessary training. At all times, a positive, constructive and productive working climate based on strong tripartite relations is fostered. We ensure that all policies, processes, terms and conditions of employment, including those relating to foreign labour force, are in compliance with the relevant regulations.

#### Property and Liability

The Group's exposure to property damage, business interruption and other liability risks is constantly monitored and reviewed with the Group's wholly-owned in-house insurance broking subsidiary. We ensure sufficiency of insurance coverage and maintain an optimal balance between risks that are retained internally and risks that are placed out with underwriters.

### Business Continuity

We have put in place Business Continuity Plans (BCPs) to mitigate the risks of disruption and catastrophic loss to our operations, people, information databases and other assets. Such risks can arise from adverse natural events like flooding, fires, or from pandemic outbreaks. The BCPs include identification and planning of alternate recovery centres, operational procedures to maintain communication, measures to ensure continuity of critical business functions, protection of our employees and customers, and recovery of information databases. We update and test the BCPs regularly. Drills and emergency response exercises are conducted to familiarise employees with the various incident management plans. The BCPs enhance the Group's operational readiness and resilience to potential business disruptions.

### INFORMATION TECHNOLOGY RISKS

Information technology system failures and cyber risks are key risks for the Group since almost all the businesses rely heavily on information technology. This can take the form of a major system failures which can result in disruption of the business, or a security breach of our information technology systems. Cyber security is about protecting information systems and data from unauthorised access, use, disclosure, disruption, modification or destruction. The Group's information technology security management framework complies with the latest industry standards. We have put in place various controls and data recovery measures to mitigate the risks, including the use of intrusion prevention systems, multi-level firewalls, server protection, software code hardening and data loss prevention controls to manage Internet security and Cyber threats. Penetration tests are carried out regularly to test the systems, identify potential vulnerabilities and to strengthen the security hardening of our websites. Information security policies and procedures, including education for all staff, are reviewed and enhanced regularly.

### COMPLIANCE RISKS

The Group keeps abreast and complies with all laws and regulations governing the conduct of business in the countries that it operates in. We work closely with regulatory Authorities in the respective countries as part of our risk management process to keep abreast of developments and policies that may affect our businesses and the competitive landscape. We manage our operations effectively to ensure that standards are met, thereby reducing significantly the risk of losing the business.

### STRATEGIC RISKS

We evaluate each new investment proposal to ensure that it is in line with the Group's strategy and investment objectives, and that it is able to meet the relevant hurdle rates of return. This assessment includes macro and project specific risks analysis covering feasibility study, due diligence, financial modelling and sensitivity analysis of key investment assumptions and variables. Every new investment opportunity is evaluated in terms of (a) profitability; (b) return on investment; (c) pay back period; (d) cash flow generation; (e) potential for internal and external



growth; and (f) investment climate and political stability of the country. To stay ahead of the technology curve, the Group actively explores and experiments with innovative technologies and new business models. We keep a close watch and selectively invest in digitalisation and autonomous technologies that will impact and shape the future of the mobility industry.

### **AUDIT PROCESS**

The Internal and External Auditors conduct reviews in accordance with their audit plans to assess the adequacy of the internal controls that are in place. In the course of their audits, the Internal and External Auditors will highlight to the Management and the Audit and Risk Committee the areas where there are material deficiencies, non-compliance, weaknesses or where there are occurrences or potential occurrence of significant risk events. The auditors will also propose mitigating measures and treatment plans. The recommendations are followed up as part of the Group's continuous review of its system of internal controls, and the implementation status is reported to the Audit and Risk Committee.

### **CODE OF BUSINESS CONDUCT AND WHISTLE BLOWING POLICY**

The Group has adopted a Code of Business Conduct which sets out the principles and policies upon which businesses are conducted. The Code of Business Conduct includes the anti-corruption and anti-bribery policies that stress on zero tolerance on fraud, improper use of monetary favours, gifts or entertainment. In addition, employees should not put themselves in a position of conflict of interest with the Group. If there is a potential conflict of interest, employees should declare to their immediate supervisors and recuse themselves from the decision process.

The Whistle Blowing Policy is to provide a mechanism for employees to raise concerns, through well-defined and accessible confidential disclosure channels about possible improprieties in financial reporting or other improper business conduct. New employees are briefed on the channels they can go about raising their concerns. Incidents can also be reported directly to the Chairperson of the Audit and Risk Committee or the ComfortDelGro Group Chief Internal Audit Officer. All cases are investigated and dealt with promptly and thoroughly.



# FINANCIAL CALENDAR

## 2019

<u>Announcement of 2018 Full Year Results</u>	<u>11 February 2019</u>
<u>Annual General Meeting</u>	<u>24 April 2019</u>
<u>Announcement of 1st Quarter 2019 Results</u>	<u>10 May 2019</u>
<u>Payment of 2018 final dividend (23.17 cents/share) and special dividend (8.62 cents/share)</u>	<u>10 May 2019</u>
<u>Announcement of 2nd Quarter 2019 Results</u>	<u>7 August 2019</u>
<u>Payment of 2019 interim dividend (14.11 cents/share)</u>	<u>26 August 2019</u>
<u>Announcement of 3rd Quarter 2019 Results</u>	<u>11 November 2019</u>

## 2020

<u>Announcement of 2019 Full Year Results</u>	<u>12 February 2020</u>
<u>Annual General Meeting</u>	<u>22 April 2020</u>
<u>Payment of 2019 final dividend (24.29 cents/share) (Subject to Shareholders' approval at the forthcoming Annual General Meeting)</u>	<u>11 May 2020</u>
<u>Announcement of 2020 Half Year Results</u>	<u>12 August 2020*</u>

\* Provisional – Updates will be posted on [www.vicom.com.sg](http://www.vicom.com.sg)



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# DIRECTORS' STATEMENT

The Directors present their statement together with the audited Consolidated Financial Statements of the Group for the financial year ended 31 December 2019 and the Statement of Financial Position and Statement of Changes in Equity of the Company as at 31 December 2019.

In the opinion of the Directors, the Consolidated Financial Statements of the Group and the Statement of Financial Position and Statement of Changes in Equity of the Company as set out on pages 56 to 101 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

## 1 DIRECTORS

The Directors of the Company in office at the date of this statement are:

Lim Jit Poh	(Chairman)
Yang Ban Seng	(Deputy Chairman)
Sim Wing Yew	(Chief Executive Officer)
Shim Phiau Wui, Victor	(Lead Independent Director)
Goh Yeow Tin	
June Seah Lee Kiang	
Soh Chung Hian, Daniel	
Tan Kim Siew	
Tan Poh Hong	(Appointed on 25 April 2019)
Teo Geok Har, Nancy	

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

# DIRECTORS' STATEMENT

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and its related corporations as recorded in the register of Directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50, except as follows:

		Shareholdings registered in name of Directors		
		At 1 January 2019	At 31 December 2019	At 21 January 2020
<b>Interest in the Company</b>				
(a)	Ordinary shares			
	Lim Jit Poh	190,000	190,000	190,000
	Sim Wing Yew	10,000	10,000	10,000
	Shim Phiau Wui, Victor (Deemed Interest)	6,000	6,000	6,000
<b>Interest in related company, SBS Transit Ltd</b>				
(a)	Ordinary shares			
	Sim Wing Yew	230,000	70,000	70,000
<b>Interest in holding company, ComfortDelGro Corporation Limited</b>				
(a)	Ordinary shares			
	Lim Jit Poh	244,425	244,425	244,425
	Yang Ban Seng	157,168	7,168	7,168
	Yang Ban Seng (Deemed Interest)	18,185	18,185	18,185
	Sim Wing Yew	500,000	450,000	450,000
	Shim Phiau Wui, Victor (Deemed Interest)	19,000	19,000	19,000
(b)	Options to subscribe for ordinary shares			
	Yang Ban Seng	660,000	660,000	660,000

## 4 OPTIONS TO TAKE UP UNISSUED SHARES

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

# DIRECTORS' STATEMENT

## 5 OPTIONS EXERCISED

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

## 6 UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

## 7 AUDIT AND RISK COMMITTEE

At the date of this report, the Audit and Risk Committee comprises four non-executive independent Directors:

Soh Chung Hian, Daniel	(Chairman)
Goh Yeow Tin	
Shim Phiau Wui, Victor	
Tan Poh Hong	(Appointed on 25 April 2019)
Teo Geok Har, Nancy	

The Audit and Risk Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50 and the Code of Corporate Governance 2018.

In performing its functions, the Audit and Risk Committee reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors four times during the year to discuss the scope and results of their respective audits, and at least once annually without the presence of Management. The Audit and Risk Committee has reviewed the independence of the external auditors, Deloitte & Touche LLP, including the scope of the non-audit services performed and confirmed that the auditors are independent.

In addition, the Audit and Risk Committee has reviewed the Financial Statements of the Group and of the Company before their submission to the Board of Directors of the Company and provided assurance to the Board on the adequacy of financial, operational, compliance and information technology controls.

The Audit and Risk Committee has full access to and has the co-operation of the Management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit and Risk Committee.

The Audit and Risk Committee has recommended to the Board of Directors, the nomination of Deloitte & Touche LLP for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.



# DIRECTORS' STATEMENT

## 8 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

**Lim Jit Poh**  
Chairman

**Sim Wing Yew**  
Chief Executive Officer

Singapore  
12 February 2020

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VICOM LTD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the accompanying Financial Statements of VICOM Ltd (the "Company") and its subsidiaries (the "Group") which comprise the Statement of Financial Position of the Group and the Company as at 31 December 2019, and the Group Income Statement, Group Comprehensive Income Statement, Group Statement of Changes in Equity and Group Cash Flow Statement and Statement of Changes in Equity of the Company for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies, as set out on pages 56 to 101.

In our opinion, the Consolidated Financial Statements of the Group and the Statement of Financial Position and the Statement of Changes in Equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the Financial Statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current year. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Allowance for expected credit losses for trade receivables

The Group makes allowances for expected credit losses based on an assessment of the recoverability of trade receivables. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation as disclosed in Note 3 to the Financial Statements.

Our audit procedures included critically challenging Management's assessment review for the allowance for expected credit losses. We have evaluated the design and implementation of key controls over the allowance for expected credit losses; assessed Management's assumptions about risk of default and expected credit loss rate; and assessed movement in the allowance for expected credit losses, write-off and recoveries of receivables. We found Management's key assumptions to be reasonable.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VICOM LTD

## **Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the Financial Statements and our auditor's report thereon. The Directors' Statement was obtained prior to the date of this auditor's report and the remaining other information included in the annual report is expected to be made available to us after that date.

Our opinion on the Financial Statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

## **Responsibilities of Management and Directors for the Financial Statements**

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair Financial Statements and to maintain accountability of assets.

In preparing the Financial Statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VICOM LTD

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF VICOM LTD

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the Financial Statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tsia Chee Wah.

### **DELOITTE & TOUCHE LLP**

Public Accountants and  
Chartered Accountants  
Singapore

12 February 2020



# STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2019

	Note	The Group		The Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	5	92,851	104,097	88,973	74,627
Trade receivables	6	16,181	16,857	2,244	2,334
Other receivables and prepayments	7	1,827	1,638	1,168	1,012
Inventories		21	28	–	–
Total current assets		110,880	122,620	92,385	77,973
<b>Non-current assets</b>					
Subsidiaries	8	–	–	25,941	25,941
Associate	9	25	25	–	–
Club memberships	10	–	155	–	155
Financial assets at fair value through other comprehensive income	11	1,349	–	1,349	–
Vehicles, premises and equipment	12	55,458	56,089	20,089	21,885
Right-of-use assets	13	26,007	–	18,931	–
Goodwill	14	11,325	11,325	–	–
Total non-current assets		94,164	67,594	66,310	47,981
<b>Total assets</b>		<b>205,044</b>	<b>190,214</b>	<b>158,695</b>	<b>125,954</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Trade and other payables	15	24,180	22,804	7,465	6,757
Due to subsidiaries	16	–	–	46,624	15,704
Provision for relocation costs	17	6,589	–	–	–
Lease liabilities	18	1,210	–	566	–
Income tax payable		6,923	6,890	3,762	3,676
Total current liabilities		38,902	29,694	58,417	26,137
<b>Non-current liabilities</b>					
Deferred tax liabilities	19	1,548	1,661	193	244
Lease liabilities	18	32,304	–	25,476	–
Provision for relocation costs	17	–	7,053	–	–
Total non-current liabilities		33,852	8,714	25,669	244
<b>Total liabilities</b>		<b>72,754</b>	<b>38,408</b>	<b>84,086</b>	<b>26,381</b>
<b>Capital, reserves and non-controlling interests</b>					
Share capital	20	36,284	36,284	36,284	36,284
Other reserves	21	3,065	3,073	3,065	3,073
Foreign currency translation reserve		(1)	21	–	–
Accumulated profits		91,977	111,456	35,260	60,216
Equity attributable to shareholders of the Company		131,325	150,834	74,609	99,573
Non-controlling interests		965	972	–	–
Total equity		132,290	151,806	74,609	99,573
<b>Total liabilities and equity</b>		<b>205,044</b>	<b>190,214</b>	<b>158,695</b>	<b>125,954</b>

See accompanying notes to the Financial Statements.

# GROUP INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2019

	Note	The Group	
		2019 \$'000	2018 \$'000
<b>Revenue</b>	22	103,703	100,063
<b>Other income</b>	23	–	7,743
Staff costs	24	(46,667)	(44,857)
Depreciation and amortisation	10, 12, 13	(7,412)	(6,424)
Contract services		(3,448)	(3,395)
Materials and consumables		(2,506)	(2,461)
Premises costs		(1,805)	(3,700)
Repairs and maintenance costs		(1,694)	(1,669)
Utilities and communication costs		(1,642)	(1,507)
Other operating costs		(4,337)	(4,083)
Total operating costs		(69,511)	(68,096)
<b>Operating profit</b>		34,192	39,710
Finance costs	25	(918)	–
Interest income		1,657	1,427
<b>Profit before taxation</b>		34,931	41,137
Taxation	26	(6,052)	(5,978)
<b>Profit after taxation</b>	27	28,879	35,159
Attributable to:			
Shareholders of the Company		28,412	34,700
Non-controlling interests		467	459
		28,879	35,159
Earnings per share (in cents):			
Basic	28	32.05	39.15
Diluted	28	32.05	39.15

See accompanying notes to the Financial Statements.

# GROUP COMPREHENSIVE INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2019

	Note	The Group	
		2019 \$'000	2018 \$'000
<b>Profit after taxation</b>		28,879	35,159
<b>Items that may be reclassified subsequently to Profit or Loss</b>			
Exchange differences arising on translation of foreign operations		(22)	15
<b>Items that may not be reclassified subsequently to Profit or Loss</b>			
Fair value adjustment on equity investments	21	(8)	–
<b>Other comprehensive (loss) income for the year</b>		(30)	15
<b>Total comprehensive income for the year</b>		28,849	35,174
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		28,382	34,715
Non-controlling interests		467	459
		28,849	35,174

See accompanying notes to the Financial Statements.

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	The Group						
	Attributable to shareholders of the Company						
	Share capital \$'000	Other reserves \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>Balance at 1 January 2018</b>	<b>36,284</b>	<b>3,073</b>	<b>6</b>	<b>108,969</b>	<b>148,332</b>	<b>977</b>	<b>149,309</b>
<b>Total comprehensive income for the year</b>							
Profit for the year	–	–	–	34,700	34,700	459	35,159
Other comprehensive income for the year	–	–	15	–	15	–	15
Total	–	–	15	34,700	34,715	459	35,174
<b>Transactions recognised directly in equity</b>							
Payment of dividends (Note 33)	–	–	–	(32,213)	(32,213)	–	(32,213)
Total	–	–	–	(32,213)	(32,213)	–	(32,213)
Payments to non-controlling interests	–	–	–	–	–	(464)	(464)
<b>Balance at 31 December 2018</b>	<b>36,284</b>	<b>3,073</b>	<b>21</b>	<b>111,456</b>	<b>150,834</b>	<b>972</b>	<b>151,806</b>
Adoption of SFRS(I) 16 (Note 2)	–	–	–	(7,204)	(7,204)	(43)	(7,247)
Balance at 1 January 2019 (Restated)	36,284	3,073	21	104,252	143,630	929	144,559
<b>Total comprehensive income for the year</b>							
Profit for the year	–	–	–	28,412	28,412	467	28,879
Other comprehensive income for the year	–	(8)	(22)	–	(30)	–	(30)
Total	–	(8)	(22)	28,412	28,382	467	28,849
<b>Transactions recognised directly in equity</b>							
Payment of dividends (Note 33)	–	–	–	(40,687)	(40,687)	–	(40,687)
Total	–	–	–	(40,687)	(40,687)	–	(40,687)
Payments to non-controlling interests	–	–	–	–	–	(431)	(431)
<b>Balance at 31 December 2019</b>	<b>36,284</b>	<b>3,065</b>	<b>(1)</b>	<b>91,977</b>	<b>131,325</b>	<b>965</b>	<b>132,290</b>

See accompanying notes to the Financial Statements.

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	The Company			Total equity \$'000
	Share capital \$'000	Other reserves \$'000	Accumulated profits \$'000	
<b>Balance at 1 January 2018</b>	<b>36,284</b>	<b>3,073</b>	<b>69,040</b>	<b>108,397</b>
Profit for the year, representing total comprehensive income for the year	–	–	23,389	23,389
<b>Transactions recognised directly in equity</b>				
Payment of dividends (Note 33)	–	–	(32,213)	(32,213)
Total	–	–	(32,213)	(32,213)
<b>Balance at 31 December 2018</b>	<b>36,284</b>	<b>3,073</b>	<b>60,216</b>	<b>99,573</b>
Adoption of SFRS(I) 16 (Note 2)	–	–	(7,020)	(7,020)
Balance at 1 January 2019 (Restated)	36,284	3,073	53,196	92,553
<b>Total comprehensive income for the year</b>				
Profit for the year	–	–	22,751	22,751
Other comprehensive income for the year	–	(8)	–	(8)
Total	–	(8)	22,751	22,743
<b>Transactions recognised directly in equity</b>				
Payment of dividends (Note 33)	–	–	(40,687)	(40,687)
Total	–	–	(40,687)	(40,687)
<b>Balance at 31 December 2019</b>	<b>36,284</b>	<b>3,065</b>	<b>35,260</b>	<b>74,609</b>

See accompanying notes to the Financial Statements.

# GROUP CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2019

	2019 \$'000	2018 \$'000
<b>Operating activities</b>		
Profit before taxation	34,931	41,137
Adjustments for:		
Depreciation of property, plant and equipments and amortisation of club memberships	6,071	6,424
Depreciation of right-of-use assets	1,341	–
Interest expense	918	–
Interest income	(1,657)	(1,427)
Loss (Gain) on disposal of vehicles, premises and equipment and surrender of lease	2	(14,813)
Provision for relocation costs	–	7,053
Allowance for expected credit losses	435	305
Operating cash flows before movements in working capital	42,041	38,679
Trade receivables	241	(3,745)
Other receivables and prepayments	(190)	(3)
Inventories	7	(8)
Trade and other payables	912	(68)
Cash generated from operations	43,011	34,855
Interest paid	(918)	–
Income tax paid	(6,132)	(4,793)
Net cash from operating activities	35,961	30,062
<b>Investing activities</b>		
Purchase of vehicles, premises and equipment	(5,372)	(26,197)
Purchase of unquoted equity instruments held at fair value through other comprehensive income	(1,357)	–
Interest received	1,658	1,478
Proceeds from disposal of vehicles, premises and equipment and surrender of lease	82	23,901
Net cash used in investing activities	(4,989)	(818)
<b>Financing activities</b>		
Repayments of lease liabilities	(1,081)	–
Payments to non-controlling interests	(431)	(464)
Dividends paid (Note 33)	(40,687)	(32,213)
Net cash used in financing activities	(42,199)	(32,677)
<b>Net effect of exchange rate changes in consolidating subsidiaries</b>	(19)	16
Net decrease in cash and cash equivalents	(11,246)	(3,417)
Cash and cash equivalents at beginning of year	104,097	107,514
<b>Cash and cash equivalents at end of year (Note 5)</b>	92,851	104,097

See accompanying notes to the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 1 GENERAL

The Company (Registration No. 198100320K) is incorporated in the Republic of Singapore with its registered office at 205 Braddell Road, Singapore 579701. Its principal place of business is at 385 Sin Ming Drive, Singapore 575718. The Company is listed on the Singapore Exchange Securities Trading Limited.

The principal activities of the Company are those of an investment holding company and the provision of motor vehicle evaluation and other related services. The principal activities of the companies in the Group are in the business of testing services which include the provision of motor vehicle inspection services and provision of non-vehicle testing, inspection and consultancy services, as described in Note 8.

The Financial Statements are expressed in Singapore dollars and all values are expressed in thousand (\$'000) except when otherwise indicated.

The Consolidated Financial Statements of the Group for the financial year ended 31 December 2019 and the Statement of Financial Position and Statement of Changes in Equity of the Company as at 31 December 2019 were authorised for issue by the Board of Directors on 12 February 2020.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** – The Financial Statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and SFRS(I)s.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Consolidated Financial Statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(1) 1-36 *Impairment of Assets*.

**ADOPTION OF NEW AND REVISED FINANCIAL STANDARDS** – In the current financial year, the Group has adopted all the new and revised SFRS(I)s that are relevant to its operations and effective for annual periods beginning on 1 January 2019.

The adoption of these new and revised SFRS(I)s has no material effect on the amounts reported for the current or prior years except as disclosed below.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### ADOPTION OF NEW AND REVISED FINANCIAL STANDARDS (CONT'D)

#### SFRS(I) 16 *Leases*

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's and Company's Financial Statements is described below.

The date of initial application of SFRS(I) 16 for the Group is 1 January 2019.

The Group has applied SFRS(I) 16 using the cumulative catch-up approach which:

- requires the Group to recognise the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and
- does not permit restatement of comparatives, which continue to be presented under SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with SFRS(I) 1-17 and SFRS(I) INT 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. SFRS(I) 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in SFRS(I) 1-17 and SFRS(I) INT 4.

The Group applies the definition of a lease and related guidance set out in SFRS(I) 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in SFRS(I) 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### ADOPTION OF NEW AND REVISED FINANCIAL STANDARDS (CONT'D)

#### SFRS(I) 16 *Leases* (Cont'd)

(b) Impact on lessee accounting

*Former operating leases*

SFRS(I) 16 changes how the Group accounts for leases previously classified as operating leases under SFRS(I) 1-17, which were off-balance-sheet.

Applying SFRS(I) 16, for all leases, the Group:

- (i) Recognises right-of-use assets and lease liabilities in the Statements of Financial Position, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with SFRS(I) 16.C8(b)(ii), except for the right-of-use asset for property leases which were measured on a retrospective basis as if the Standard had been applied since the commencement date;
- (ii) Recognises depreciation of right-of-use assets and interest on lease liabilities in the Comprehensive Income Statement; and
- (iii) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the Cash Flow Statement.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I) 1-17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under SFRS(I) 16, right-of-use assets are tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by SFRS(I) 16. This expense is presented within other operating expenses in the Statement of Profit or Loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying SFRS(I) 1-17.

- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### ADOPTION OF NEW AND REVISED FINANCIAL STANDARDS (CONT'D)

#### SFRS(I) 16 Leases (Cont'd)

(c) Impact on lessor accounting

SFRS(I) 16 does not change substantially how a lessor accounts for leases. Under SFRS(I) 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, SFRS(I) 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

(d) Financial impact of initial application of SFRS(I) 16

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the Statement of Financial Position on 1 January 2019 is 2.689%.

The following table shows the operating lease commitments disclosed applying SFRS(I) 1-17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the Statement of Financial Position at the date of initial application.

	<b>The Group</b>	<b>The Company</b>
	<b>2019</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Operating lease commitments at 31 December 2018	16,031	12,593
Less: Short-term leases and leases of low value assets	(6)	–
Less: Effect of discounting the above amounts	(2,228)	(1,997)
Add: Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	20,808	16,013
<b>Lease liabilities recognised as at 1 January 2019</b>	<b>34,605</b>	<b>26,609</b>

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statements of Financial Position immediately before the date of initial application, except for the right-of-use assets for property leases which were measured on a modified retrospective basis as if the Standard had been applied since the commencement date. Consequently, right-of-use assets of \$27,358,000 and \$19,589,000 and the net impact on accumulated profits of \$7,247,000 and \$7,020,000 relating to the lease liabilities above were recognised on 1 January 2019 for the Group and Company respectively.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**NEW/REVISED STANDARDS AND IMPROVEMENTS TO THE STANDARDS NOT YET ADOPTED** – The Group has not applied the following accounting standards that are relevant to the Group and have been issued as at the end of the reporting period but not yet effective:

- Amendments to SFRS(I) 1-1 *Presentation of Financial Statements* and SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*<sup>(1)</sup>
- Amendments to References to the Conceptual Framework in SFRS(I) Standards<sup>(1)</sup>

<sup>(1)</sup> Applies to annual periods beginning on or after 1 January 2020.

Management anticipates that the adoption of the above amendments to SFRS(I) in future periods will not have a material impact on the Financial Statements of the Group in the period of their initial adoption.

**BASIS OF CONSOLIDATION** – The Consolidated Financial Statements incorporate the Financial Statements of the Group and entities controlled by the Group and its subsidiaries. Control is achieved when the Group:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Group Income Statement and Group Comprehensive Income Statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or Loss and each component of Other Comprehensive Income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies in line with those consistently by the Group.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### BASIS OF CONSOLIDATION (CONT'D)

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling interests' share of changes in equity since the date of the combination. Losses are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

In the Statement of Financial Position of the Company, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in Profit or Loss.

**BUSINESS COMBINATIONS** – The acquisition of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group to the former owners of the acquiree in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 *Business Combinations* are recognised at their fair values at the acquisition date except for deferred tax assets or liabilities which are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes*. Acquisition-related costs are recognised in Profit or Loss as incurred.

The interest of the non-controlling shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

**FINANCIAL INSTRUMENTS** – Financial assets and financial liabilities are recognised on the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through Profit or Loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through Profit or Loss are recognised immediately in Profit or Loss.

### Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### FINANCIAL INSTRUMENTS (CONT'D)

#### Financial assets (Cont'd)

##### Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss:

- the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or fair value through other comprehensive income ("FVTOCI") criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

##### Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

##### Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which SFRS(I) 3 applies.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### FINANCIAL INSTRUMENTS (CONT'D)

#### Financial assets (Cont'd)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in Other Comprehensive Income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to Profit or Loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Group has designated its investment in equity instruments, which comprises of an unquoted equity security and is not held for trading, as at FVTOCI on initial application of SFRS(I) 9 (see Note 11).

Dividends on this investment in equity instruments is recognised in Profit or Loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

#### Impairment of financial assets

The Group applies the simplified approach permitted by SFRS(I) 9 for trade receivables. The expected credit losses ("ECL") on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors as well as current and forecast general economic conditions at the reporting date. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the rate of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information, where relevant. The internal credit rating of these financial assets are categorised as "Doubtful". The basis for recognition of ECL for financial assets with significant increase in credit risk since initial recognition is lifetime ECL – not credit impaired.

A default on a financial asset is when the counterparty fails to make contractual payments within a specific period after the credit period granted. The internal credit rating of these financial assets are categorised as "Non-performing". The basis for recognition of ECL for financial assets with evidence indicating credit-impaired is lifetime ECL – credit impaired.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include taking into consideration observable data about the significant financial difficulty of the issuer or the borrower; a breach of contract, such as a default or past due event; it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Where receivables have been written off, the Group continues to recover the receivables due. Where recoveries are made, these are recognised in Profit or Loss.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### FINANCIAL INSTRUMENTS (CONT'D)

#### Financial assets (Cont'd)

##### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in Profit or Loss.

#### Financial liabilities and equity instruments

##### Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

##### Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

##### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in Profit of Loss.

LEASES (before 1 January 2019) – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### FINANCIAL INSTRUMENTS (CONT'D)

#### Financial liabilities and equity instruments (Cont'd)

##### The Group as lessee

Rentals payable under operating leases (net of any incentive received from lessor) are charged to Profit or Loss on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

#### LEASES (from 1 January 2019)

##### The Group as lessor

The Group enters into lease agreements as a lessor with respect to its leasehold buildings.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies SFRS(I) 15 to allocate the consideration under the contract to each component.

##### The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

The Group determines its incremental borrowing rate based on the quotes from reputable banks in accordance to the type of asset, tenure and country where the assets are situated.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### LEASES (from 1 January 2019) (Cont'd)

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Statements of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### LEASES (from 1 January 2019) (Cont'd)

The right-of-use assets are presented as a separate line in the Statements of Financial Position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other operating costs' in the Comprehensive Income Statement.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

**INVENTORIES** – Inventories, comprise of spare parts for the testing services equipment, are stated at cost. Cost comprises cost of purchase and those costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method.

**CLUB MEMBERSHIPS** – Club memberships acquired are recorded at cost less accumulated amortisation and any accumulated impairment losses.

**VEHICLES, PREMISES AND EQUIPMENT** – Vehicles, premises and equipment are stated at cost or valuation, less accumulated depreciation and any provision for impairment.

Capital projects in progress comprising development and construction costs incurred during the period of construction are carried at cost, less any recognised provision for impairment. Depreciation on these assets, on the same basis as other vehicles, premises and equipment, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of the assets, other than capital projects in progress, over their estimated useful lives, using the straight-line method, on the following bases:

	<b><u>Number of years</u></b>
Leasehold land and buildings	Over the remaining lease period
Furniture, fittings and equipment	5 to 7
Workshop machinery, tools and equipment	
– General workshop machinery, tools and equipment	3 to 10
– Specialised inspection and testing equipment	20
Motor vehicles	5 to 10
Computers and automated equipment	3 to 5

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

On disposal of an item of vehicles, premises and equipment, the difference between the sale proceeds and its carrying amount is recognised in Profit or Loss.

Fully depreciated vehicles, premises and equipment still in use are retained in the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**ASSOCIATES** – An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these Consolidated Financial Statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5. Under the equity method, an investment in an associate is initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise the Group's share of the Profit or Loss and Other Comprehensive Income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in Profit or Loss.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

**GOODWILL** – Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognised immediately in Profit or Loss.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any provision for impairment.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the provision for impairment is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. A provision for impairment recognised for goodwill is not reversed in a subsequent period.

On divestment of a subsidiary, the attributable amount of goodwill is included in the determination of the Profit or Loss on divestment.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**IMPAIRMENT OF NON-FINANCIAL ASSETS EXCLUDING GOODWILL** – At the end of each reporting year, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the provision for impairment (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives are tested for impairment annually, or more frequently if there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. A provision for impairment is recognised immediately in Profit or Loss.

Where provision for impairment subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no provision for impairment been recognised for the asset (cash-generating unit) in prior years. A reversal of provision for impairment is recognised immediately in Profit or Loss.

**PROVISIONS** – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the present value of the best estimate of the consideration required to settle the present obligation at the end of the reporting year, taking into account the risks and uncertainties surrounding the obligation.

**DEFERRED INCOME** – Deferred income arises from advance receipts from customers that are recognised to Profit or Loss when the services are rendered.

**SERVICE BENEFITS** – These comprise the following:

- (i) Retirement Benefits – The Company and some of the subsidiaries participate in defined contribution retirement benefit plan (Central Provident Fund for Singapore-incorporated subsidiaries and Employees Provident Fund for Malaysia-incorporated subsidiary). Payments made to the plan are charged as an expense as they fall due.
- (ii) Employee Leave Entitlement – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**GOVERNMENT GRANTS** – Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grant will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the Statement of Financial Position and transferred to Profit or Loss on a systematic and rational basis over the useful lives of the related assets.

Government grants in relation to expenses incurred are recognised as other operating income in the period which they become receivable.

**REVENUE RECOGNITION** – The Group recognises revenue from the following major sources:

- Vehicle inspection services; and
- Testing and inspection testing.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product to a customer or when services are rendered.

### Vehicle inspection services

Revenue from vehicle inspection services is recognised at a point in time upon completion of the inspection services.

### Testing and inspection testing

Revenue from testing services for aerospace, marine and offshore, biotechnology, oil and petrochemical, building construction and electronics manufacturing industries is recognised at a point in time upon completion of the final test report.

### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### Rental income

Rental income is recognised on a straight-line basis over the term of the relevant lease.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**INCOME TAX** – Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

Deferred income tax assets/liabilities are recognised for deductible/taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. The principal temporary differences arise from depreciation and future tax benefits from certain provisions not allowed for tax purposes until a later period. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in Profit or Loss, except when they relate to items credited or debited outside Profit or Loss (either in Other Comprehensive Income or directly in equity), in which case the tax is also recognised outside Profit or Loss (either in Other Comprehensive Income or directly in equity), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** – The individual Financial Statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Consolidated Financial Statements of the Group and the Statement of Financial Position and Statement of Changes in Equity of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the Consolidated Financial Statements.

In preparing the Financial Statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting year, monetary items denominated in foreign currencies are translated at rates prevailing at the end of each reporting year. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in Profit or Loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in Profit or Loss for the period except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in Other Comprehensive Income. For such non-monetary items, any exchange component of that gain or loss is also recognised in Other Comprehensive Income.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (CONT'D)

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in Other Comprehensive Income and accumulate in the Group's currency translation reserve. Such translation differences are recognised in Profit or Loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in Other Comprehensive Income and accumulated in the currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of a foreign operation and translated at the closing rate.

**CASH AND CASH EQUIVALENTS IN THE GROUP CASH FLOW STATEMENT** – Cash and cash equivalents in the Group Cash Flow Statement comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### *Critical judgements in applying the Group's accounting policies*

In the application of the Group's accounting policies, which are described in Note 2, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Management is of the opinion that any instances of applications of judgements are not expected to have a significant effect on the amounts recognised in the Financial Statements (apart from those involving estimations, which are dealt with below).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

### Goodwill impairment review

The Group tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units ("CGU") to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. No provision for impairment has been recognised. The carrying amount of goodwill at the end of the reporting period is disclosed in Note 13.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by Management for the next year and extrapolates cash flows for the following 4 years based on an estimated growth rates of approximately 1.0% (2018 : 2.5%). The estimated growth rate does not exceed the average long-term growth rate for the relevant country in which the CGU operates.

The discount rate applied to the forecast is 4.70% (2018 : 5.39%).

As at 31 December 2019 and 31 December 2018, any reasonably possible changes to the key assumptions applied are not likely to cause the recoverable amount to be below the carrying amount of the CGU.

### Allowance for expected credit losses

The Group makes allowances for expected credit losses based on an assessment of the recoverability of trade receivables. The impairment provisions for trade receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The identification of loss allowance requires use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying amount of the trade receivables and loss allowance in the period in which such estimate has been changed. The carrying amount of trade receivables is disclosed in Note 6.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 4 HOLDING COMPANY AND RELATED COMPANY/PARTY TRANSACTIONS

The Company is a subsidiary of ComfortDelGro Corporation Limited, incorporated in the Republic of Singapore, which is also the Company's ultimate holding company. Related companies in these Financial Statements refer to members of the holding company's group of companies.

Some of the Group's transactions and arrangements and terms thereof are arranged by or between members of the holding company's group of companies. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note.

Significant related company transactions are as follows:

	The Group	
	2019 \$'000	2018 \$'000
Inspection and testing services charged to related companies	(2,036)	(2,132)
Refuelling outlet (variable rental) income charged to related company	(284)	(248)
Rental income charged to related companies	(420)	(508)
Assessment fee charged to related companies	(259)	(262)
Other fees charged to related companies	(74)	(55)
Corporate service charges paid to holding company	492	361
Other charges paid to holding company	88	111
Other charges paid to related companies	200	137
Rental expense paid to related companies	189	180

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad debts allowance in respect of the amounts owed by related companies.

## 5 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash and bank balances	3,539	29,422	448	717
Fixed deposits with financial institutions	89,312	74,675	88,525	73,910
Total	92,851	104,097	88,973	74,627

Fixed deposits are placed on a staggered basis based on the Group's cash flow projections, bore interest at effective interest rates of between 1.68% to 2.14% (2018 : 1.50% to 1.99%) per annum and for a weighted average tenure of approximately 275 days (2018 : 376 days). These deposits are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 6 TRADE RECEIVABLES

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Outside parties	18,174	18,491	739	855
Allowance for expected credit losses	(2,128)	(1,814)	(152)	(110)
Allowance for discount allowed	(318)	(376)	–	–
Net	15,728	16,301	587	745
Holding company (Note 4)	3	–	–	–
Subsidiaries (Note 4)	–	–	1,504	1,408
Related companies (Note 4)	450	556	153	181
Total	16,181	16,857	2,244	2,334

The average credit period on sale of goods and provision of services is 30 days (2018 : 30 days).

Before accepting any new corporate customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

An allowance has been made for estimated irrecoverable amounts from the provision of services to outside parties of the Group of \$2,128,000 (2018 : \$1,814,000) and of the Company of \$152,000 (2018 : \$110,000). This allowance which has been determined by reference to past default experience and expected credit losses, ranging from 2% to 4.5% (2018 : 2% to 3.2%) for receivable that are current to more than 180 days past due. The expected credit losses incorporate forward looking estimates. In calculating the expected credit loss rates, the Group and the Company considers historical loss rates for each category of customers and adjust for forward-looking macroeconomic data.

Approximately 63% (2018 : 57%) of the Group's trade receivables are neither past due nor impaired. Included in the Group's trade receivable balance are debtors with a carrying amount of \$4,700,000 (2018 : \$6,299,000) which are past due at the reporting date for which the Group has not provided an allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. On the average, these trade receivables are past due for 52 days (2018 : 63 days).

Approximately 91% (2018 : 91%) of the Company's trade receivables are neither past due nor impaired. Included in the Company's trade receivable balance are debtors with a carrying amount of \$67,000 (2018 : \$99,000) which are past due at the reporting date for which the Company has not provided an allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral over these balances. On the average, these trade receivables are past due for 38 days (2018 : 32 days).

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 6 TRADE RECEIVABLES (CONT'D)

### Movements in allowance for expected credit losses:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance at beginning of the year	1,814	1,542	110	79
Amounts written off during the year	(121)	(33)	–	–
Increase (Decrease) in allowance recognised in Profit or Loss	435	305	42	31
Balance at end of the year	2,128	1,814	152	110

The Group's and Company's trade receivables that are not denominated in the functional currencies of the respective entities are as follows:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Denominated in:				
Malaysian ringgit	2	–	–	–
Great Britain Pound	1	26	–	–
United States dollar	166	118	–	–

As at 31 December 2019, included in the gross carrying amounts of the trade receivables and allowance of the Group and the Company are credit impaired financial assets amounting to \$1,823,000 (2018 : \$1,483,000) and \$146,000 (2018 : \$103,000) respectively.

During the year, the credit impaired financial assets of the Group and the Company written off amounted to \$121,000 (2018 : \$33,000) and \$Nil (2018 : \$Nil) respectively; and the allowance recognised in Profit or Loss amounted to \$427,000 (2018 : \$240,000) and \$42,000 (2018 : \$31,000) respectively.

During the year, the gross carrying amounts of trade receivables of the Group and the Company transferred from lifetime expected credit losses to credit impaired financial assets amounted to \$34,000 (2018 : \$13,000) and \$1,000 (2018 : \$13,000) respectively.

## 7 OTHER RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Other receivables	484	430	130	89
Interest receivable	860	860	824	829
Deposits	133	123	10	9
Prepayments	350	225	204	85
Total	1,827	1,638	1,168	1,012

The Group's and Company's other receivables and interest receivable are due from outside parties and these receivables are current. The Group and Company has not recognised any allowance as the Management assessed the credit risk to be low.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 8 SUBSIDIARIES

	The Company	
	2019 \$'000	2018 \$'000
Unquoted equity shares, at cost	25,941	25,941

Details of subsidiaries are as follows:

Name of entity	Principal activity	Country of incorporation /operation	Company's effective interest		Cost of investment	
			2019 %	2018 %	2019 \$'000	2018 \$'000
VICOM Inspection Centre Pte Ltd	Provision of vehicle inspection services	Singapore	100	100	4,160	4,160
JIC Inspection Services Pte Ltd	Vehicle inspection and other related services	Singapore	78	78	5,663	5,663
Setsco Services Pte Ltd	Provision of testing, inspection and consultancy services	Singapore	100	100	16,118	16,118
Setsco Services (M) Sdn Bhd <sup>(1)</sup>	Provision of testing, inspection and consultancy services	Malaysia	100	100	–	–
<u>Subsidiaries of Setsco Services Pte Ltd</u>						
Setsco Consultancy International Pte Ltd	Provision of professional inspection and engineering services	Singapore	100	100	–	–
SETS Services DMCC <sup>(2)</sup>	Building inspection services	United Arab Emirates	100	100	–	–
					25,941	25,941

All the companies are audited by Deloitte & Touche LLP, Singapore, except for as indicated below:

- (1) Audited by WT Ng & Co, Malaysia.
- (2) Audited by Ethics Plus Public Accountants, United Arab Emirates.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 8 SUBSIDIARIES (CONT'D)

The Group is in compliance with Listing Rules 712 and 715 of The Singapore Exchange Securities Trading Limited as suitable auditing firms have been appointed to meet the Group's audit obligations. In accordance to Rule 716, the Audit and Risk Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditor for Setsco Services (M) Sdn Bhd and SETS Services DMCC would not compromise the standard and effectiveness of the audit of the Group.

Information about the composition of the Group at the end of the financial year is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2019	2018
Provision of vehicle inspection services	Singapore	1	1
Provision of testing inspection and consultancy services	Singapore	1	1
Provision of professional inspection and engineering services	Singapore	1	1
Provision of testing inspection and consultancy services	Malaysia	1	1
Building inspection services	United Arab Emirates	1	1
		5	5

Principal activity	Place of incorporation and operation	Number of non wholly-owned subsidiaries	
		2019	2018
Vehicle inspection and other related services	Singapore	1	1

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 9 ASSOCIATE

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Unquoted equity shares, at cost	50	50	–	–
Less: Share of post- acquisition reserves	(25)	(25)	–	–
Net	25	25	–	–

a) Details of the associate is as follows:

Associate of Setsco Consultancy International Pte Ltd	Principal activity	Country of incorporation/ operations	Group's effective interest		Cost of investment	
			2019 %	2018 %	2019 \$'000	2018 \$'000
Setsco Middle East Laboratory LLC	Provision of testing, inspection, training, certification and consultancy services	Abu Dhabi, United Arab Emirates/ Dormant	49	49	50	50

The associate was set up on 30 November 2010 and has been dormant since 2012. The accounts have not been audited and is insignificant to the Group.

b) Summarised financial information in respect of the Group's associate is set out below:

	2019 \$'000	2018 \$'000
Total assets	80	80
Total liabilities	(29)	(29)
Net assets	51	51
Group's share of associate's net assets	25	25
Loss for the year	–	–
Group's share of associate's loss for the year	–	–

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 10 CLUB MEMBERSHIPS

	<u>The Group and The Company</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Cost:		
At beginning and end of year	451	451
Accumulated amortisation:		
At beginning of year	160	128
Amortisation for the year	155	32
At end of the year	315	160
Accumulated impairment:		
At beginning and end of year	136	136
Carrying amount at end of year	–	155

## 11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVTOCI”)

	<u>The Group and The Company</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Investment in equity instrument designated as at FVTOCI		
Unquoted equity shares	1,349	–

The investment in unquoted equity instrument represents an investment in research and development activities and/or the commercial application of this knowledge. The recoverability of these investments is uncertain and dependent on the outcome of these activities, which cannot presently be determined.

This investment in equity instrument is not held for trading. Instead, it is held for medium to long-term strategic purposes. Accordingly, Management has elected to designate this investment in equity instrument as at FVTOCI as they believe that recognising short-term fluctuations in the investment’s fair value in Profit or Loss would not be consistent with the Group’s strategy of holding this investment for long-term purposes and realising its performance potential in the long run.

No investment in equity investments measured at FVTOCI has been disposed of during the current reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 12 VEHICLES, PREMISES AND EQUIPMENT

	Leasehold buildings \$'000	Leasehold land \$'000	Furniture, fittings and equipment \$'000	Workshop machinery, tools and equipment \$'000	Motor vehicles \$'000	Computers and automated equipment \$'000	Capital projects in progress \$'000	Total \$'000
<b>Group</b>								
Cost:								
At 1 January 2018	57,130	14,813	1,314	39,775	3,428	2,206	–	118,666
Additions	23,649	–	145	1,588	741	74	–	26,197
Disposals	(15,317)	–	(43)	(888)	(625)	(80)	–	(16,953)
Exchange differences	(2)	–	–	(3)	–	–	–	(5)
At 31 December 2018	65,460	14,813	1,416	40,472	3,544	2,200	–	127,905
Additions	164	–	89	2,548	1,219	130	1,222	5,372
Disposals	(2)	–	(10)	(229)	(668)	(62)	–	(971)
Exchange differences	(3)	–	–	(2)	(1)	–	–	(6)
At 31 December 2019	65,619	14,813	1,495	42,789	4,094	2,268	1,222	132,300
Accumulated depreciation:								
At 1 January 2018	33,235	5,406	999	30,228	2,243	1,182	–	73,293
Depreciation	2,241	412	148	2,783	519	289	–	6,392
Disposals	(6,262)	–	(43)	(876)	(604)	(80)	–	(7,865)
Exchange differences	–	–	–	(4)	–	–	–	(4)
At 31 December 2018	29,214	5,818	1,104	32,131	2,158	1,391	–	71,816
Depreciation	2,150	411	124	2,584	317	330	–	5,916
Disposals	(1)	–	(10)	(222)	(593)	(61)	–	(887)
Exchange differences	–	–	–	(2)	(1)	–	–	(3)
At 31 December 2019	31,363	6,229	1,218	34,491	1,881	1,660	–	76,842
Carrying amounts:								
At 31 December 2019	34,256	8,584	277	8,298	2,213	608	1,222	55,458
At 31 December 2018	36,246	8,995	312	8,341	1,386	809	–	56,089

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 12 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

	Leasehold buildings \$'000	Leasehold land \$'000	Furniture, fittings and equipment \$'000	Workshop machinery, tools and equipment \$'000	Motor vehicles \$'000	Computers and automated equipment \$'000	Total \$'000
<b>Company</b>							
Cost:							
At 1 January 2018	38,432	14,813	291	2,499	159	564	56,758
Additions	499	–	58	9	72	13	651
Disposals	–	–	(1)	–	–	(12)	(13)
At 31 December 2018	38,931	14,813	348	2,508	231	565	57,396
Additions	58	–	18	29	–	40	145
Disposals	(2)	–	(5)	(7)	–	(16)	(30)
At 31 December 2019	38,987	14,813	361	2,530	231	589	57,511
Accumulated depreciation:							
At 1 January 2018	26,561	5,406	220	1,070	103	236	33,596
Depreciation	1,201	412	38	149	25	103	1,928
Disposals	–	–	(1)	–	–	(12)	(13)
At 31 December 2018	27,762	5,818	257	1,219	128	327	35,511
Depreciation	1,209	411	34	144	11	131	1,940
Disposals	(1)	–	(5)	(7)	–	(16)	(29)
At 31 December 2019	28,970	6,229	286	1,356	139	442	37,422
Carrying amounts:							
At 31 December 2019	10,017	8,584	75	1,174	92	147	20,089
At 31 December 2018	11,169	8,995	91	1,289	103	238	21,885

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 12 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

Details of the Company's and the Group's leasehold land and buildings are as follows:

Held by	Group's effective interest	Location	Approximate land area	Tenure	Usage
The Company	100%	No. 385 Sin Ming Drive Singapore 575718	10,852.6 sq metre	30 years from January 2011 21 years unexpired	Inspection and assessment services
The Company	100%	No. 23 Kaki Bukit Avenue 4 Singapore 415933	9,796.9 sq metre	30 years from January 1997 with option to renew another 30 years 7 years unexpired	Inspection and assessment services
The Company	100%	No. 511 Bukit Batok Street 23 Singapore 659545	9,625.0 sq metre	30 years from October 1995 with option to renew another 30 years 5 years 9 months unexpired	Inspection, testing and assessment services
The Company	100%	No. 20 Changi North Crescent Singapore 499613	6,015.0 sq metre	30 years from May 1995 5 years 4 months unexpired	Inspection services
The Company	100%	No. 501 Yishun Industrial Park A Singapore 768732	5,190.3 sq metre	60 years from July 1983 23 years 6 months unexpired	Inspection services
The Company	100%	No. 501 Yishun Industrial Park A Singapore 768732	1,104.9 sq metre	30 years from July 2013 23 years 6 months unexpired	Inspection services
Setsco Services Pte Ltd	100%	No. 531 Bukit Batok Street 23 Singapore 659547	7,554.5 sq metre	7 years from October 2018 with option to renew another 30 years 5 years 9 months unexpired	Testing, inspection and consultancy services
Setsco Services (M) Sdn Bhd	100%	31 Jln Industri Mas 12 Taman Mas 47100 Puchong Selangor Darul Ehsan West Malaysia	791.5 sq metre	99 years from December 2009 88 years 11 months unexpired	Testing, inspection and consultancy services

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 12 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

Held by	Group's effective interest	Location	Approximate land area	Tenure	Usage
JIC Inspection Services Pte Ltd	78%	No. 53 Pioneer Road Singapore 628505	9,190.0 sq metre	30 years from December 1994 4 years 11 months unexpired	Inspection services
JIC Inspection Services Pte Ltd	78%	No. 15 Ang Mo Kio Street 63 Singapore 569117	2,145.0 sq metre	3 years from March 2017, renewed for another 3 years from March 2020 3 years 2 months unexpired	Inspection services

## 13 RIGHT-OF-USE ASSETS

The Group and Company lease several land and buildings. The average lease term is 40 years (2018 : 40 years), where the Group and Company make periodic lease payments, which are used for its day to day operations.

	Land \$'000	Buildings \$'000	Total \$'000
<b>Group</b>			
Cost:			
At 1 January 2019	42,898	1,082	43,980
Adjustment	(10)	-	(10)
At 31 December 2019	42,888	1,082	43,970
Accumulated depreciation:			
At 1 January 2019	16,294	328	16,622
Depreciation for the year	907	434	1,341
At 31 December 2019	17,201	762	17,963
Carrying amount:			
At 31 December 2019	25,687	320	26,007
At 1 January 2019	26,604	754	27,358

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 13 RIGHT-OF-USE ASSETS (CONT'D)

	Land \$'000	Building \$'000	Total \$'000
<b>Company</b>			
Cost:			
At 1 January 2019	33,677	19	33,696
Adjustment	(10)	–	(10)
At 31 December 2019	33,667	19	33,686
Accumulated depreciation:			
At 1 January 2019	14,095	12	14,107
Depreciation for the year	642	6	648
At 31 December 2019	14,737	18	14,755
Carrying amount:			
At 31 December 2019	18,930	1	18,931
At 1 January 2019	19,582	7	19,589

In addition, the Group and Company have also secured the right-of-use of certain leasehold land and buildings with no future payments required. These leasehold land and buildings, amounting to \$42,840,000 and \$18,601,000 (2018 : \$45,241,000 and \$20,164,000) for the Group and Company respectively, are presented within vehicles, premises and equipment (Note 12).

## 14 GOODWILL

	The Group	
	2019 \$'000	2018 \$'000
Carrying amount:		
At beginning and end of year	11,325	11,325

Goodwill acquired in business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	The Group	
	2019 \$'000	2018 \$'000
Testing and inspection services	9,268	9,268
Vehicle inspection services	2,057	2,057
	11,325	11,325

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 15 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Outside parties	3,613	3,437	2,181	2,148
Holding company (Note 4)	409	115	118	75
Related companies	87	29	2	1
Accruals	16,567	15,498	4,178	3,381
Deferred income	1,212	1,025	152	111
Deposits received from customers	1,025	1,339	616	731
Others	1,267	1,361	218	310
<b>Total</b>	<b>24,180</b>	<b>22,804</b>	<b>7,465</b>	<b>6,757</b>

The average credit period on purchases of goods and services is 30 days (2018 : 30 days).

## 16 DUE TO SUBSIDIARIES

Included in the payable to subsidiaries is an amount of \$44,746,000 (2018 : \$13,822,000) pertaining to funds held under central pooling which is unsecured and repayable on demand. Subsidiaries, except wholly-owned subsidiaries, receive interest at the rate of 1.68% to 1.99% (2018 : 1.62% to 1.99%) per annum.

## 17 PROVISION FOR RELOCATION COSTS

This pertains to estimated cost, including moving cost and calibration cost of equipment, in relation to the relocation package offered by Jurong Town Corporation and deferred until the relocation to the new premise which is expected to take place in 2020.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 18 LEASE LIABILITIES

	The Group	The Company
	2019	2019
	\$'000	\$'000
Maturity analysis:		
Within one year	2,099	1,263
In the second to fifth year inclusive	6,715	5,048
After five years	42,323	33,700
	51,137	40,011
Less: Future finance charges	(17,623)	(13,969)
<b>Total</b>	<b>33,514</b>	<b>26,042</b>
Analysed as:		
Current	1,210	566
Non-current	32,304	25,476
<b>Total</b>	<b>33,514</b>	<b>26,042</b>

The Group does not face significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

## 19 DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group and Company, and the movements thereon, during the current and prior reporting periods:

	Accelerated tax depreciation \$'000	Provisions \$'000	Total \$'000
<b>Group</b>			
At 1 January 2018	1,981	(64)	1,917
(Credit) Charge to Profit or Loss for the year (Note 26)	(382)	126	(256)
At 31 December 2018	1,599	62	1,661
Credit to Profit or Loss for the year (Note 26)	(77)	(36)	(113)
At 31 December 2019	1,522	26	1,548
<b>Company</b>			
At 1 January 2018	404	(122)	282
Credit to Profit or Loss for the year	(5)	(33)	(38)
At 31 December 2018	399	(155)	244
Credit to Profit or Loss for the year	(22)	(29)	(51)
At 31 December 2019	377	(184)	193

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 20 SHARE CAPITAL

	The Group and the Company			
	2019	2018	2019	2018
	Number of ordinary shares		\$'000	\$'000
Issued and paid up:				
At beginning and end of year	88,642,000	88,642,000	36,284	36,284

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

## 21 OTHER RESERVES

	The Group and the Company		
	Revaluation reserve	Capital reserve	Total
	\$'000	\$'000	\$'000
Balance at 1 January 2018 and 2019	–	3,073	3,073
Revaluation changes during the year in other comprehensive income	(8)	–	(8)
Balance at 31 December 2019	(8)	3,073	3,065

## 22 REVENUE

	The Group	
	2019	2018
	\$'000	\$'000
Inspection and testing services	98,798	95,255
Rental income	2,940	2,911
Others	1,965	1,897
	103,703	100,063

Majority of the revenue is derived from Singapore.

## 23 OTHER INCOME

	The Group	
	2019	2018
	\$'000	\$'000
Gain on surrender of lease	–	14,796
Provision for relocation costs	–	(7,053)
	–	7,743

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 24 STAFF COSTS

- a) The remuneration of the Directors (executive and non-executive) and key executives comprises mainly of short term benefits amounting to \$2,794,000 (2018 : \$2,588,000).

	The Group	
	2019 \$'000	2018 \$'000
Cost of defined contribution plans (included in staff costs)	3,779	3,789

The employees of the Company and some of the subsidiaries are members of defined contribution retirement schemes. The Company and these subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement schemes to fund the benefits. The only obligation of the Company and these subsidiaries with respect to the schemes is to make the specified contributions.

## 25 FINANCE COSTS

	The Group	
	2019 \$'000	2018 \$'000
Interest on lease liabilities	918	–

## 26 TAXATION

	The Group	
	2019 \$'000	2018 \$'000
Taxation charge (credit) in respect of profit for the financial year:		
Current taxation		
Singapore	6,552	6,367
Foreign	49	53
Deferred tax (Note 18)	(129)	(63)
Adjustments in respect of (over) under provision in prior years:		
Current taxation	(436)	(186)
Deferred tax (Note 18)	16	(193)
	6,052	5,978

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 26 TAXATION (CONT'D)

The taxation charge varied from the amount of taxation charge determined by applying the Singapore income tax rate of 17% (2018 : 17%) to profit before taxation as a result of the following differences:

	The Group	
	2019 \$'000	2018 \$'000
Profit before taxation	34,931	41,137
Taxation at the domestic income tax rate of 17% (2018 : 17%)	5,938	6,993
Non-allowable (taxable) items	598	(529)
Tax-exempt income	(76)	(120)
Overprovision in prior years (net)	(420)	(379)
Effect of different tax rates of subsidiary operating in other jurisdiction	12	13
	6,052	5,978

## 27 PROFIT AFTER TAXATION

In addition to the charges and (credits) disclosed elsewhere in the notes to the Income Statement, this item includes the following charges (credits):

	The Group	
	2019 \$'000	2018 \$'000
Directors' fees	525	465
Foreign currency exchange adjustment loss	21	23
Loss (Gain) on:		
Disposal of vehicles, premises and equipment	2	(17)
Surrender of lease	–	(14,796)
Provision for relocation costs	–	7,053
Allowance for expected credit losses	435	305
Cost of inventories recognised as expense	2	5
Government Grants:		
Special Employment Credit Scheme	(84)	(85)
Wage Credit Scheme	(161)	(277)
Temporary Employment Credit	–	(53)
Audit fees:		
Auditors of the Company	64	64
Other auditors	4	4
Non-audit fees:		
Auditors of the Company	22	27
Other auditors	1	1

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 28 EARNINGS PER SHARE

Earnings per share is calculated by dividing the Group's net profit attributable to shareholders of the Company for the year by the weighted average number of ordinary shares in issue during the financial year as follows:

	2019	2018
Profit attributable to shareholders of the Company (\$'000)	28,412	34,700
Weighted average number of ordinary shares in issue (thousands)	88,642	88,642
Basic earnings per share (in cents)	32.05	39.15

Fully diluted earnings per share is the same as the basic earnings per share as there is no dilutive shares outstanding at the end of financial year ended 31 December 2019 and 31 December 2018.

## 29 SEGMENT INFORMATION

The Group operates predominantly in Singapore. All vehicle inspection and non-vehicle testing services are managed and reported together as one segment in order to improve productivity and efficiency as these services have similar economic characteristics and processes. Hence there are no other reportable segments to be presented.

## 30 CAPITAL EXPENDITURE COMMITMENTS

The Group has the following capital commitments contracted but not provided for in the Financial Statements:

	The Group	
	2019	2018
	\$'000	\$'000
Purchase of vehicles, premises and equipment	28,285	1,335

## 31 OPERATING LEASE ARRANGEMENTS

### The Group as lessee

At 31 December 2019, the Group is committed to \$193,000 for short-term leases.

At 31 December 2018, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2018
	\$'000
Within one year	1,998
In the second to fifth year inclusive	7,152
After five years	6,881
Total	16,031

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 31 OPERATING LEASE ARRANGEMENTS (CONT'D)

The annual rentals for certain premises are subject to review every year at a variable rate up to a maximum of 5.5% (2018 : 5.5%) of the immediate preceding years' annual rent. Leases are negotiated for an average term of 30 years and rentals are fixed for an average of a year.

### The Group as lessor

*Disclosure required by SFRS(I) 16*

Operating leases, in which the Group is the lessor, relate to lettable space in Singapore owned by the Group with lease terms of between 2 to 4 years, with no extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The unguaranteed residual values do not represent a significant risk for the Group, as they relate to property which is located in a location with a constant increase in value over the last 13 years. The Group did not identify any indications that this situation will change.

Maturity analysis of operating lease payments:

	<b>2019</b>
	<b>\$'000</b>
Within one year	2,315
In the second to fifth year inclusive	656
<b>Total</b>	<b>2,971</b>

*Disclosure required by SFRS(I) 1-17*

During the year ended 31 December 2018, property rental income earned was \$2,940,000. All operating lease contracts contained market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

	<b>2018</b>
	<b>\$'000</b>
Within one year	2,447
In the second to fifth year inclusive	3,212
<b>Total</b>	<b>5,659</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 32 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

### (a) Categories of financial instruments

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Financial Assets</b>				
Amortised cost	110,509	122,367	92,181	77,888
Financial assets at FVTOCI	1,349	–	1,349	–
<b>Financial Liabilities</b>				
Amortised Cost	55,457	27,493	79,363	21,619

### (b) Financial risk management policies and objectives

The Group recognises that management of financial risk is an important aspect in its drive towards creating shareholders' value. It is the Group's policy not to participate in speculative financial instruments. Management oversees financial risk management and regularly reviews its policy governing risk management practices.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures these risks.

#### Foreign exchange risk management

The Group operates predominantly in Singapore and therefore is not exposed to any material foreign currency exchange risk.

#### Interest rate risk management

The Group's exposure to interest rate risks relate primarily to its fixed deposit placements with financial institutions. The Group's policy is to obtain the most favourable interest rate available without exposing itself to any unnecessary risk. Interest rate risk is managed by placing deposits on varying maturities and terms. Based on the current interest rate level, any future variations in interest rates are not expected to have significant impact on the Group's results.

#### Credit risk management

The Group has policies in place to ensure that customers are of adequate financial standing and have appropriate credit history. In its management of credit risk, the Group practises stringent credit review and sets counterparty credit limits. There is no significant concentration of credit risk.

Cash and deposits are kept with reputable financial institutions. There is no significant concentration of credit risk.

The carrying amount of financial assets represents the Group's maximum exposure to credit risk as disclosed in the notes to the Financial Statements.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 32 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

### Liquidity risk management

The Group regularly reviews its liquidity position comprising free cash flows from its operations and credit facilities with banks. It ensures that there are sufficient credit lines available to support its liquidity needs.

### Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities approximate the respective fair values due to the relatively short-term maturity of these financial instruments.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- a. quoted prices in active markets for identical assets or liabilities (Level 1);
- b. inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- c. inputs for the asset or liability that are not based on observable market data (Level 3).

#### Fair value hierarchy

The table below analyses financial instruments by the levels in the fair value hierarchy based on inputs to valuation techniques.

	Level 3	
	The Group and The Company	
	2019	2018
	\$'000	\$'000
Financial asset at fair value through other comprehensive income	1,349	–

The fair value of the investment is based on the net value of the investment provided by an independent third party. Any significant isolated increase or decrease in the unobservable input relating to the projected share price based on latest round of financing can result in a higher or lower fair value measurement respectively.

### Equity price risk management

Equity price risk relates to price risk which exists due to changes in market prices that will affect the Group's income or the value of its holdings in investment. The objective of the Group's investment risk management is to manage and control the price risk exposures within acceptable parameters, while optimising the return on risk.

The Company is exposed to equity price risk changes arising from its investment in an unquoted equity instrument.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 32 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

### Equity price sensitivity

A 10% increase in the equity price of the underlying investment in the unquoted equity instrument at the reporting date would increase the fair value reserve for the year by \$135,000 (2018 : \$Nil).

A 10% decrease in the equity price of the underlying investment in the unquoted equity instrument would have an equal but opposite effect on the fair value reserve.

This analysis assumes that all other variables remain constant.

### **Capital management policies and objectives**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity balance.

The Group's capital management objectives are to safeguard its ability to continue as a going concern and to maximise shareholder value. Management monitors the gross and net gearing of the Group and its implication on weighted average cost of capital in deciding the optimal capital structure. These objectives determine the Group's decisions on the amount of dividends to be paid to shareholders and the sources of capital to be raised, be it equity or debt.

No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2018.

## 33 DIVIDENDS

(a) During the financial year, the Company paid dividends as follows:

	2019 \$'000	2018 \$'000
Tax-exempt one-tier final dividend in respect of the previous financial year: – 23.17 cents (2018 : 22.88 cents) per ordinary share	20,538	20,281
Tax-exempt one-tier special dividend in respect of the previous financial year: – 8.62 cents (2018 : nil cents) per ordinary share	7,641	–
Tax- exempt one-tier interim dividend in respect of the current financial year: – 14.11 cents (2018 : 13.46 cents) per ordinary share	12,508	11,932
<b>Total</b>	<b>40,687</b>	<b>32,213</b>

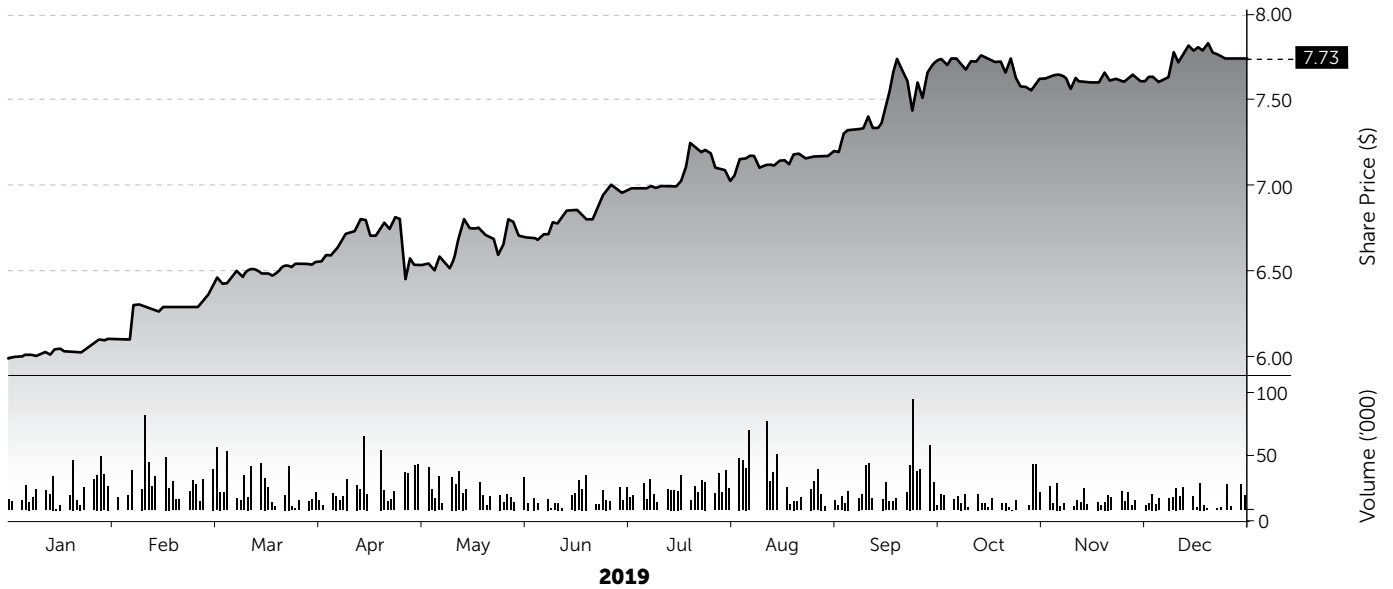
(b) Subsequent to the end of the reporting period, the Directors of the Company recommended that a tax-exempt one-tier final dividend of 24.29 cents per ordinary share totalling \$21,531,000 be paid for the financial year ended 31 December 2019.

The dividends are subject to approval by shareholders at the forthcoming Annual General Meeting and hence the proposed dividends have not been accrued as a liability for the current financial year.

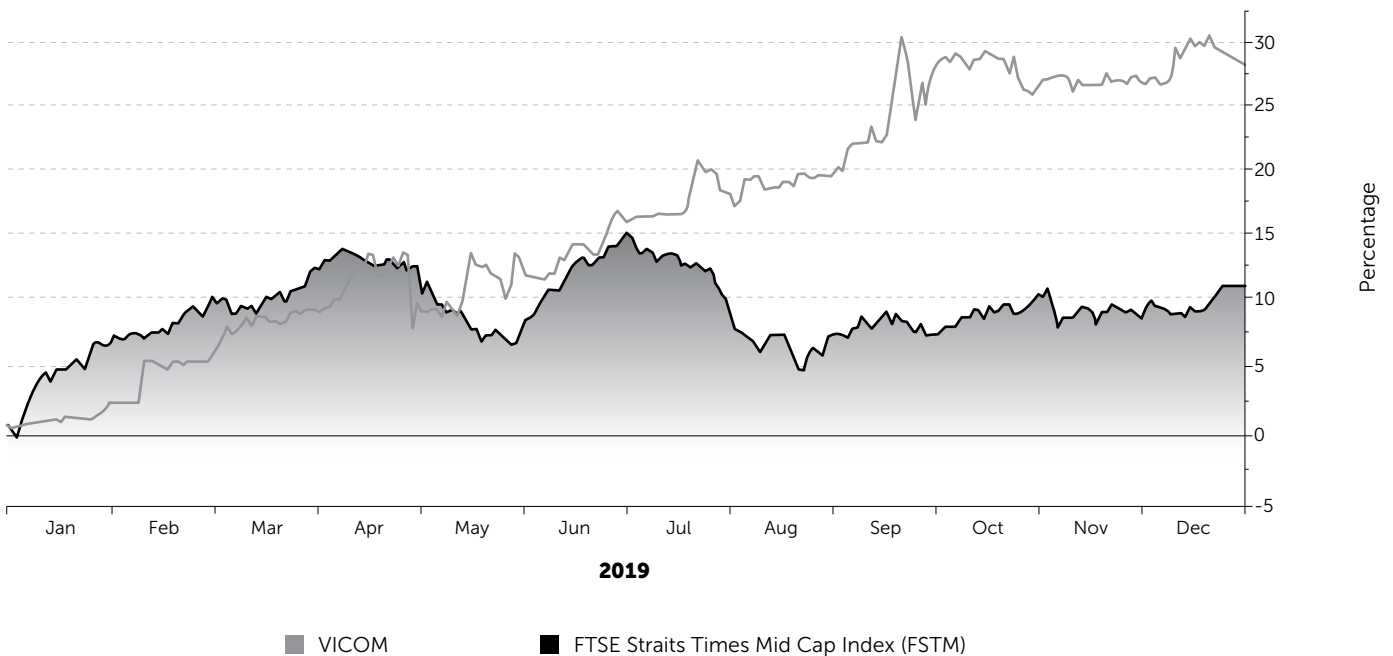
Together with the tax exempt one-tier interim dividend of 14.11 cents per ordinary share (2018 : 13.46 cents per ordinary share), total distributions paid and proposed in respect of the financial year ended 31 December 2019 will be 38.40 cents per ordinary share (2018 : 45.25 cents per ordinary share).

# SHARE PRICE MOVEMENT CHART

## VICOM'S SHARE PRICE MOVEMENT AND VOLUME TURNOVER



## COMPARISON OF PERFORMANCE OF VICOM'S SHARE PRICE AND FTSE STRAITS TIMES MID CAP INDEX (FSTM)



Source: Bloomberg Finance L.P.

# SHAREHOLDING STATISTICS

## AS AT 27 FEBRUARY 2020

Issued and fully paid-up capital	:	36,284,000
Number of Shares Issued	:	88,642,000
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share

The company does not hold any treasury shares and subsidiary holdings.

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 27 FEBRUARY 2020

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	2	0.05	65	0.00
100 – 1,000	2,069	55.34	1,629,298	1.84
1,001 – 10,000	1,406	37.60	5,208,017	5.88
10,001 – 1,000,000	259	6.93	16,835,987	18.99
1,000,001 & above	3	0.08	64,968,633	73.29
<b>TOTAL</b>	<b>3,739</b>	<b>100.00</b>	<b>88,642,000</b>	<b>100.00</b>

## LIST OF TWENTY (20) LARGEST SHAREHOLDERS

(As recorded in the Depository Register as at 27 February 2020)

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	COMFORTDELGRO CORPORATION LIMITED	59,440,000	67.06
2	DBS NOMINEES PTE LTD	3,212,000	3.62
3	RAFFLES NOMINEES (PTE) LIMITED	2,316,633	2.61
4	CHU CHEE LEONG	942,000	1.06
5	SZE THIAM SIONG	772,000	0.87
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	716,400	0.81
7	CITIBANK NOMINEES SINGAPORE PTE LTD	635,185	0.72
8	MRS HELEN ONG YONG KHEE NEE TANG HELEN @HELEN TAN SIOK WAN	532,000	0.60
9	QUAH SIEW KWEE	501,500	0.57
10	OCBC NOMINEES SINGAPORE PTE LTD	464,969	0.52
11	QUAH SIEW ENG EILEEN	416,250	0.47
12	HSBC (SINGAPORE) NOMINEES PTE LTD	412,000	0.46
13	LOW LAN ENG	407,000	0.46
14	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	392,713	0.44
15	EUNICE QUAH SIEW THYE	376,250	0.42
16	POH ENG CHOO MARY	352,000	0.40
17	TAN KENG SOON HOMER	328,000	0.37
18	TAN KUANGXU	307,000	0.35
19	PANG CHEOW JOW	301,000	0.34
20	TAN SIAK HUAN	228,000	0.26
	<b>TOTAL</b>	<b>73,052,900</b>	<b>82.41</b>

Note: The percentage of shareholding is calculated based on 88,642,000 issued shares as at 27 February 2020

# SHAREHOLDING STATISTICS

AS AT 27 FEBRUARY 2020

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 27 February 2020)

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
COMFORTDELGRO CORPORATION LIMITED	59,440,000	67.06	–	–

Notes: The percentage is calculated based on 88,642,000 issued shares as at 27 February 2020.

## COMPLIANCE WITH RULE 723 OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) LISTING MANUAL

Based on information available and to the best knowledge of the Company as at 27 February 2020, approximately 31.84% of the ordinary shares of the Company are held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

# NOTICE OF ANNUAL GENERAL MEETING

## **VICOM Ltd**

(Incorporated in the Republic of Singapore)

(Co. Reg. No.: 198100320K)

NOTICE IS HEREBY GIVEN that the Thirty-Ninth Annual General Meeting of VICOM Ltd (the "**Company**") will be held on Wednesday, 22 April 2020 at 10.00 a.m. at:

## **AUDITORIUM**

**COMFORTDELGRO HEADQUARTERS**

**205 BRADDELL ROAD**

**SINGAPORE 579701**

The Annual General Meeting ("AGM") is for the purpose of transacting the following business:

## **ORDINARY BUSINESS:**

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the Financial Year ended 31 December 2019 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a tax-exempt one-tier final dividend of 24.29 cents per ordinary share in respect of the Financial Year ended 31 December 2019. **(Resolution 2)**
3. To approve the payment of Directors' fees of \$479,552 for the Financial Year ended 31 December 2019. (FY2018: \$427,439) **(Resolution 3)**
4. To re-elect Mr Yang Ban Seng, a Director retiring pursuant to Regulation 98(b) of the Company's Constitution. [Please refer to Explanatory Note (a)] **(Resolution 4)**
5. To re-elect Ms June Seah Lee Kiang, a Director retiring pursuant to Regulation 98(b) of the Company's Constitution. [Please refer to Explanatory Note (b)] **(Resolution 5)**
6. To re-elect Professor Shim Phiau Wui, Victor, a Director retiring pursuant to Regulation 98(b) of the Company's Constitution. [Please refer to Explanatory Note (c)] **(Resolution 6)**
7. To note that Ms Teo Geok Har Nancy will be retiring pursuant to Regulation 98(b) of the Company's Constitution and will not be seeking re-election at this AGM.
8. To re-elect Ms Tan Poh Hong, a Director retiring pursuant to Regulation 99 of the Company's Constitution. (Please refer to Explanatory Note (d)) **(Resolution 7)**
9. To re-appoint Messrs Deloitte & Touche LLP as Auditors and authorise the Directors to fix their Remuneration. **(Resolution 8)**

# NOTICE OF ANNUAL GENERAL MEETING

## **SPECIAL BUSINESS:**

To consider and, if thought fit, to pass the following Resolution:

### **Ordinary Resolution:**

10. **PROPOSED SHARE SPLIT OF EVERY ONE (1) ORDINARY SHARE IN THE CAPITAL OF THE COMPANY INTO four (4) ORDINARY SHARES ("SHARE SPLIT")** **(Resolution 9)**

That:

- (a) on and with effect from the Record Date to be determined by the Directors of the Company, every one (1) existing ordinary share in the capital of the Company be split into four (4) ordinary shares in the capital of the Company; and
- (b) the Directors of the Company (or their authorised representative) and each of them be and are hereby authorised and empowered to do all acts and things as they or he/she may consider necessary or expedient to give effect to the Share Split, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents, approve any amendments, alterations or modifications to any document (if required) in the interests of the Company and, to the extent that any of the foregoing have been done, that they be and are hereby adopted, confirmed and ratified."

[Please refer to Explanatory Note (e)]

# NOTICE OF ANNUAL GENERAL MEETING

## RECORD AND DIVIDEND PAYMENT DATES

NOTICE IS ALSO HEREBY GIVEN that the Transfer Books and Register of Members of the Company will be closed on 30 April 2020, at 5.00 p.m. for the purposes of determining Shareholders' entitlements to the proposed tax-exempt one-tier final dividend of 24.29 cents per ordinary share for the Financial Year ended 31 December 2019.

Duly completed and stamped transfers received by the Company's Share Registrar, B.A.C.S. Private Limited, 8, Robinson Road, #03-00 ASO Building, Singapore 048544 up to 5.00 p.m. on 30 April 2020 will be registered to determine Shareholders' entitlements to the final dividend. Shareholders (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 30 April 2020 will be entitled for the proposed final dividend.

The final dividend, if approved by the Shareholders at the Thirty-Ninth AGM of the Company, will be paid on 11 May 2020.

By Order of the Board

Chan Wan Tak, Wendy  
Yeo Tee Yeok, Edwin  
Joint Company Secretaries  
Singapore

23 March 2020

## NOTES:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

- 2 A proxy need not be a member of the Company.
- 3 The instrument appointing a proxy or proxies (a form is enclosed) must be deposited at the Company's registered office at 205 Braddell Road, Singapore 579701 not less than 72 hours before the time appointed for holding the AGM.



# NOTICE OF ANNUAL GENERAL MEETING

## PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any actions, proceedings, penalties, liabilities, claims, demands, costs, expenses, losses and damages suffered or incurred by the Company as a result of the member's breach of warranty.

## EXPLANATORY NOTES:

### ORDINARY BUSINESS:

- (a) Ordinary Resolution 4. Mr Yang Ban Seng <sup>(1)</sup>, if re-elected, will continue to serve as Deputy Chairman of the Board and considered a Non-Executive and Non-Independent Director.
- (b) Ordinary Resolution 5. Ms June Seah Lee Kiang <sup>(1)</sup>, if re-elected, will continue to serve as the Chairman of Remuneration Committee and a Member of the Nominating Committee. Ms Seah is considered a Non-Executive and Independent Director, pursuant to Rule 704(8) of the Listing Manual of SGX-ST.
- (c) Ordinary Resolution 6. Professor Shim Phiau Wui Victor <sup>(1)</sup>, if re-elected, will continue to serve as the Lead Independent Director, the Chairman of the Nominating Committee and a Member of the Audit and Risk Committee. Professor Shim is considered a Non-Executive and Independent Director, pursuant to Rule 704(8) of the Listing Manual of SGX-ST.
- (d) Ordinary Resolution 7. Ms Tan Poh Hong <sup>(1)</sup>, if re-elected, will continue to serve as a Member of both the Audit and Risk Committee and Remuneration Committee. Ms Tan is considered a Non-Executive and Independent Director, pursuant to Rule 704(8) of the Listing Manual of SGX-ST.

### SPECIAL BUSINESS:

- (e) Ordinary Resolution 9, if passed, will empower the Directors of the Company to do all acts and things as they may consider necessary or expedient to give effect to the Share Split on the terms as set out in the Circular to Shareholders appended to this Notice, which is available at [www.vicom.com.sg](http://www.vicom.com.sg).

(1) Detailed information on the Directors who are proposed to be re-elected can be found under the sections entitled "Board of Directors", "Directors' Particulars" and "Additional Information on Directors Seeking Re-election" in the 2019 Annual Report of the Company.

### **MEASURES TO MINIMISE RISK OF COVID-19**

In order to minimise the risk of community spread of COVID-19, the following steps will be taken for Shareholders and others attending the AGM:

1. All persons attending the AGM will be required to undergo a temperature check and make a health declaration;
2. Any person who has recent travel history to affected countries listed by the Ministry of Health, irrespective of nationality, will not be permitted to attend the AGM;
3. Any person who has fever or exhibits flu-like symptoms will not be permitted to attend the AGM; and
4. If the situation remains at DORSCON Orange or higher, there will be no food served at the AGM.

Shareholders are advised to arrive at the AGM venue early given that the above-mentioned measures may cause delay in the registration process.

**In view of the COVID-19 situation, we wish to advise Shareholders that it is not essential for you to attend the AGM in person. Shareholders should refrain from attending the AGM under the present circumstances as long as the DORSCON level remains at Orange, or higher.**

**To vote on any or all of the resolutions at the AGM, you are encouraged to send in your votes in advance by proxy. You may appoint the Chairman as your proxy. The proxy form is attached to the Notice of AGM.**

**If you have any questions in relation to any item of the Agenda of the AGM, you may send them in advance via email to our Investor Relations team at [girspo@comfortdelgro.com](mailto:girspo@comfortdelgro.com).**

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate up to the day of the AGM.

We will post updates on our corporate website at [www.vicom.com.sg](http://www.vicom.com.sg).

The Company seeks the understanding and cooperation of all Shareholders.

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

The following additional information on Mr Yang Ban Seng, Ms June Seah Lee Kiang, Professor Shim Phiau Wui, Victor and Ms Tan Poh Hong, all of whom are seeking re-election as Directors of the Company at the 39th Annual General Meeting to be held on 22 April 2020, is to be read in conjunction with their respective biographies on pages [insert relevant pages 9 to 13.

	<p><b>Yang Ban Seng</b>  <b>Deputy Chairman</b>  <b>(Non-Executive &amp; Non-Independent Director)</b></p>
Country of principal residence	Singapore
The Board's comments on this appointment	Mr Yang's in-depth knowledge and business experience with the Group, will continue to enhance board deliberations and set the direction for growth.
Working experience and occupations(s) during the past 10 years	<p><b>Current Directorships:</b></p> <ol style="list-style-type: none"> <li>1. ComfortDelGro Corporation Limited*</li> <li>2. SBST Transit Ltd*</li> <li>3. VICOM Ltd*</li> <li>4. Mr Yang's principal directorships of ConmfortDelGro Group can be found under the section entitled "Directors' Particulars" in the 2019 Annual Report on page 41</li> </ol> <p><b>Current Principal Commitments:</b></p> <ol style="list-style-type: none"> <li>1. ComfortDelGro Corporation* - Managing Director and Group Chief Executive Officer</li> <li>2. SBS Transit Ltd – Executive Deputy Chairman</li> </ol> <p><b>Past 10 years Directorships:</b></p> <ol style="list-style-type: none"> <li>1. Chongqing Liangjiang ComfortDelGro Driver Training Co., Ltd</li> <li>2. ComfortDelGro Savico Taxi Company</li> </ol>
Shareholding interest in the listed issuer and its subsidiaries	<p>Direct interest:            ComfortDelGro Corporation Limited – 7,168</p> <p>Deemed Interest:            ComfortDelGro Corporation Limited – 18,185</p> <p>Share Options:            ComfortDelGro Corporation Limited – 660,000</p>

\* Listed Company

<b>June Seah Lee Kiang (Non-Executive &amp; Independent Director)</b>	<b>Shim Phyu Wui Victor (Non-Executive &amp; Independent Director)</b>	<b>Tan Poh Hong (Non-Executive &amp; Independent Director)</b>
Singapore	Singapore	Singapore
Ms Seah's extensive experience in the banking and card payment industry will continue to enhance board deliberations and contribute towards the core competencies of the Board.	Professor Shim's vast experience and knowledge in engineering and management will continue to add relevant knowledge, skills, experience and diverse views to the Board.	Ms Tan's extensive experience in organisational leadership and management will further enhance board deliberations and contribute towards the core competencies of the Board.
<b>Current Directorships:</b>	<b>Current Directorships:</b>	<b>Current Directorships:</b>
1. VICOM Ltd *	1. VICOM Ltd*	1. VICOM Ltd* 2. Sheng Siong Limited Corporation Limited* 3. Centurion Corporation Limited* 4. AnnAik Limited* 5. Barramundi Asia Pte Ltd 6. Jilin Food Zone Pte Ltd
<b>Current Principal Commitments:</b>	<b>Current Principal Commitments:</b>	<b>Current Principal Commitments:</b>
1. The Peranakan at Claymore Connect (Partner) 2. Omise Co. (Head of Business Development)	1. National University of Singapore (Professor of Mechanical Engineering and Associate Vice-President for Global Relations)	Nil
<b>Past 10 years Directorships:</b>	<b>Past 10 years Directorships:</b>	<b>Past 10 years Directorships:</b>
Nil	Nil	1. Agri-Food and Veterinary Authority (2009 -2017)
No	Deemed Interest: ComfortDelGro Corporation Limited – 19,000 VICOM Ltd – 6,000	No

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	<b>Yang Ban Seng Deputy Chairman (Non-Executive &amp; Non-Independent Director)</b>
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No
Conflict of interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer (Yes or No)	Yes
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c) Whether there is any unsatisfied judgment against him?	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No

\* Listed Company

June Seah Lee Kiang (Non-Executive & Independent Director)	Shim Phiau Wui Victor (Non-Executive & Independent Director)	Tan Poh Hong (Non-Executive & Independent Director)
No	No	No
No	No	No
Yes	Yes	Yes
No	No	No
No	No	No
No	No	No
No	No	No
No	No	No
No	No	No

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	<b>Yang Ban Seng Deputy Chairman (Non-Executive &amp; Non-Independent Director)</b>
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-	No
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,  in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No

\* Listed Company

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**June Seah Lee Kiang  
(Non-Executive &  
Independent Director)**

**Shim Phiau Wui Victor  
(Non-Executive &  
Independent Director)**

**Tan Poh Hong  
(Non-Executive &  
Independent Director)**

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No

No

No

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No

No

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No

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# VICOM Ltd

(Incorporated in the Republic of Singapore)

(Co. Reg. No.: 198100320K)

## PROXY FORM ANNUAL GENERAL MEETING

### IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 of Singapore may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/SRS investors who intend to exercise the voting rights attached to their VICOM Ltd Shares purchased using their CPF/SRS monies are requested to contact their respective CPF/SRS Approved Nominees.
4. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 23 March 2020.

I/We \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport Number)

of \_\_\_\_\_ (Address)

being a member/members of VICOM Ltd (the "Company") hereby appoint:

Name	Address	NRIC/ Passport Number	Proportion of Shareholding (%) (Note 2)	
			No of Shares	%

and/or (delete as appropriate)

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or failing \*him/them, the Chairman of the Annual General Meeting ("AGM"), as \*my/our \*proxy/proxies to attend and to vote for \*me/us on \*my/our behalf, at the 39th AGM of the Company to be held on Wednesday, 22 April 2020 at 10.00 a.m. and any adjournment thereof. \*I/We direct \*my/our \*proxy/proxies to vote for or against or abstain from voting the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the \*proxy/proxies may vote or abstain from voting at \*his/their discretion, as \*he/they may on any other matter arising at the AGM and at any adjournment thereof.

\* Delete where inapplicable

Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant Resolution, please tick (✓) within the box provided. If you wish to exercise your votes for both "For" and "Against" the relevant Resolution, please indicate the number of Shares in the relevant boxes provided below. Alternatively, if you wish to abstain from voting for the relevant Resolution, please either tick (✓) within the box or indicate the number of Shares in the relevant box provided.

No.	Resolutions	No. of Votes For	No. of Votes Against	No. of Votes Abstained
<b>Ordinary Business</b>				
1.	Adoption of Directors' Statement and Audited Financial Statements for the year ended 31 December 2019			
2.	Declaration of Final Dividend for the year ended 31 December 2019			
3.	Approval of Directors' Fees amounting to \$479,552 for year ended 31 December 2019			
4.	Re-election of Mr Yang Ban Seng as Director			
5.	Re-election of Ms June Seah Lee Kiang as Director			
6.	Re-election of Professor Shim Phiau Wui Victor as Director			
7.	Re-election of Ms Tan Poh Hong as Director			
8.	Re-appointment of Auditors and authorising Directors to fix their remuneration			
<b>Special Business</b>				
9.	Approval of Share Split			

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

Total Number of Shares Held in (Note 1) :	No of Shares
(a) CDP Register	
(b) Register of Members	

Signature(s) of Member(s)/Common Seal

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

**NOTES:**

1. A member should insert the total number of shares held. If the member has shares entered against his/her name in the Depository Register (maintained by The Central Depository (Pte) Limited), he/she should insert that number of shares. If the member has shares registered in his/her name in the Register of Members of the Company, he/she should insert that number of shares. If the member has shares entered against his/her name in the Depository Register and registered in his/her name in the Register of Members, he/she should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.  
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.  
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50. of Singapore.
3. A proxy need not be a member of the Company.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Annual General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Annual General Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 205 Braddell Road, Singapore 579701 not less than 72 hours before the time set for the Annual General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument. In addition, in the case of shares entered in the Depository Register, the Company may reject the instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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Affix  
postage  
stamp

**THE COMPANY SECRETARY**

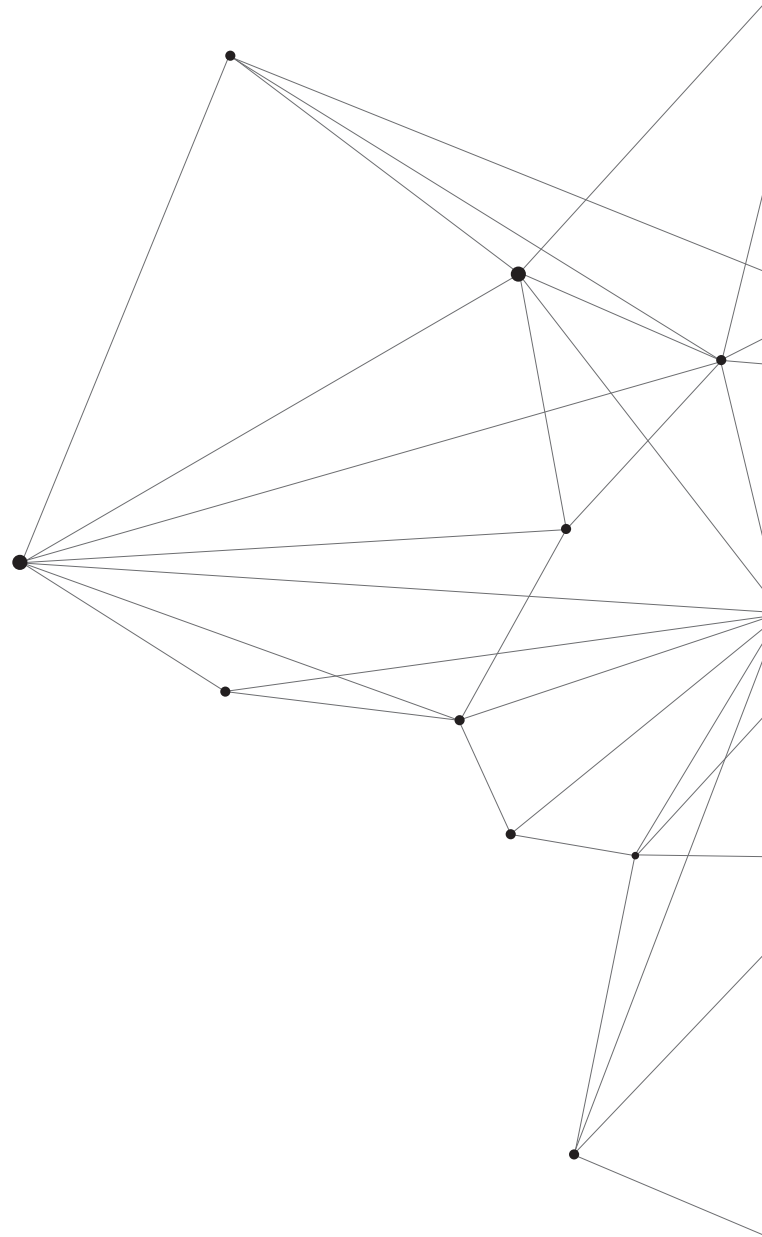
VICOM Ltd  
205 Braddell Road  
Singapore 579701

*This flap is for sealing. Glue all sides firmly. Stapling and spot sealing are disallowed.*

*Glue all sides firmly. Stapling and spot sealing are disallowed.*

*Glue all sides firmly. Stapling and spot sealing are disallowed.*





**VICOM Ltd**

385 Sin Ming Drive  
Singapore 575718

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Facsimile (65) 6458 1040  
[www.vicom.com.sg](http://www.vicom.com.sg)  
Company Registration No. 198100320K