

OPERATIONS REVIEW

VEHICLE TESTING BUSINESS

86.4

REVENUE
(\$'MILLION)

863

TOTAL NUMBER OF
EMPLOYEES



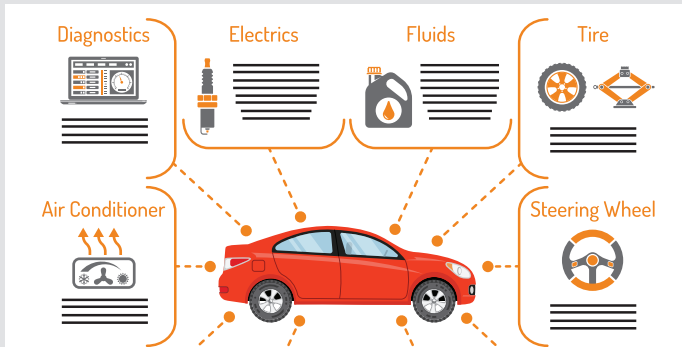
THE IMPACT OF COVID-19

During the two month lockdown period known as Circuit Breaker, VICOM's vehicle inspection business continued to operate as it was deemed an essential service.

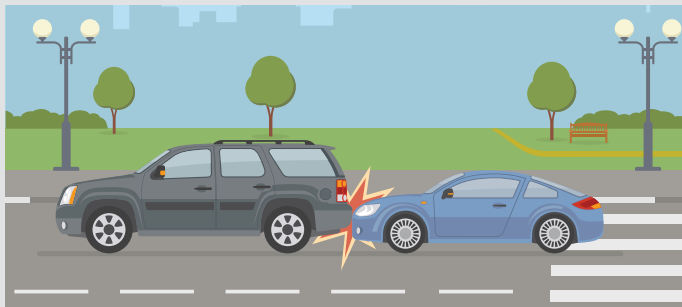
Private vehicles due for inspection during that period of time were granted a six-month deferment by the Land Transport Authority (LTA) and re-scheduled for inspection from July to December after the Circuit Breaker was lifted. This brought about a backlog of 50,000 private cars that had to be inspected between July and

December. VICOM tackled the problem head on and planned ahead. It granted its vehicle inspectors annual leave during the Circuit Breaker instead so that they could come back in full strength during the second half of the year to successfully clear the backlog.

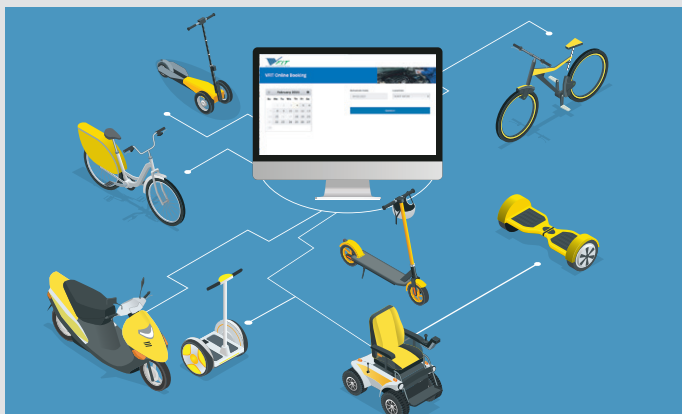
As a result, 493,520 vehicles were inspected during the year, representing an increase of 30,802 vehicles or 7% from 2019. Market share grew to 75.2%, higher than the 74.0% in 2019.



The suspension of Certificate of Entitlement bids from April to June 2020 resulted in a drop in demand for vehicle type approval inspection and emission testing services.



VICOM Assessment Centre also conducted fewer accidents and surveys as many people worked from home and traffic on the roads was reduced. The impact continued even after the Circuit Breaker, albeit to a lesser extent.



The mandatory inspection of Personal Mobility Devices (PMDs), which was supposed to have commenced in April 2020, was delayed by five months. It eventually commenced in September 2020.

OPERATIONS REVIEW

NON-VEHICLE TESTING BUSINESS

VICOM's wholly-owned subsidiary, Setsco Services Pte Ltd (SETSCO), was hit hard by the general economic slowdown resulting from the pandemic.



Business demand only started to fall towards the tail end of the first quarter. There were delays in the Construction industry as a result of a disruption in supply chain arising from the lockdowns of several cities in China in February 2020.

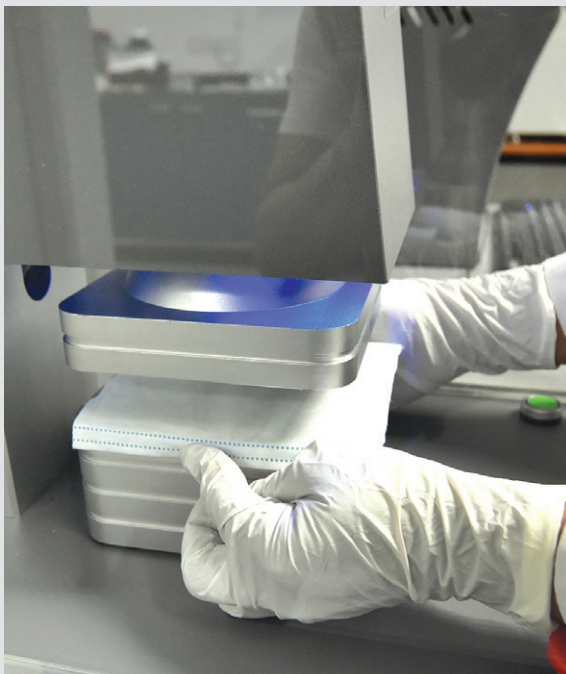
In March 2020, Malaysia imposed its own lockdown, halting the supply of both labour and construction materials to Singapore. Singapore's very own Circuit Breaker and the sudden surge in COVID-19 cases in the foreign worker dormitories made matters worse. Many businesses that SETSCO served that were not considered essential services grind to a halt. As a result, a significant proportion of SETSCO staff who had worked at its clients' premises or work sites had to stop work. Had it

not been for Government financial relief, it would have registered its first loss in 2020.

As Singapore came out of the Circuit Breaker, business also gradually recovered, though it was uneven for the different sectors that it served especially the construction sector where work progress was hampered often by several start-stops as a result of resurgence COVID-19 cases in the dormitories between August and September.



Nonetheless, in the construction sector, SETSCO secured three out of nine testing packages for the Jurong Region Line (JRL), a 24km-long MRT line that will serve both existing and future development in the western part of Singapore. It also successfully secured a Non-Destructive Testing (NDT) service contract with a major oil company and two other NDT service contracts with two major companies in the process industry.



But every cloud has a silver lining. The COVID-19 pandemic also presented SETSCO with a new business opportunity. It not only acquired capabilities to test surgical masks for manufacturers and suppliers, but it was also engaged by the National Environment Agency to screen wastewater from the dormitories for SARS-CoV-2, the causative virus for COVID-19.



In the area of food and water testing, it managed to secure a sizable three-year contract with the Singapore Food Agency (SFA), involving the microbiological analysis of food and water samples, with the option to extend the contract for another two years. It also secured a three-year contract with the Public Utilities Board to test the air and water samples from the western sector of Singapore such as Jurong Water Reclamation Plant and Ulu Pandan Water Reclamation Plant.

SETSCO also successfully completed the assessment for the Laboratory Recognition Programme (LRP) by SFA. With this, SETSCO is now able to test food that is to be exported overseas on behalf of SFA. The programme started in April 2020 and SETSCO successfully secured some orders from both existing and new customers.



In mechanical testing, plant owners have been using three-dimensional (3D) laser scanning technology to detect anomalies such as dents or mechanical damages. In storage tanks, this technique has been used to measure the changes in dimensions that may affect the integrity of the tank. It has also been specified in the refinery standard as one of the test methods to determine whether a tank is fit for purpose. With its ability to apply such a technique, SETSCO was engaged by a client to determine if there was a possible bulging

of a pressure vessel. The circumference of the tank obtained through this 3D laser technique eventually helped the client determine the criticality of the bulging and the extent of repair and strengthening that was required.

In the Medical and Life Sciences sector, SETSCO's ability to perform the Sterility Test and Bacterial Endotoxin Test, enabled it make inroads into the pharmaceutical industry by winning tenders to conduct such tests.

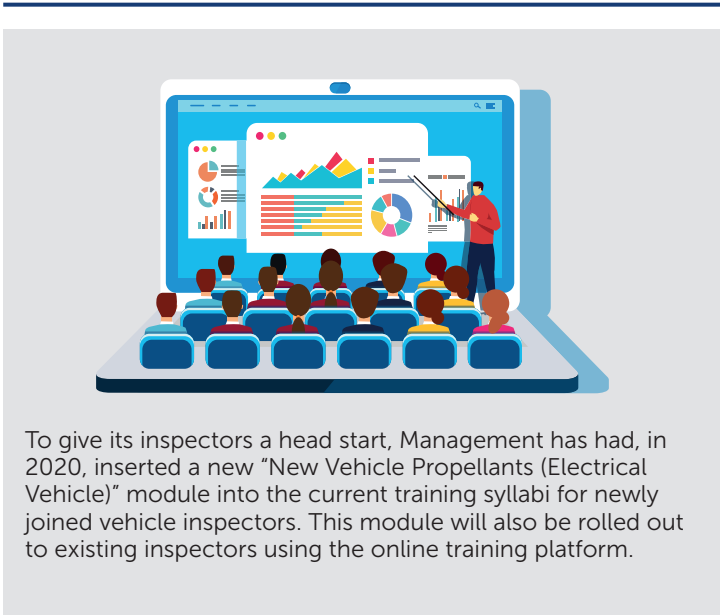
TECHNICAL EXPERTISE

Despite the COVID-19 pandemic, the LTA continued its practice of conducting regular meetings with industry players with the aim of aligning and raising inspection standards. All VICOM vehicle inspectors were kept abreast of key developments through quarterly briefings conducted by VICOM with safe management measures in place throughout the year.

As part of the Company's digitalisation transformation, training will be transferred to an e-learning platform in 2021, which will enable training sessions to be conducted more regularly without physical constraints.

Along the same vein, the International Motor Vehicle Inspection Committee (CITA) gave industry players online access to its Working Group (WG) meetings that were held in Europe. In all, there were eight WGs, specialising in different automotive fields of expertise, in which Management and staff could attend even though they were unable to travel there in person to attend.

With the Government's recent unveiling of its Green Plan 2030 that requires all new car registrations to be cleaner-energy models from 2030, it has become imperative for VICOM to keep track of the development of electrical vehicles (EVs) inspection and testing.



To give its inspectors a head start, Management has had, in 2020, inserted a new "New Vehicle Propellants (Electrical Vehicle)" module into the current training syllabi for newly joined vehicle inspectors. This module will also be rolled out to existing inspectors using the online training platform.

VICOM conducted its 16th Technical Knowledge Exam (TKE) for its vehicle inspectors on 18 November 2020. 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. Over 90% of 98 vehicle inspectors who took TKE scored 85 marks and above. Those who received scores below 85 marks were required to be re-tested until they achieved that score or higher.

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.

As part of its efforts to improve the CX of its motorists, VICOM collaborated with Diners Club for the second time in early-January 2020 to offer motorists the option of pre-paying the inspection fees online. This not only helped to shave their waiting time in the entire vehicle inspection process, but also minimised the risk of contact between cashiers and motorists during the COVID-19 pandemic. The online pre-payment option was expanded to include PayNow so that more motorists could use the online pre-payment services.

RECOGNITION

VICOM received several plaudits during the year.

In the annual Singapore Governance and Transparency Index (SGTI) 2020, VICOM was ranked 16th among 577 listed companies surveyed, improving from the 17th positioned that was achieved in 2019.

SETSCO, on the other hand, received recognition from ExxonMobil Asia Pacific for having achieved “Zero Recordable Injuries” record in 2019. It was also awarded the “Commemorative Plaque and Bonus Award” from Petrochemical Corporation of Singapore (Private) Limited. In acknowledgement of its exemplary support towards National Service (NS), SETSCO was also presented the NS Advocate Award at the Total Defence Awards.

ACCREDITATION

The VICOM Group was awarded the Data Protection Trustmark (DPTM) certification by the Infocomm Media Development Authority (IMDA) in 2020. As a bearer of the Trustmark, customers can now have greater confidence in entrusting

their personal data to us. These also strengthened our reputation, built trust and fostered confidence in our business and raise our competitiveness both locally and overseas.

SETSCO added yet another organisational approval to its long list of credentials when it was approved by the Cessna Aircraft Company, a US-based company, to be its authorised independent Non-Destructive Inspection facility. With this approval, SETSCO can now perform NDI Cessna Citation aircrafts.

SETSCO was also accredited for the testing of water and microbiological parameters for Ballast Water, allowing its customer base to expand into the maritime sector.



RELOCATION OF SETSCO

Renovation work on our newly acquired premises located at Bukit Batok street 23 was delayed by about six months because of COVID-19. It will be completed in the second quarter of 2021.