

## CHAIRMAN'S STATEMENT



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**LIM JI T POH**  
CHAIRMAN



## INTRODUCTION

Forty years ago, compulsory vehicle inspection was introduced in Singapore. VICOM, which is the acronym for Vehicle Inspection Company, was formed to undertake this task with just two inspection lanes in Sin Ming and a small staff strength of less than 30. It was one of two inspection centres at the time – the other being AA Vehicle Inspection Centre Pte Ltd, whose business we eventually acquired in 2000. Today, we are Singapore's largest vehicle inspection company with 35 inspection lanes across seven centres islandwide and a headcount that's 850 strong. Significantly, we have expanded beyond just vehicle inspection and now provide a broad range of non-vehicle testing services serving the construction, marine & offshore, oil & gas, aerospace, electronics, food, water and biochemical industries.



Indeed, we have advanced through the decades. From revenue of a mere \$2 million in 1982, we registered Group revenue of \$100.9 million for the year ended 31 December 2021 despite the uncertainties brought on by the COVID-19 pandemic. In terms of market capitalisation, we have also grown from just \$16.8 million when we were listed on the Singapore Exchange in 1995, to \$723.0 million as at the end of 2021, a 43-fold increase.

## OUR BUSINESSES

Pandemic notwithstanding, the vehicle inspection business registered a very strong performance during the year with a record 523,639 vehicles inspected including 33,202 hybrid and electric vehicles. With this, we reinforced our leadership position with a market share of 74.7% in 2021.

The Land Transport Authority (LTA) has made it mandatory for all private hire vehicles (PHVs) to undergo yearly periodic inspection. Motorists who want to convert their passenger vehicles to PHVs will also need to pass the conversion inspection first. As a result of the changes in inspection guidelines, 25,396 PHV inspection and 3,477 conversions were conducted in 2021.

To further promote the adoption of clean vehicles and to discourage the purchase of more pollutive models, the National Environmental Agency (NEA) enhanced the Vehicular Emissions Scheme (VES) and the LTA introduced a new Electric Vehicle Early Adoption Incentive (EEAI) Scheme. Under the enhanced VES, vehicles with lower emissions will be given higher rebates while more pollutive models will be slapped with higher surcharges. The EEAI scheme is intended to promote the switch from Internal Combustive Engines to Electric Vehicles by lowering the vehicular taxes and reducing the cost of car ownership. As a result of these policy changes, demand for the VICOM Emission Test Laboratory (VETL) services increased as more parallel importers brought in newer and more environmentally-friendly models.

During the year, traffic on the roads continued to remain low as people worked from home as a default. Correspondingly, the overall accident rate also fell. As such, our VICOM Assessment Centre (VAC) logged fewer accident reports and surveys. This was further exacerbated by the cessation of Accident Reporting scheme in July 2021 as accident reporting can now be done online.

Performance of our non-vehicle testing business under Setesco Services Pte Ltd (SETSCO) improved slightly in line with the recovery of the economy. In fact, it even managed to get back into the black at the operational level. This was a marked improvement compared to 2020 when business plunged and the company registered a loss excluding government grants.

Several major testing projects in the construction sector were secured during the year, including those for the construction of the Customs, Immigration and Quarantine Building and the link tunnel of the Singapore-Johor Bahru Rapid Transit System, HDB dwelling projects in Tengah and Toa Payoh, and the Tuas Water Reclamation Plant. In addition, SETSCO also secured another four packages under the 24-kilometre long Jurong Region Line (JRL) by the Land Transport Authority, bringing to seven the total number of packages won in the project.

In the area of food testing, we continued to expand our testing services under Singapore Food Agency's (SFA) Lab Recognition Program (LRP). SETSCO now has 242 food testing services recognised by SFA under the LRP. With the added capabilities, we

## CHAIRMAN'S STATEMENT



managed to secure another two contracts from SFA during the year.

The refining and chemical sectors experienced a slight uptick in demand in 2021 compared to the previous year. As a result, SETSCO successfully secured a few Non-destructive Testing (NDT) and advanced NDT contracts from several major oil refineries, chemical and petrochemical companies.

### NEW SETSCO HEADQUARTERS

After three years of planning and construction, SETSCO finally relocated to its new premises in September 2021 – a delay of one year as a result of the COVID-19 pandemic.

The \$50 million SETSCO building marks a major milestone for a company that started out with just non-destructive and concrete testing in 1987 in rented premises in Hindhede Drive. In the 34 years since, SETSCO has expanded to cover mechanical, chemical, environmental, microbiological, food, micro-contamination, geotechnical & pavement, building & construction materials, product, conventional & advanced non-destructive, aerospace & maintenance, as well as electrical testing. It also conducts third party inspection, training and certification,

structural evaluation, metallurgical & failure analysis, and calibration services.

With a specialised facility, SETSCO is now well-positioned to further broaden its reach through an even wider range of testing services.

### SUSTAINABILITY

Sustainability is a topic that is very close to our hearts. After all, the very core of our entire business is based on key Environmental, Social and Corporate Governance principles. As we advance up the sustainability ladder, we have decided to set up a Sustainability Committee at Board level to set the direction for the Group. In addition, we have now produced a standalone Sustainability Report from this year for the benefit of our Shareholders. This report can be found on our website. In previous years, VICOM's sustainability efforts were subsumed as part of ComfordDelGro's Sustainability Report.

### CORPORATE GOVERNANCE

Under the Code of Corporate Governance (Code 2018), the nine-year rule for independent directors came into effect on 1 January 2022. The Singapore Exchange (SGX) has stipulated that directors who have accumulated a total of nine or more

years in their tenure on 1 January 2022 will be classified as non-independent unless prior approvals have been obtained from Shareholders. After the upcoming Annual General Meeting (AGM), none of our non-executive Directors in VICOM will fall in this category.

The Nominating Committee and the Remuneration Committees were merged into a single Board Committee, the Nominating and Remuneration Committee (NRC), in 2021 for greater efficiency in the review of the appointment, performance and compensation of Directors and Key Management Personnel. Two new committees, the Sustainability Committee and the Technology Committee, have also been established.

The Technology Committee was established to oversee the Group's digital strategy and related execution plans so as to improve our productivity and the user-experience of our customers. It will also oversee technology investments to enhance the Group's capabilities in the inspection and testing businesses to capture new business opportunities, as well as review the requirements for technology talent and expertise to promote disruptive innovation.

In the annual "Singapore Governance and Transparency Index (SGTI) 2021, VICOM scored 103 and performed significantly better than the average score of 68.7. We are ranked 21<sup>st</sup> out of 519 listed companies surveyed.

VICOM bagged an award at the annual Securities Investors Association Singapore (SIAS) Investor's Choice Awards. It was named runner-up of the Shareholder Communication Excellence Award (SCEA) 2021, Mid Cap Category.

Our planned director renewal process, which began in 2018 has resulted in a good mix of skill-sets among our Directors in technology, finance, engineering and food testing, as well as a gender diverse make-up with three female directors on

board. The Board is also well represented in the tripartite areas of government, labour and business.

### FINANCIAL RESULTS

Group revenue increased by 16.7% or \$14.4 million to \$100.9 million in 2021, almost back to pre-COVID-19 levels due to the improved business environment for the non-vehicle testing business. As a result, net profit attributable to shareholders increased by 1.2% or \$0.3 million to \$24.8 million. Excluding Government Reliefs, the Group's operating profit would have improved by 35.0% or \$7.6 million in 2021 as compared to 2020.

Earnings per share for 2021 was 6.99 cents compared against 6.91 cents a year ago. Net asset value per ordinary share was 35.89 cents compared to 37.86 cents a year ago.

The Board has recommended a tax-exempt one-tier final dividend of 3.24 cents per ordinary share for Shareholders' approval. To commemorate VICOM's 40<sup>th</sup> Anniversary, a tax-exempt one-tier special dividend of 2.00 cents per ordinary share has also been recommended. Together with the interim tax-exempt one-tier dividend of 3.04 cents per ordinary share paid in August 2021, the total dividend for 2021 will be 8.28 cents per ordinary share, representing a payout ratio of 118%. Viewed against the year's end closing price of \$2.04, the 2021 dividends will represent a dividend yield of 4.1%.

### THE YEAR AHEAD

We will be upgrading our test equipment and facilities in the VICOM Emission Testing Laboratory to comply with the latest "Worldwide Harmonised Light-duty vehicles Test Procedure" (WLTP) as the NEA moves towards replacing the current New European Driving Cycle (NEDC) and Japanese Driving Cycle (JC08) for light commercial vehicles in April 2023 and for car and taxis in January 2024.

In the non-vehicle testing business, we will invest in new equipment and build

up new capabilities in the new premises. Some of the planned capabilities include the development of new test methods to check for pesticides and drug residues in food and water, as well as the testing of combustibility of building and construction materials/products in compliance with the requirements of ISO 1182 and the Singapore SCDF Fire Code. We will also be pursuing opportunities arising on the sustainability front – namely air, water and food testing.

### APPRECIATION

On behalf of the Board of Directors, I wish to thank the entire Management and staff under the capable leadership of CEO Sim Wing Yew for doing an excellent job during another difficult pandemic year.

I also wish to thank all the Authorities for all their assistance, financial and otherwise, in helping us through this difficult time. Teamwork has been strong throughout the crisis and it has helped make a very difficult situation slightly less challenging. I also wish to express my deepest appreciation to the Union that worked with us during these trying times.

I would also like to thank my fellow Directors for their invaluable contributions during this difficult time. And finally, to our Shareholders, thank you for your continued support.

Mr Goh Yeow Tin, who has been a VICOM Director since 2010 and held various Board Committees including chairmanships of the Audit and Risk Committee and the Nominating Committee, has informed me that he will be resigning from the Board on 27 April 2022, after the AGM, due to other commitments. On behalf of the Board, I would like to extend my deepest appreciation to him for his years of invaluable contribution.

### RETIREMENT

I am the remaining founding Director of the original eight, having succeeded the Chairmanship from the Founding Chairman Dr Wong Kwei Cheong on

25 July 1985 when he became a Minister of State in the Government. Other than me, the entire board as it stands now is comparatively new.

I have spent four decades with VICOM as a Non-Executive Director but an active Chairman during my term. It has been a very rewarding experience and I am proud to have been a part of its journey. I am very happy to see its progress and am confident it will continue to grow from strength to strength. Though I was re-elected as a Director at the last AGM and am only due to retire in April 2023, I have decided to retire a year earlier at the forthcoming AGM in April 2022.

I will assume the title of Emeritus Chairman and hold an advisory position as Senior Advisor to provide continuity for the Group.

The Board has agreed that Dr Tan Kim Siew, who has been a Director with the Company since 2018, will take over as Chairman when I step down after the upcoming AGM. Dr Tan, who is presently a Senior Consultant in the Ministry of Finance and Chairman of the Governing Board for the Mechanobiology Institute, National University of Singapore, has extensive experience in technology, research & development as well as finance. I am confident he will be able to steer the Group to even greater heights and hope you extend to him the same confidence as you have generously shown me through the years.

### LIM JIT POH

CHAIRMAN  
MARCH 2022