



CHAIR MAN'S STATEMENT



OUR BUSINESSES AND STRATEGIES

In 2022, the Singapore economy rebounded with the relaxation of COVID-19 restrictions and, with that, our performance. But even as the challenges posed by the pandemic ebb, new ones have emerged. High inflation and threats of a slowdown in economic growth are pain-points we are watching closely as we pursue our long-term growth strategy.

VICOM Ltd has two businesses – vehicle inspection, and non-vehicle testing, inspection, and certification.

The vehicle testing business did well in 2022 with the periodic inspection for vehicles clocking a record high of 534,840 inspections, compared to 523,639 in 2021. However, there is a limit to how much our vehicle inspection business can grow as Singapore's car population is unlikely to be allowed to increase.

As such, following a strategic review led by the Board, we have mapped out a four-pronged strategy to grow our non-vehicle testing business, that I will now elaborate on.

Firstly, we will extend our current capabilities on testing, inspection and certification to adjacent areas, and also develop capabilities to exploit new opportunities in these areas. We are currently drawing up plans to build more test laboratories on a new plot of land that we have secured in Jalan Papan. This plot will also house the current vehicle inspection at Pioneer which we will have to vacate by 2026.

Secondly, we will continue to look for business opportunities in technology areas we are not yet in. We will also leverage on technology to increase productivity and efficiency through robotic process automation and digitalisation. To ensure adequate focus on this, we have recruited a Chief Technology Officer and have formed a Technology Committee at Board level to drive this.

The third prong of our growth strategy relates to our people and the deepening of our knowledge as a Group. We will continue to invest in training and re-training to ensure that our staff are constantly upskilling and cross training to expand their skillsets.

CHAIRMAN'S STATEMENT



A bus undergoing emission testing

Fourthly, we will strengthen our customer engagement by refreshing our websites and launching new customer-facing applications. This change will not be merely cosmetic, as we will introduce data analytics to enable us to engage our customers better.

As a good corporate citizen, we will embed Environmental, Social and Corporate Governance (ESG) principles in our strategies. To this end, a Sustainability Committee that was formed in 2021 has made good progress. Aggressive steps have been taken to pluck low-hanging fruits, like getting the charging infrastructure ready for the switch to electric vehicles during fleet renewal, and contracting to install solar panels at six of our premises. A thorough stock-take has been done to ensure that we meet all the sustainability reporting requirements mandated by the Singapore Stock Exchange, and this could be viewed in our Sustainability Report that can be found on our website.

FINANCIAL RESULTS

Group revenue increased by 7.3% to \$108.3 million, while operating profit grew by 5.4% to \$32.7 million (If we were to exclude COVID-19 Government reliefs, the operating profit increase was 11.1%). Net profit attributable to shareholders increased by 5.7% to \$26.2 million.

CORPORATE GOVERNANCE

In the annual Singapore Governance and Transparency Index 2022, VICOM scored 103 and performed significantly better than the average score of 70.6. We were ranked 14 out of 489 listed companies surveyed.

THE YEAR AHEAD

Demand for vehicle testing is expected to remain stable in 2023; while, barring unforeseen circumstances, demand for non-vehicle testing is expected to increase with the full resumption of activities in the national economy. However, the Group's profit margins will continue to be under pressure due to inflationary pressures and greater competition, especially in the non-vehicle testing business.

APPRECIATION

Let me place on record my appreciation for my predecessor, Mr Lim Jit Poh, who retired as Chairman and Director of VICOM on 27 April 2022, after serving on the Board for 41 years. In recognition of his tremendous contributions to the VICOM Group, the Board accorded him the title of Chairman Emeritus, and he continued to hold an advisory position as Senior Advisor to provide continuity for the Group. He will step down as Senior

Advisor at the end of the upcoming Annual General Meeting. On behalf of the Board of Directors, I wish to thank Mr Lim for his guidance to me and the entire VICOM Board. I would also like to thank my fellow Directors for their invaluable contributions during this transition.

I wish to also thank Mr Yang Ban Seng who has retired as Deputy Chairman and Director of VICOM on 31 December 2022 when he retired as Managing Director/Group Chief Executive Officer (CEO) of our parent company, ComfortDelGro Corporation Limited. I welcome Mr Cheng Siak Kian, who succeeded Mr Yang Ban Seng in ComfortDelGro, as the new VICOM Deputy Chairman and Director, and member of the Nominating and Remuneration Committee and the Technology Committee.

Professor Ooi Beng Chin, a Director of the ComfortDelGro Board, also joined as a nominee Director and a member of the Technology Committee. Beng Chin brings with him expertise in the areas of Information Technology, blockchain, Artificial Intelligence and large-scale analytics.

I would like to thank the entire Management and staff for the excellent effort and teamwork that enabled VICOM to rapidly rebound to normalcy in 2022.

My heartiest congratulations to our CEO Mr Sim Wing Yew for receiving the "Best CEO Award" at the Singapore Corporate Awards 2022. This is a well-deserved recognition of his strong leadership as he successfully steered VICOM through the huge operational obstacles VICOM encountered during the COVID-19 pandemic.

My appreciation also for our SETSCO CEO, Mr Sze Thiam Siong, who retired on 28 February 2023 after helming our non-vehicle testing subsidiary for 42 years. Thiam Siong started the Company in 1980 with just 25 staff in Non-Destructive Testing and concrete testing. It now boasts a staff strength of over 700 and covers a broad range of testing services.

I wish to thank all the Authorities for all their assistance, financial and otherwise, in helping us through the pandemic. I also wish to express my deepest appreciation to the Union that worked with us during these trying times.

And finally, to our Shareholders, thank you for your continued support.

TAN KIM SIEW

CHAIRMAN

MARCH 2023