

CHAIRMAN'S STATEMENT



THE YEAR

The year 2023 unfolded against economic headwinds. Singapore's economic growth dropped to 1.1%, compared to 3.8% in 2022. The manufacturing sector, one of the key industries that our non-vehicle testing business serves, contracted by 4.3%, affecting our overall business performance.

Our vehicle testing business, however, remained resilient. We inspected a total of 520,895 vehicles, maintaining our market share of over 72%.

We continued to invest in growing our core capabilities, conducting more emission tests through our VICOM Emission Testing Laboratory after a multi-million dollar upgrade to meet

the new Worldwide Harmonised Light Vehicle Test Procedure required by the National Environment Agency.

We continued to implement our strategies mentioned in my Statement last year to grow our non-vehicle testing capabilities.

1 Extending current capabilities.

This year, we further extended our capabilities to support the agri-food industry, having now been accredited to test over 170 types of pesticides and 80 types of drug residues.

We are also now ready to conduct Management System Certification for ISO 27001 (Information Security Management Systems), and have been approved by the

Cybersecurity Agency of Singapore as a certification body for its Cybersecurity Trustmark.

As we see greener infrastructure and buildings coming up as Singapore embarks on its Green Plan 2030, we have expanded our product certification capabilities to cover building-attached photovoltaic systems, in addition to roof-mounted photovoltaic systems.

2 Looking into technological growth areas we are not yet in.

In August 2023, we acquired An Security, a key player in the business of security evaluation and testing services for IT products such as consumer and industrial smart devices. Cybersecurity is a

rapidly expanding industry with almost all aspects of modern industry under constant threat of cyber attacks in this digital era. We now have the means to capture this growth opportunity.

3 Deepening our people's knowledge. We introduced online learning through a digital training platform that features thousands of courses, to help our staff acquire new personal and professional skills at their own pace. We also instituted a policy of protected time to enable our staff to commit time and space from their work schedules towards upskilling and learning.

4. Strengthening customer engagement. We deployed a suite of new E-Systems where our customers can send in their test or certification requests electronically as well as check on the progress of the tests and certifications online anytime without the need to call our technical officers.

As part of our commitments to sustainability, we began harvesting solar energy from six of our premises and initiated the electrification of our own vehicle fleet. We also published our first Task Force on Climate-related Financial Disclosures (TCFD) report, well ahead of the timeline mandated by the Singapore Exchange (SGX).

FINANCIAL RESULTS

Our financial results remain robust. Group revenue increased by \$3.6 million to \$111.9 million, and operating profit grew by 1.2% to \$33.0 million. As a result, Net profit attributable to shareholders increased by 5.4% to \$27.6 million.

The Directors have recommended a final dividend of 2.75 cents per share, in line with the revised Dividend Policy Ratio of 70% of net profit attributable to shareholders as communicated in the SGX Announcement on 11 August 2023. The revision of DPR from 90% to 70% was necessary as the Group will require the cash for the development of the new Jalan Papan site. When developed in 1Q 2026, this new site spanning 12,400 square metres of floor space over 5 storeys, will support the growth of both our vehicle and non-vehicle testing business. The building will also include vehicle workshops, parking space for heavy vehicles, and charging facilities for electric vehicles, thus adding a new revenue stream to our business.

CORPORATE GOVERNANCE

As testament to our commitment to strong corporate governance and transparency, VICOM has been ranked among the top 20 of 474 listed companies in Singapore in the annual Singapore Governance and Transparency Index 2023. We attained an improved score of 104, which surpasses the average score of 74.8 among the listed companies.

THE YEAR AHEAD

2024 will be a busy year for vehicle testing and related services, as VICOM has been appointed by the Land Transport Authority (LTA) as one of the Authorised Partners for the installation of On-Board Units (OBU) in the ERP 2.0 exercise.

We also anticipate increased demand for non-vehicle testing services with the anticipated recovery of the manufacturing sector and possible improvement in the overall economy; barring unforeseen circumstances arising from global geopolitical tensions or headwinds.

APPRECIATION

I wish to sincerely thank the management and all our staff for their dedication, diligence and hard work, and I like to extend my deepest appreciation to the Union for their support and collaboration all these years. A special note of appreciation this year goes to the Board Audit Risk Committee and the Risk Management team, all of whom were instrumental in VICOM's clinching of the Gold award for Best Risk Management.

We appreciate the ongoing support of our shareholders, and we look forward to another successful year ahead.

TAN KIM SIEW

CHAIRMAN

21 FEBRUARY 2024