Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: VICOM Ltd

Stock code: V01

Meeting details:
Date: 20 May 2020
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Company Description

VICOM Ltd, the largest technical testing and vehicle inspection company in Singapore, offers a comprehensive range of testing and vehicle inspection services at eight locations. VICOM offers road tax renewal, transfer of vehicle ownership and sale of motor and general insurance. The Company carries out checks on in-vehicle (IU) units, speed limiters, overloaded vehicles, tinted glass and pre-registration requirements of parallel imported vehicles. VICOM also offers accident reporting and cost adjustment surveys-before-repairs. VICOM has conducted more than 30,000 technical evaluations on pre-owned cars. The Company has also exported its expertise to various countries around the region. VICOM Inspection Centre Pte Ltd has 5 inspection centres located at the northern (Yishun), eastern (Changi, Kaki Bukit), central (Sin Ming) and western (Bukit Batok) parts of Singapore. The company constantly strives to keep abreast with the latest in inspection technology and provides its customers with excellent service. Today, it provides inspection services for private cars, taxis, motorcycles, light goods vehicles, heavy goods vehicles and buses. SETSCO Services Pte Ltd provides testing, calibration, inspection, consultancy and training services to a wide spectrum of industries. This includes the aerospace, building and construction, electronics, petrochemical, pharmaceutical, engineering, chemical and biotechnology industries both locally and globally. Services provided include quality assurance, building and construction materials testing and evaluation, structural evaluation and diagnosis, chemical analysis, environmental monitoring and assessment, food and microbiology analysis, mechanical testing and metallurgy, non-destructive testing and evaluation, metrology and preventive maintenance assessment. JIC Inspection Services Pte Ltd becomes a subsidiary of VICOM Ltd after the latter acquired another 36.5 percent of JIC shares from DelGro Engineering Pte Ltd. As of 1 May 2005, VICOM's shareholdings in JIC increased from 41.5 percent to 78 percent. JIC has two centres located at Jurong and Ang Mo Kio.
(Source: https://www.sgx.com/securities/equities/V01)

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Q1. As seen from the Group financial highlights (pages 6 and 7 of the annual report), for FY2015 to FY2019, revenue ranged from $97 million to $107 million and profit attributable to shareholders hovered between $26.5 million and $34.7 million (which included other income of $7.7 million).

Salaries and staff costs were kept to between 43% and 45% of the group's total revenue over the same period. In fact, since value-add per employee jumped from $93,000 in FY2013 to $100,000 in FY2014, it has remained at around the $100,000 level.

(i) **What are the group's efforts to further improve its productivity?**

Q2. In the Operations review (pages 18 to 21), the group reported its vehicle testing business separate from the non-vehicle testing business. In Note 29 (page 97 – Segment information), it was stated that "all vehicle inspection and non-vehicle testing services are managed and reported together as one segment".

However, the company has listed its key management in charge of different portfolios, such as the mechanical division and biological and chemical technology divisions in Setsco and Operations (Vehicle inspection) in VICOM. There is also a clear distinction in the corporate structure with vehicle inspection services carried out by the subsidiaries, VICOM Inspection Centre Pte Ltd and JIC Inspection Services Pte Ltd, while the non-vehicle testing business is carried out by Setsco Services Pte Ltd.

As set out in the Singapore Financial Reporting Standard (International) 8 Operating Segments (SFRS(I) 8), the core principle of SFRS(I) 8 is that an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

Specifically, the Standard has set out the aggregation criteria (businesses to have similar economic characteristics and to have similar type or class of customer for their products and services, amongst others) and determined the quantitative thresholds (more than 10% of revenue, profit or assets).

(i) **Can the audit committee and the independent auditors help shareholders understand if the group could better adhere to SFRS(I) 8 and report vehicle and non-vehicle testing services as two separate operating segments?**

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Q3. The group has included a two-page section on Sustainability in the annual report and referred its stakeholders to the Sustainability Report of the parent company. However, the parent company's sustainability report does not specifically cater to the stakeholders of VICOM.

(i) **As a listed company with its own board and shareholders, would the board consider setting its own board statement on the sustainability agenda and to prepare its own Sustainability report to set the right tone at the top?**

(ii) **Specifically, what are the short- and long-term qualitative and quantitative targets (including peer or sector benchmarks) for the key material ESG factors of the group?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)