

INTERVIEW
WITH THE CEO



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What is your vision for SPC?

The oil industry has had more than its share of ups and downs in the 30 odd years that I have been involved with the industry. In SPC, as one of the pioneer staff, I have seen SPC come through each crisis with more confidence and strength.

For myself, I have often had a vision of SPC being a household name in Singapore and a recognised player in the regional oil and gas sector.

SPC started out in the 1970s primarily as a refiner. Today, while the bulk of the Group's assets and investments remains in the downstream sector, SPC has in a short space of four years made significant strides into the upstream sector. This started in 2000 with the SPC Group re-positioning itself to be an integrated oil and gas company. Since then, we have invested more than \$150 million in the upstream sector.

As a home-grown oil company, our reputation and stature has grown considerably since the day I joined SPC. We are the only integrated oil and gas company listed on SGX and one of the STI stocks. Last year, the Group recorded \$5.0 billion in turnover. That is quite a bit of progress!

The Group had an extremely busy year in 2004. Several major acquisitions in both the downstream and upstream sectors which are accretive to earnings were accomplished. The Group also issued its first ever convertible bond to fund its recent acquisitions.

I am very privileged to have this opportunity to take SPC to the next level. We intend to create a strong industry presence and build an enterprise that is progressive and resilient.

We will continue to remain focused on our corporate vision - "To be a strong integrated oil and gas company with a premium brand in Asia".

What are the challenges and opportunities for oil companies such as SPC in Asia?

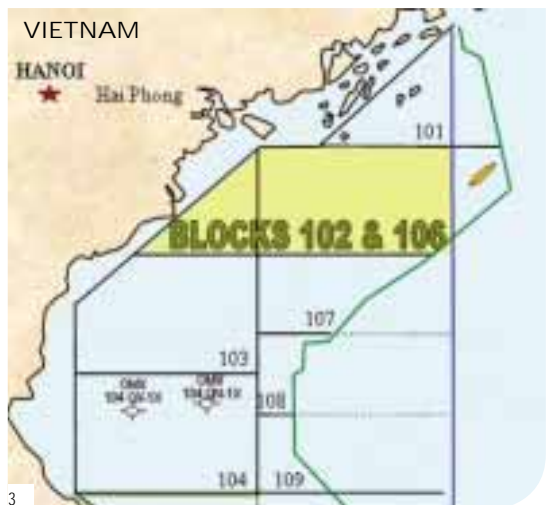
SPC's activities are predominantly in the downstream sector. Although we have begun to invest considerable sums in upstream assets in recent years, the Group's major asset continues to be its jointly owned refining facility, SRC, where it has a 50 per cent interest.



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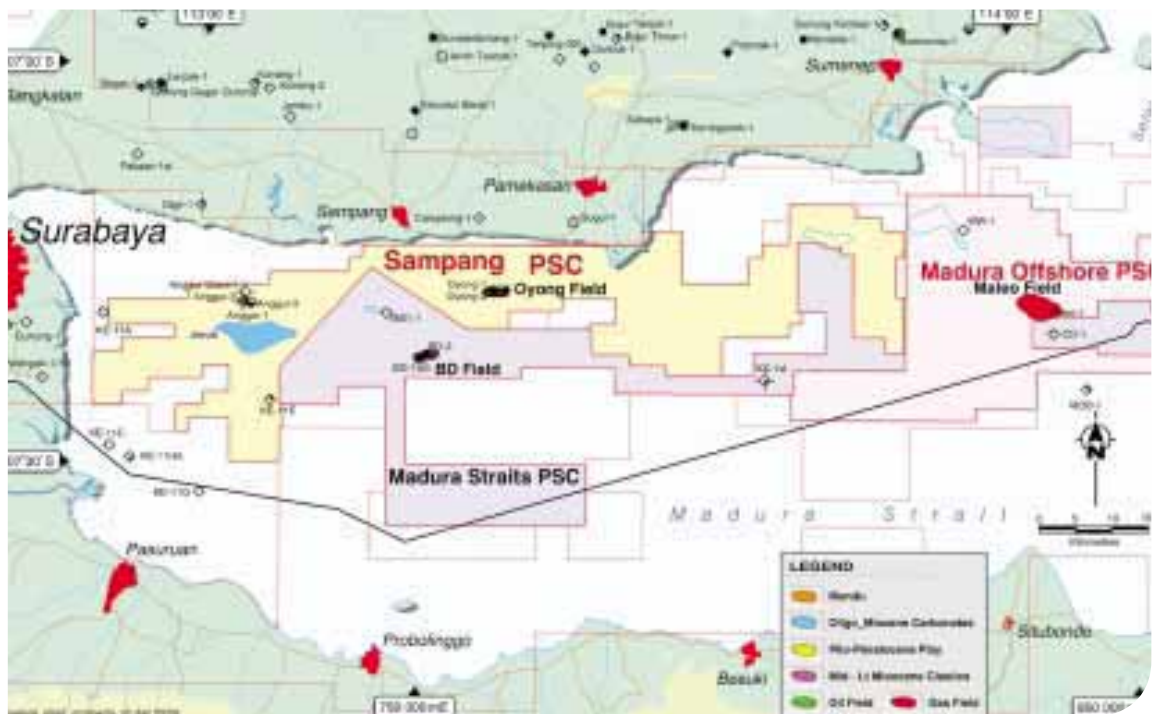


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- 1. SRC remains a core and significant asset of the SPC Group
- 2. In 2004, SPC's retail footprint in Singapore quadrupled to 39 service stations
- 3. SPC farmed in for a 10 per cent participating interest in Blocks 102 and 106, Vietnam in 2004



In 2004, SPC acquired an interest in the Sampang PSC located in Indonesia

The refining business has seen a long awaited recovery in the last two years. Margins are expected to remain healthy. The industry's forecast is for continued refined product capacity tightness or even shortages in the short term. Refineries globally have been operating at high utilisation rates since late 2003. Refineries however, have not been able to run at nameplate capacities due to factors such as crude slates and ageing facilities. This has exerted upward pressure on refining margins.

The outlook for refined petroleum products demand is positive. There is a resurgence of economic growth in a number of key regions. China's economic growth has fuelled refined product demand as well as demand for other commodities. Current economic indicators also point to positive prospects for growth in North America and Western Europe. Hence, the demand for refined petroleum products, in particular transportation fuels, as well as demand for feedstocks like chemical naphtha for the growing petrochemical industry, is expected to continue to outpace supply. This expected shortage will be aggravated by the present constraint in refining capacity, high construction costs and the time lag needed for new capacity to come on stream.

Strong demand for gas as an alternative to oil is emerging in the region. Due to the long gestation for gas infrastructure, demand for oil as an energy resource

will remain strong. As a top quartile refiner by industry standards, SRC, the Group's joint refinery would benefit from this projected strong demand for refined products.

However, oil companies including SPC will face continuous challenges. One of these is the increasingly stringent clean fuels requirement for gasoline and diesel. To remain relevant in the marketplace, SPC and its partner in SRC will be investing to increase the capability of the refinery and enhance its flexibility to process more heavy and sour crudes and manufacture products for different markets.

Another challenge faced by oil refiners is the present environment of high crude prices. Middle-East geopolitical tensions and the threat of supply disruptions would continue to weigh on the refining industry and add a premium to crude prices. Sustained high energy costs give cause for concern that economic activities may be affected. This in turn may affect the demand for crude and refined petroleum products.

While SPC's upstream activities have benefited from high oil and gas prices, the high prices do pose challenges to SPC, in its planned growth in oil and gas reserves. Few assets were put on the market as E&P (exploration and production) companies are holding on to such assets to extract maximum value

during this period. The current high oil prices have made the acquisition of further E&P assets difficult. With a modest risk capital, SPC will continue to be cautious and selective in its approach towards acquisition of E&P assets. In fact, this cautious approach has enabled the Group to build a credible upstream portfolio in a rather short time.

What is SPC's growth strategy? Do you expect to invest more heavily in E&P projects?

We will continue to pursue our strategy of focusing on acquisition of upstream assets and strengthening the SPC's existing downstream business.

E&P drives the earnings of the global integrated oil and gas companies. Moving into this arena gives SPC a counter balance to its reliance on downstream activities. This will stabilise and grow earnings. The Group will take a measured approach to new E&P investments to ensure a balanced overall risk profile for SPC. SPC will focus its niche acquisitions mainly in the Asean region, where we have built up strong relationships with other regional national oil companies (NOC).

We have increased SPC's refining capacity in 2004 and further strengthened our position as a reliable supplier, capitalising on the growing energy demand in the region. We will upgrade our refining capability at the appropriate time and this upgrading will enable SRC to produce higher value added products. SPC's retail business has grown from strength to strength in the past years. The recent retail network acquisition has propelled the SPC brand to the forefront of the local retail landscape. Given appropriate investment opportunities, we will leverage on our retail experience and replicate our retail network beyond Singapore.

The Group will at the same invest in its human capital. We need to be able to recruit, develop and retain skilled and dedicated staff.

How do you intend to finance this growth?

We expect to continue to have healthy cash flows. The Group has also built up tremendous goodwill in the financial community and is able to tap on various sources to fund for its capital expenditures. We are confident that we will be able to fund any worthwhile projects either internally, from bank borrowings or even on a without recourse project finance basis, depending on the individual project's cash flow profile.

How can SPC compete with other oil companies in Asia?

It is important for us to have a clear focus on SPC's strategic businesses and build up our capability to sustain and strengthen our presence in the industry.

We will continue to capitalise on our world class refining asset and our niche position in the downstream businesses. SPC enjoys strong brand equity in the region. As a founding member of ASCOPE (an ASEAN oil group that meets and collaborates on industry-wide projects) SPC works very closely with the regional NOC and has built strong strategic alliances with the NOC. The Group is also able to take advantage of Singapore's geographical location and position as a business hub to grow its businesses.

SPC has a Board whose directors have a wide range of oil and gas industry experience and network. Their expertise contributed greatly to SPC's growth and will continue to help differentiate us from our competitors.

SPC has been able to ride the waves of change by being nimble, flexible and market savvy. Our challenge is to build an enterprise that continuously reinvents itself.

In terms of SPC culture, what would you like to see?

The SPC story is one that has mirrored Singapore's vibrant spirit of progressiveness and passion for excellence. These are values that we would like to see promulgated. We have created a performance based culture where superior results are rewarded. We have united our staff with a strong sense of team spirit evidenced by great teamwork and pride of ownership.

As the Group forges ahead, we intend to build a dynamic, enterprising and cohesive team ready for every challenge.