

# Directors' report

For the financial year ended 31 December 2006

The directors present their report to the members together with the audited financial statements of the Group and the income statement, balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2006.

## Directors

The directors of the Company in office at the date of this report are as follows:

Choo Chiau Beng, Chairman of the Board  
Koh Ban Heng, Chief Executive Officer and Executive Director  
Bertie Cheng Shao Shiong  
Geoffrey John King  
Timothy Ong Teck Mong  
Chin Wei-Li, Audrey Marie  
Goon Kok-Loon  
Teo Soon Hoe  
Cheng Hong Kok

## Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed in the financial statements and under the "Share options" and "Share plans" sections in this report. Shares were issued and vested to directors during the financial year pursuant to one of the Company's two share plans approved by shareholders at the Extraordinary General Meeting held on 27 April 2004, namely the SPC Restricted Share Plan.

## Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or related corporations, except as follows:

Name of directors	Holdings registered in the name of the director			Holdings in which the director is deemed to have an interest #		
	At 1.1.06	At 31.12.06	At 21.1.07	At 1.1.06	At 31.12.06	At 21.1.07
<b>Singapore Petroleum Company Limited</b>						
<u>(Ordinary shares)</u>						
Choo Chiau Beng	164,500	179,000	179,000	-	-	-
Koh Ban Heng*	215,200	415,200	415,200	450,000	900,000	900,000
Bertie Cheng Shao Shiong	59,500	116,000	116,000	-	-	-
Geoffrey John King	61,000	69,000	69,000	-	-	-
Timothy Ong Teck Mong	5,000	33,000	33,000	-	-	-
Chin Wei-Li, Audrey Marie	9,500	19,000	19,000	-	-	-
Goon Kok-Loon	8,000	31,000	31,000	-	-	-
Teo Soon Hoe	5,000	10,000	10,000	-	-	-
Cheng Hong Kok	85,500	121,000	121,000	-	-	-
<u>(Options to subscribe for ordinary shares)</u>						
Koh Ban Heng	420,000	320,000	320,000	-	-	-
Bertie Cheng Shao Shiong	47,000	-	-	-	-	-
Geoffrey John King	34,000	34,000	34,000	-	-	-
Timothy Ong Teck Mong	23,000	-	-	-	-	-
Chin Wei-Li, Audrey Marie	44,000	-	-	-	-	-
Goon Kok-Loon	15,000	-	-	-	-	-
Cheng Hong Kok	29,000	-	-	-	-	-

# Details of directors' interest in share options are set out in the "Share options" section below.

\* Mr Koh Ban Heng is deemed to have an interest of up to an aggregate of 900,000 ordinary shares in SPC which comprised of outstanding awards granted under the SPC Restricted Share Plan and SPC Performance Share Plan, and subject to certain pre-determined performance targets, criteria and conditions being met. These ordinary shares have not been vested as at 31 December 2006.

### Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the financial statements and in this report, and except that Mr Koh Ban Heng has an employment relationship with the Company and has received remuneration in that capacity.

### Share options

#### (a) SPC Share Option Scheme 2000 (the "Scheme")

The Scheme is administered by the Nominating and Remuneration Committee (the "NRC") whose members are:

Bertie Cheng Shao Shiong, Chairman  
Choo Chiau Beng  
Geoffrey John King  
Chin Wei-Li, Audrey Marie

No options were granted during the financial year to subscribe for unissued shares of the Company. Particulars of options granted in 2000, 2001, 2002, 2003 and 2004 were set out in the Directors' Reports for the respective financial years.

No other options were granted by the Company or any subsidiary during the financial year.

(i) Details of the movement of directors' share options during the financial year are set out below:

SPC Share Option Scheme 2000	At beginning of the financial year	Granted during the financial year	Exercised during the financial year	Forfeited during the financial year	At end of the financial year	Exercise price	Exercise period
<b>Chief Executive Officer/ Executive Director</b>							
Koh Ban Heng 1/2003	100,000	-	(100,000)	-	-	\$0.92	18.2.2005 - 16.2.2013
1/2004	320,000	-	-	-	320,000	\$1.57	5.2.2006 - 3.2.2014
<b>Non-Executive Directors</b>							
Bertie Cheng Shao Shiong 1/2004	47,000	-	(47,000)	-	-	\$1.57	5.2.2006 - 3.2.2009
Geoffrey John King 1/2004	34,000	-	-	-	34,000	\$1.57	5.2.2006 - 3.2.2009
Timothy Ong Teck Mong 1/2004	23,000	-	(23,000)	-	-	\$1.57	5.2.2006 - 3.2.2009
Chin Wei-Li, Audrey Marie 1/2004	44,000	-	(44,000)	-	-	\$1.57	5.2.2006 - 3.2.2009
Goon Kok-Loon 1/2004	15,000	-	(15,000)	-	-	\$1.57	5.2.2006 - 3.2.2009
Cheng Hong Kok 1/2004	29,000	-	(29,000)	-	-	\$1.57	5.2.2006 - 3.2.2009
	<u>612,000</u>	<u>-</u>	<u>(258,000)</u>	<u>-</u>	<u>354,000</u>		

## Directors' report

### Share options (continued)

#### (a) SPC Share Option Scheme 2000 (the "Scheme") (continued)

- (ii) Details of directors' share options since the commencement of the Scheme up to the end of the financial year are set out below:

Name of Director	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of the financial year	Aggregate options exercised since commencement of the Scheme to the end of the financial year	Aggregate options lapsed since commencement of the Scheme to the end of the financial year	Aggregate options outstanding as at the end of the financial year
Koh Ban Heng	-	800,000	(480,000)	-	320,000
Bertie Cheng Shao Shiong	-	126,000	(126,000)	-	-
Geoffrey John King	-	87,000	(53,000)	-	34,000
Timothy Ong Teck Mong	-	65,000	(65,000)	-	-
Chin Wei-Li, Audrey Marie	-	118,000	(118,000)	-	-
Goon Kok-Loon	-	15,000	(15,000)	-	-
Cheng Hong Kok	-	78,000	(78,000)	-	-
	-	<u>1,289,000</u>	<u>(935,000)</u>	-	<u>354,000</u>

#### (b) Share options outstanding

The number of unissued ordinary shares of the Company under options outstanding at the end of the financial year is as follows:

Options relating to SPC Share Option Scheme 2000	Number of shares under options outstanding at 31.12.2006	Exercise price	Expiry date
<b>Senior Management and Employees</b>			
2000	18,000	\$0.78	27 August 2010
1/2001	18,000	\$0.68	16 April 2011
2/2001	21,000	\$0.68	18 September 2011
1/2002	24,000	\$0.75	2 April 2012
2/2002	60,000	\$0.87	29 October 2012
1/2003	279,000	\$0.92	16 February 2013
1/2004	518,000	\$1.57	3 February 2014
<b>Non-Executive Directors</b>			
1/2004	<u>34,000</u>	\$1.57	3 February 2009
	<u>972,000</u>		

The above-mentioned options do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.

## Share options (continued)

### (c) Other information required by the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Singapore Companies Act ("Companies Act")

Pursuant to Rule 852 of the Listing Manual of the SGX-ST and Section 201(12)(a) of the Companies Act, other than as disclosed elsewhere in this report, it is reported that during the financial year:

- (i) No options were granted to controlling shareholders of the Company or their associates.
- (ii) No key management or employee had received 5% or more of the total number of options available under the Scheme.
- (iii) No director or employee of the Company and its subsidiaries has received 5% or more of the total number of options available to all directors and employees of the Company and its subsidiaries under the Scheme.
- (iv) No options were granted at a discount.
- (v) No shares of the Company were allotted and issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiary.

Details regarding directors' interest may be obtained in accordance with S164(8) and (9) of the Singapore Companies Act.

## Share plans

The NRC administers the SPC Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") (collectively referred to as the "Share Plans" and each as a "Share Plan") which were approved by shareholders of the Company on 27 April 2004.

### (a) RSP

The RSP is part of the Company's share-based incentive scheme for employees. Contingent restricted shares are intended to be awarded annually, based on pre-determined corporate targets. After the end of the annual period, the award of the restricted shares will be computed, based on the extent to which the performance targets at the corporate level, the individual's Key Performance Indicator achievements and competency ratings have been achieved. The other terms and conditions include the prevailing personnel policies, the decisions and guidelines of the NRC and all other relevant factors and circumstances, including the performance record, and relevant laws and regulations. If the performance targets of the stipulated measures are fulfilled at the end of the annual period, generally, the duly determined quantum of shares is expected to vest annually over a three-year release schedule.

Refer to note 31(c) of the notes to the financial statements for details on the RSP awards.

### (b) PSP

The PSP is part of the Company's long-term incentive plan for key executives. Contingent performance shares are typically awarded at the beginning of a three-year performance cycle and the final award will be subjected to the extent to which the performance conditions have been achieved at the end of the relevant cycle. The three-year stretched performance target is aligned to pre-determined performance measures. The other terms and conditions the NRC will take into consideration include not only the extent to which the performance targets have been achieved, but all other relevant factors and circumstances, including relevant regulations prevailing at the time of release of awards under the PSP.

Refer to note 31(c) of the notes to the financial statements for details on the PSP awards.

Upon review by the NRC of the fulfilment of performance measures at the end of each of the three-year cycle, the duly determined quantum of shares under the PSP for financial years 2004, 2005 and 2006 would be targeted for vesting in 2007, 2008 and 2009 respectively.

Under both Share Plans, participants will receive fully paid shares, their equivalent cash value or combinations thereof, free of charge, provided that pre-determined performance targets, stipulated measures are met. Under the Share Plans, the NRC has the flexibility to allot and issue and deliver new shares or purchase and deliver existing shares upon vesting of the awards.

## Directors' report

### Awards to directors under the RSP and PSP

#### Restricted Share Plan

Name of Director	As at beginning of the financial year	Award/Contingent Award granted during the financial year	Vested during the financial year	Forfeited/cancelled	As at end of the financial year
<b>Chief Executive Officer/Executive Director</b>					
Koh Ban Heng	250,000	150,000	(100,000)	-	300,000
<b>Non-Executive Directors</b>					
Choo Chiau Beng	-	14,500	(14,500)	-	-
Bertie Cheng Shao Shiong	-	9,500	(9,500)	-	-
Geoffrey John King	-	8,000	(8,000)	-	-
Timothy Ong Teck Mong	-	5,000	(5,000)	-	-
Chin Wei-Li, Audrey Marie	-	9,500	(9,500)	-	-
Goon Kok-Loon	-	8,000	(8,000)	-	-
Teo Soon Hoe	-	5,000	(5,000)	-	-
Cheng Hong Kok	-	6,500	(6,500)	-	-
	<u>250,000</u>	<u>216,000</u>	<u>(166,000)</u>	<u>-</u>	<u>300,000</u>

#### Performance Share Plan

Name of Director	As at beginning of the financial year	Contingent Award granted during the financial year	Vested during the financial year	Forfeited/cancelled	As at end of the financial year
<b>Chief Executive Officer/Executive Director</b>					
Koh Ban Heng	<u>200,000</u>	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>600,000</u>

Shares awarded to non-executive directors are vested upon award.

#### **Audit committee**


The Audit Committee carried out its functions in accordance with Section 201B(5) of the Companies Act, as well as the relevant sections of the Listing Manual, the Code of Corporate Governance and the Best Practices Guide of the SGX-ST.

The Audit Committee nominates Messrs Deloitte & Touche for appointment as external auditors of the Company at the forthcoming Annual General Meeting.

#### **Corporate governance**

The Board has issued a Corporate Governance Report in the 2006 Annual Report of the Company.

On behalf of the directors



**CHOO CHIAU BENG**  
Chairman of the Board



**KOH BAN HENG**  
Chief Executive Officer and  
Executive Director

28 February 2007