

**SPC continues to leverage the strength of its brand image and equity to participate in growth opportunities both at home and abroad.**





SPC markets gasoline and diesel fuels through its island-wide retail network of service stations. These stations offer a one-stop experience for today's motoring public complete with convenience store merchandise, automotive care and car wash services.

At SPC, stringent manufacturing specifications and quality control are of paramount importance. These core values fuel and sustain the growth and success of its retail network.



The Marketing BU is organised into five key units, namely Market Development and New Ventures, Retail Sales and Development, Commercial Sales, Lubricant Sales, and Operations and Logistics.

As the marketing arm of the Group, the BU conscientiously sets out to add value through enhancing and improving the Group's brand image and equity. It is the BU's objective to deliver value to all its customers, maximise returns on capital invested in the business and maintain an ethical and positive relationship with its suppliers.

The Group's overseas thrust in downstream marketing opportunities is led by the Marketing Development and Ventures (MDV) unit. It seeks, evaluates and recommends new marketing opportunities and provides stewardship on existing joint ventures and investments. The unit's collective expertise is important to the Group as SPC continuously reviews its strategic downstream marketing and distribution businesses and operations in Singapore and overseas.

The marketing and sales of SPC's petroleum products are undertaken by three units within the Marketing BU. The Retail Sales and Development (RSD) unit manages SPC's retail network in Singapore and provides advice on retail management, operations and processes to its overseas ventures' partners. The Commercial Sales unit is responsible for bulk marketing of petroleum fuels and special products to the commercial, industrial and wholesale markets, and the

Lubricant Sales unit handles the marketing of base oils and finished lubricants in Singapore and regionally.

The Operations and Logistics unit provides engineering, logistics, storage and warehousing support to all the Marketing units.

Apart from marketing activities and operations, the BU has stewardship over the Group's EHSS portfolio.

In 2006, the BU focused on two broad areas, specifically to maintain its presence and grow in selected segments of the Singapore market and leverage the Group's strengths to participate in growth opportunities elsewhere in the Asia-Pacific region.

#### **Market development and ventures**

The MDV unit takes the lead in overseas market entry by seeking and evaluating potential downstream marketing investments and other opportunities in the Asia-Pacific region. The unit uses rigorous criteria to screen, evaluate and select the appropriate investment projects in order to grow earnings and shareholder value.

One of the regional investments completed in 2006 was the establishment of Singapore Petroleum (Guangdong) Private Limited in Guangzhou. The new marketing entity is tasked to grow and expand SPC-branded lubricant and automotive related product businesses in China.



In 2006, PT. Sumber Prestasi Cemerlang secured a provisional business licence from the authorities to market fuels in Indonesia.

Apart from reviewing potential investment projects, the unit provides stewardship to the existing marketing joint ventures and investments in Singapore and the Asia-Pacific region. In this role, the MDV unit continually reviews and assesses the performance of the joint ventures against established operating benchmarks and identifies opportunities to grow or divest these investments. In 2006, the unit successfully led the divestment of Jiangmen City Sinjiang Gas Company Limited, a joint venture company in China.

#### Retail sales and development

The RSD unit manages a network of 39 service stations in Singapore. The service stations, the most visible of the Group's business, remain a key platform to build the SPC-brand presence in the marketplace. In spite of the competitive retail landscape in 2006, SPC continues to provide its customers with value-added programmes, services and convenience store offerings that make a difference to their everyday motoring experience.

The SPC&U Card, launched in mid-2005 for its petrol customers, continues to grow and provide the Company with an avenue to communicate with and to recognise the patronage of its regular customers. In turn, its loyal customers have increased their patronage at SPC service stations. The efforts in marketing



In a clean, bright and friendly environment, Choices offers a wide selection of goods ranging from parking coupons, pastries to papers.

communications, discount offerings and rewards meet the interests and needs of the motoring public, reinforcing SPC's image as 'Your Friendly Neighbourhood Service Station'.

To build on the success of its first card programme, a SPC&U Card for diesel customers was introduced in September 2006. The take-up rate has been excellent and is still growing.

Besides fuel and its 24-hour convenience store offerings, SPC has 25 manual car wash facilities across its network of service stations. This is the largest chain of manual car wash facilities in Singapore. SPC has also integrated its SpeedyCare automotive service centres with its service station operations at strategic locations across the island. These centres cater to motorists seeking a comprehensive maintenance programme for their vehicles. With the addition of two centres in 2006, SPC presently manages 13 SpeedyCare automotive service centres islandwide.

As part of its one-stop motoring concept, SPC operates a chain of 39 convenience stores, Choices. These stores also meet the needs of residents in the neighbourhood. The Choices stores carry a variety of merchandise catering to the essential and daily needs of SPC customers. In tandem with SPC's efforts to stay relevant to each trade area, merchandise at Choices is differentiated and is specially selected for the needs of the trade area. In selected locations, the stores have dedicated areas to market lifestyle merchandise.



SPC is committed to an overall value proposition of value for money products and excellent customer service at all times.

SPC supplies LPG to the domestic, industrial and commercial sectors, maintaining its market share.



Additionally, SPC's value proposition includes providing customer service that makes fuel shopping at SPC a pleasant and rewarding experience. In its commitment to service excellence, SPC recognises that the frontline staff takes on a pivotal role. In this regard, all frontline staff receive ongoing training and are motivated with a variety of incentives. SPC has a Mystery Shopper programme to provide an independent assessment of customer service across the SPC network. The SPC Retail Hotline and the web-based Contact Us form, together with other traditional customer feedback channels are additional avenues for customers to provide feedback.

The RSD unit has a dedicated training department to provide training and coaching to all retail staff, from station managers to cashiers and pump attendants. These programmes equip frontline staff with the necessary skills to improve service quality and standards.

#### Commercial sales

The Commercial Sales unit covers the marketing of petroleum products (except lubricants) to the domestic, commercial, industrial and wholesale markets. It also markets special products such as liquefied petroleum gas (LPG), asphalt and sulphur to the Asia-Pacific region. The special products segment is a significant contributor to the Commercial Sales portfolio.

In 2006, SPC performed well in a market characterised by strong and volatile product prices. The Commercial Sales unit was able to capitalise on market opportunities and the overall increase in product demand in the region.

In the domestic inland, commercial and industrial markets, SPC secured new supply contracts with a number of key domestic customers despite keen competition.

The SPC LPG retail business markets and distributes LPG to the domestic market through a joint venture company, SPC Wearnes Pte Ltd. In 2006, the domestic LPG market was extremely competitive. It was also typified by product cost volatility as well as distribution and logistic challenges. Despite a tough operating environment, the joint venture was profitable and maintained its market share.

#### Lubricant sales

The Lubricant Sales unit markets SPC-branded lubricants in Singapore and the Asia-Pacific region. In 2006, the shortage of base oils in Asia resulted in an escalation of base oil prices. Consequently, costs of finished lubricants rose substantially and reached a historical high by the fourth quarter of 2006. In the intensely competitive lubricant market, the Group focused on the marketing of premium automotive and industrial lubricants in key strategic markets and the provision of comprehensive car servicing arrangements. Base oil related activities were also undertaken to generate additional revenue. Other initiatives to improve profitability included raising its supply chain efficiency.



SPC has the warehousing and storage facilities to ensure on-time delivery of lubricant products to meet the needs of its customers.

SPC began marketing lubricant products in Singapore and the region in the early 90's. Today, it has built a reputation as a quality lubricant marketer.



In December 2006, SPC established its first lubricant marketing company, Singapore Petroleum (Guangdong) Private Limited in Guangzhou. The Lubricant Sales unit also appointed new distributors in Singapore, Malaysia and China in 2006.

SPC kept pace with new and improved lubricant technology by upgrading a number of its automotive and industrial lubricant product lines. This included a range of new lubricant products meeting the API new 'SM' quality standards. SPC also obtained specific Original Equipment Manufacturer (OEM) approvals from reputable brands including BMW, Mercedes Benz, Porsche and Volvo for its new lubricant products.

#### Operations and logistics

The Operations and Logistics unit provides engineering, distribution, warehousing and storage services for all Marketing units.

The Engineering department is tasked to provide design, construction, improvement works and maintenance support to the SPC retail network, commercial sales' customer installations and other SPC facilities. The facilities include service station buildings and equipment, bulk storage tanks and refuelling points, and facilities at SPC's product storage and distribution terminal at Jurong.

During the year, the Operations and Logistics unit managed to consolidate its distribution and operation activities to meet the high throughput volumes. This included a number of initiatives to streamline operations and improve productivity.

The engineering and maintenance activities for the retail, commercial and lubricants' customers, involving some 230,000 man-hours in 2006 were carried out without any loss time injury. Similarly, the Operations and Logistics unit managed to maintain its 'zero' loss time injury record for the third consecutive year with 103,300 man-hours worked. There was also no fire or major spill incidents recorded in 2006, a testament to the Group's core value of safe and reliable operations at all its facilities.

#### Environment, health, safety and security

SPC is committed to providing a clean, healthy, safe and secure work environment for its employees and the community. The EHSS unit monitors, manages and improves the EHSS systems and values of the Group.

In line with the Workplace Safety and Health Act which took effect on 1 March 2006, the EHSS unit conducted a briefing on the salient points of the Act for all staff. SPC also supported and participated in the National Workplace Safety and Health Week organised by the Ministry of Manpower.



Working safely

The Community Safety and Security Programme (CSSP) is jointly drawn up by grassroots leaders, residents and the authorities to manage community issues and problems affecting the safety and security of the local neighbourhood. SPC received a token of appreciation from the Jurong West Neighbourhood Police Centre for its support of the CSSP.

The new Workplace Safety and Health (Risk Management) Regulations, effective 1 September 2006, requires employers, self-employed persons and principals to conduct risk assessments in relation to the safety and health risks posed to any person in the workplace. In line with this regulation, the EHSS unit assisted in the review and development of SPC's workplace risk assessments and conducted briefings for staff whose work activities were affected by the regulation. The assessment covered SPC's main office, service stations which comprised the sales office, forecourt, automotive service centre, car wash and convenience store operations, as well as the SPC bulk storage plant in Jurong.

In December 2006, SPC conducted a joint emergency response exercise with its hauliers and the Singapore Civil Defence Force to test the communication links and the physical deployment of emergency resources.

SPC is committed to ensure the incorporation of EHSS into the Group's activities by implementing policies that uphold and sustain good practices and procedures. It will also endeavour to raise EHSS awareness and consistently manage the Group's business in an environmentally friendly and sustainable manner.