

DIRECTORS' REPORT

For the financial year ended 31 December 2007

The directors present their report to the members together with the audited consolidated financial statements of the Group, balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2007.

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 the Company's share plans approved by shareholders at the Extraordinary General Meeting held on 27 April 2004, namely the Singapore Petroleum Company Restricted Share Plan and/or Performance 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 | At | At | At | At | At |
| | 1.1.07 | 31.12.07 | 21.1.08 | 1.1.07 | 31.12.07 | 21.1.08 |
| Singapore Petroleum Company Limited | | | | | | |
| (Ordinary shares) | | | | | | |
| Choo Chiau Beng | 179,000 | 282,500 | 282,500 | - | - | - |
| Koh Ban Heng * | 415,200 | 449,200 | 449,200 | 900,000 | 1,000,000 | 1,000,000 |
| Bertie Cheng Shao Shiong § | 116,000 | 125,500 | - | - | - | 125,500 |
| Geoffrey John King | 69,000 | 81,000 | 81,000 | - | - | - |
| Timothy Ong Teck Mong | 33,000 | 38,000 | 38,000 | - | - | - |
| Chin Wei-Li, Audrey Marie | 19,000 | 28,500 | 28,500 | - | - | - |
| Goon Kok-Loon | 31,000 | 39,000 | 39,000 | - | - | - |
| Teo Soon Hoe | 10,000 | 15,000 | 15,000 | - | - | - |
| Cheng Hong Kok | 121,000 | 87,500 | 87,500 | - | - | - |
| (Options to subscribe for ordinary shares) | | | | | | |
| Koh Ban Heng | 320,000 | - | - | - | - | - |
| Geoffrey John King | 34,000 | - | - | - | - | - |

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 850,000 ordinary shares in SPC comprised outstanding awards granted under the Restricted Share Plan and Performance Share Plan, and subject to certain pre-determined performance criteria and other terms and conditions being met. These ordinary shares have not been vested as at 31 December 2007. Mr Koh is also deemed to have an interest in 150,000 ordinary shares in SPC, held by his spouse.

§ Mr Bertie Cheng Shao Shiong is deemed to have an interest in 125,500 ordinary shares in SPC held in the name of Hong Leong Finance Nominees Pte Ltd.

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

There were no options 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 |
|--|------------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|------------------------------|----------------|---------------------|
| Chief Executive Officer/ Executive Director | | | | | | | |
| Koh Ban Heng 1/2004 | 320,000 | - | (320,000) | - | - | \$1.57 | 5.2.2006 – 3.2.2014 |
| Non-Executive Directors | | | | | | | |
| Geoffrey John King 1/2004 | 34,000 | - | (34,000) | - | - | \$1.57 | 5.2.2006 – 3.2.2009 |
| | <u>354,000</u> | <u>-</u> | <u>(354,000)</u> | <u>-</u> | <u>-</u> | | |

(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 directors | 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 | (800,000) | - | - |
| Bertie Cheng Shao Shiong | - | 126,000 | (126,000) | - | - |
| Geoffrey John King | - | 87,000 | (87,000) | - | - |
| 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>-</u> | <u>1,289,000</u> | <u>(1,289,000)</u> | <u>-</u> | <u>-</u> |

Share options (continued)**(b) Share options outstanding**

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

| Options relating to SPC Share Option Scheme 2000 | Number of shares under options outstanding at 31.12.2007 | Exercise price | Expiry date |
|---|--|----------------|-------------------|
| Senior Management and Employees | | | |
| 2000 | 18,000 | \$0.78 | 27 August 2010 |
| 1/2001 | 18,000 | \$0.68 | 16 April 2011 |
| 2/2001 | 20,000 | \$0.68 | 18 September 2011 |
| 1/2002 | 19,000 | \$0.75 | 2 April 2012 |
| 2/2002 | 29,000 | \$0.87 | 29 October 2012 |
| 1/2003 | 144,000 | \$0.92 | 16 February 2013 |
| 1/2004 | 103,000 | \$1.57 | 3 February 2014 |
| | <u>351,000</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.

(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 have been granted to controlling shareholders of the Company or their associates.
- (ii) No key management or employee has 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 during the financial year.
- (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 Section 164(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 in tranches over a three-year release schedule.

Refer to Note 30(c) of the notes to the financial statements for details on the RSP awards.

Share plans (continued)**(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 after 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. Upon review by the NRC the performance conditions being fulfilled after the end of each of the relevant three-year cycles, the duly determined quantum of shares under the PSP would be targeted for release in February of the year following the relevant three-year performance period.

Refer to Note 30(c) of the notes to the financial statements for details on the PSP awards.

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 and conditions 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.

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 |
|---|---------------------------------------|---|----------------------------------|-------------------------|---------------------------------|
| Chief Executive Officer/Executive Director | | | | | |
| Koh Ban Heng | 300,000 | 150,000 | (125,000) | (75,000) | 250,000 |
| Non-Executive Directors | | | | | |
| 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>300,000</u> | <u>216,000</u> | <u>(191,000)</u> | <u>(75,000)</u> | <u>250,000</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 |
|---|---------------------------------------|---|----------------------------------|-------------------------|---------------------------------|
| Chief Executive Officer/Executive Director | | | | | |
| Koh Ban Heng | <u>600,000</u> | <u>200,000</u> | <u>(159,000)</u> | <u>(41,000)</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 Singapore 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 has recommended to the directors the nomination of Deloitte & Touche for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

Corporate governance

The Board has issued a Corporate Governance Report in the 2007 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

29 February 2008