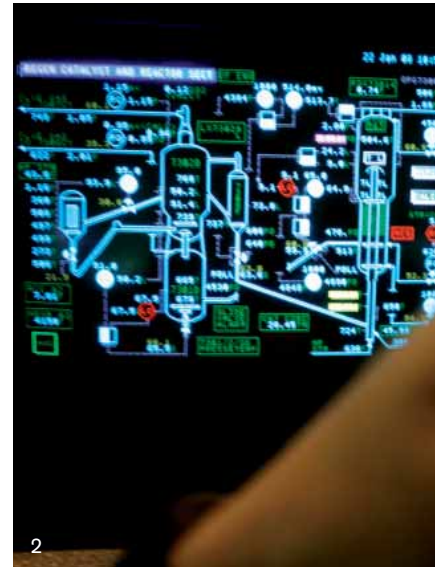


Tight global refining capacity and favourable supply-demand fundamentals resulted in healthy refining margins.



MAJOR DEVELOPMENTS IN 2007

- Realised record average refining margins of about US\$7.00 per barrel
- Processed 51.5m barrels of crude
- Initiated ultra-low sulphur diesel production project
- Carried out successful turnaround of Crude Distillation Unit 1
- SRC achieved:
 - More than 97% utilisation
 - 4.3 million man-hours without any loss time injury
 - 1 million man-hours of “no recordable injury”



MARKET ENVIRONMENT

Crude and product prices increased sharply in 2007 due to perceived imbalances and uncertainties in supplies and availabilities. Global refining capacity remained tight in 2007.

In 2007, regional markets such as Indonesia and Vietnam took further steps toward cleaner fuel specifications. The buoyant energy market also witnessed the addition of new storage capacities in Singapore. The addition of refining capacity globally however continued to be constrained by high construction costs and the shortage of the right skill set. Project delays were therefore prevalent.

Global oil demand for 2007 was 85.7 million bpd, an increase of 1.2% over the 84.7 million bpd in 2006. The Asia-Pacific region accounted for 25.5 million bpd out of this global demand and contributed 60% of this incremental global demand of 1 million bpd. The demand growth was mainly

driven by China and India's burgeoning appetite for energy. Consumption of energy in the Middle-East also grew as the high oil prices triggered a construction boom across the region.

The monthly average Dubai crude price in January was US\$51.70 per barrel (bbl). This rose to an average of US\$86.87/bbl in November due largely to lower crude inventory levels and geopolitical tensions.

Product prices in Singapore were well supported for most of the year. Gasoline demand was strong during the second and third quarters due to the US summer driving season and the anticipation of hurricanes in the US Gulf Coast. Naphtha demand was exceptionally high from the petrochemical sector. The kerosene and gas oil crack spreads peaked in the fourth quarter due to additional demand anticipated for heating during the winter season. Fuel oil demand was also healthy for most part of the year with increased demand

in the third quarter due to an unplanned shutdown of a Japanese nuclear power plant.

In the Asia-Pacific region, tight global refining capacity and favourable supply-demand fundamentals resulted in healthy refining margins. Average refining margins peaked at US\$9.00 per barrel in the second quarter due to the extensive turnaround of regional refineries. As a result of the positive refining environment, the Group achieved a record average refining margin of about US\$7.00/bbl for 2007.

1. Unwavering vigilance to ensure safety and reliability.
2. Round-the-clock quality control.

CRUDE AND REFINERY

The total crude throughput for 2007 was 51.5 million barrels (bbls). During the year, SRC upgraded its facilities to enhance its flexibility to process a wider crude slate. The refinery achieved maximum utilisation of its crude distillation and upgrading units, and operated safely and reliably throughout the year. SRC achieved a high utilisation rate of more than 97% for 2007. SRC's Injury and Incident Free (IIF) culture has resulted in tangible benefits. The refinery recorded 4.3 million man-hours without any loss time injury as of December 2007. It also achieved 1 million man-hours of "no recordable injury" in 2007.

SRC carried out a successful turnaround of the Crude Distillation Unit 1 and associated upgrading and auxiliary units during May and June 2007. About 1,300 contract workers were engaged during this month-long maintenance exercise which was completed safely without any incident.

As part of the Group's environmental initiatives, SPC and its refinery partners announced, an ultra-low sulphur diesel (ULSD) production project in May 2007. ULSD with a sulphur content of 50 parts-per-million would conform to Euro-IV specifications. For this project,

an existing hydro-desulphurisation unit would be revamped to produce ULSD. The revamp to enhance the existing capability would increase ULSD production volumes in 2009. In line with the commitment for a cleaner and greener environment, SPC continues to evaluate further similar projects.

AVIATION SALES

The Aviation Sales unit markets and supplies aviation fuel to airlines at four international airports namely, Singapore, Hong Kong, Bangkok and Taipei. With more than 30 years of aviation fuel sales experience, SPC has built a solid reputation as a reliable supplier of quality aviation fuels.

Fuel sales at Singapore Changi Airport accounts for the largest segment of the Group's aviation volume. Being an aviation hub, and Asia's sixth busiest airport, Changi handled close to 40 million passengers and a cargo throughput of 1.8 million tonnes for 2007. Air passenger traffic in Southeast Asia saw strong growth in 2007 from increased leisure travel and the proliferation of low cost carriers. Fuel efficient aircraft and higher load factor however capped fuel consumption despite passenger growth.

SPC's sales volume at Changi was 15,500 bpd, 1.3% lower than in 2006. The total fuel throughput at the airport was approximately 80,000 bpd, a decline of 0.8% over 2006. SPC supplied fuel to 21 airline customers at this location.

At the Hong Kong International Airport, SPC achieved a sales volume of 3,000 bpd. SPC provided refuelling services to five airline customers at this location.

At the Bangkok International Airport at Suvarnabhumi, SPC maintained its market share supplying fuel to five airline customers.

At the Taiwan Taoyuan International Airport, SPC achieved a sales volume of 1,000 bpd.

DISTILLATES

The Distillates unit is responsible for the sales and trading of products such as naphtha and motor gasoline (light distillates), jet fuel and gas oil (middle distillates). The unit actively traded distillate products from SRC and external sources.

2007 was a challenging year for distillates trading. Continuous price volatilities called for caution. The move to cleaner and lighter fuel specifications in the region posed a challenge for SPC to produce and sell finished products that meet the requirements of end-users. The Distillates unit captured a positive trading margin in the fast-changing environment by closely monitoring the market and taking advantage of the Group's supply chain network. The Distillates unit achieved a turnover volume of 33 million bbls in 2007.

Many countries in the Asia-Pacific region are expected to tighten fuel specifications and impose stricter emission standards. The demand for environmentally friendly fuels will provide niche trading opportunities for suppliers able to meet such stringent specifications. The Distillates unit will continue to monitor such changes and keep pace with the evolving marketplace.





RESIDUE

The Residue unit is responsible for SPC's fuel oil trading and marine sales activities. Fuel oil of various specifications, including standard bunker grades, is sourced directly from SRC, other oil companies and traders. Through the unit's activities, SPC has maintained its reputation as a premier fuel oil and bunker supplier in the region.

The Singapore fuel oil market was marked by high prices and volatilities throughout 2007 with concerns over excessive credit exposure. The average monthly price of fuel oil peaked in November rising more than 80% compared to the beginning of the year. Supply and demand dynamics continued to be challenging. The Singapore market continued to attract supplies from India, the Middle-East and non-traditional sources such as South Korea and China in addition to arbitrage cargoes from the West. On the other hand, Chinese buying of fuel oil was cautious and at times dampened by the record prices. Much of the surplus fuel oil was channelled into the bunker market resulting in excess supplies and aggressive competition among the marine fuel suppliers.

In 2007, there were continuing pressures to improve product specifications to meet new emission standards. SPC's focus to improve fuel quality and operational

performance standards was recognised by regulators. Throughout the year, SPC met the quality standards of Marpol (Marine Pollution) 73/78 Annex VI, and the specifications of ISO:9217 2005. In 2007, the Maritime Port Authority announced a new certification process for bunker suppliers to be certified by 1 June 2007. SPC was the first company to successfully receive this QMBS (Quality Management for Bunker Supply Chain) SS 524: 2006 certification in November 2006.

OPERATIONS AND LOGISTICS

SPC's storage terminal for petroleum products at Pulau Sebarok supports its marine bunker operations, distribution and trading businesses. The 220,000 cubic metre terminal consists of 13 storage tanks and is equipped with a deepwater jetty for tankers up to 160,000 tonnes displacement. A smaller jetty for barges of up to 10,000 tonnes displacement is also available for smaller cargo sizes. The terminal has a comprehensive laboratory which has the SINGLAS (Singapore Laboratory Accreditation Scheme) accreditation and a highly advanced automated Distributed Control System to provide quick turnaround for tanker and barge operations.

In 2007, the terminal handled a product throughput of 2.6 million tonnes (2.9 million cubic metres).

RISK MANAGEMENT AND DERIVATIVES

The Risk Management and Derivatives unit is responsible for the management of SPC's crude oil inventory and refining margin price risks through hedging activities.

In 2007, the unit hedged against the volatile price risks for its physical crude oil and refined products inventory by engaging in "Over-The-Counter" crude oil and refined products derivatives. These transactions were normally of short-term tenures ranging from 3 to 12 months, and were done in tandem with physical barrels.

The record high oil prices and the price volatility in late 2007 is expected to persist, posing a challenging hedging environment for 2008. The unit will continue to proactively fine tune its strategies to manage the Group's oil inventory and refining margin price risks in this environment.

1. Reliable supplier at Asia's sixth busiest airport.
2. Bunkering operations at PST.
3. SPC's storage terminal at Pulau Sebarok