



**CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD**

("Company")

(Incorporated in the Republic of Singapore)  
Company Registration Number: 199303293Z

**ANNOUNCEMENT**

**IMPLEMENTATION OF MATERIAL RECOMMENDATIONS OF  
THE CORPORATE GOVERNANCE ASSESSMENT COMMITTEE ("CGAC")**

Reference is made to the Company's announcements of 28 February 2006 and 30 March 2006 on the adoption of material recommendations of the CGAC for implementation by the Company.

The Directors are pleased to announce that the Company has adopted all the recommendations of the CGAC and implemented the following material recommendations of the CGAC;

Board constitution in respect of the appointment of at least three independent directors to comply with the Code of Corporate Governance (two of whom are resident in Singapore);

Chairman. The Chairman meets the requirements set out by the CGAC;

Board Committees. Establishment of the five standing committees of the Board. These are the Audit Committee, Remuneration Committee, Nominating Committee, Disclosure Committee and Risk Management Committee;

Audit Committee. A new Audit Committee has been appointed.

Corporate governance measures in respect of responsibilities and duties of the Board and management, terms of reference of the board's standing committees, communication process between board and management and its shareholders, and guidelines on disclosure;

Communication procedures between the Board and management in terms of information flow and the establishment of the Senior Officers Meetings have been established. Separate procedures apply between substantial shareholders and the Board in that substantial shareholders can only have access to information through their nominees on the Board;

Training. The training process has commenced for new directors in respect of the regulatory environment and for staff in respect to the operations and financial controls. Training will be an ongoing and continuous process;

Disclosure has been made in compliance with requirements and disseminated in a timely fashion under the Disclosure Committee and advised by the Compliance Advisor;

Whistle-blowing procedures have been implemented;

Organisation structure and reporting lines. The structure has been modified to suit the requirements of the business and the management of the organisation between Board meetings is conducted in the Senior Officers Meeting. The remaining reporting lines between internal audit (upon selection of an external internal audit team) and the Audit Committee and between the risk management group and the Risk Management Committee have been established in principle;

Internal control system. Deloitte & Touche assisted the Company to review and refine the Internal Control system and this is expected to be an ongoing process;

Individual personnel skill sets have been reviewed and such review is a continuous process;

Appointment of external auditors. This was done at the last Annual General Meeting;

Internal audit function. The Company has appointed an internal auditor;

The following recommendations of the CGAC are in the process of implementation;

Recruitment of a Company Secretary. The Company has retained an executive search firm and has begun interviewing candidates for selection;

Evaluation. The newly appointed Nominating Committee will undertake a review of the performance of the directors and the committees towards the end of the year.

CEO. As announced previously, the appointment of the CEO is held in abeyance. However when the CEO is appointed it will be in accordance with the requirements laid down by the CGAC;

Review of the Personnel Management Manual. This shall be undertaken upon recruitment of a new Human Resource Manager. However, ad hoc improvements are being made continuously;

Review of the Risk Management Manual. The Head of Risk Management, seconded from BP, has just joined the Company. His first task is to review the manual and to set up a risk management system before trading of oil products as a business activity is re-introduced;

Review of the Financial Management Manual. The manual has been updated and its review is a continuous and ongoing process. This shall also be reviewed upon the recruitment of the Finance Manager. The executive search firm has recommended a list of candidates;

Developing and implementing a fraud control plan. This shall be undertaken with the help of Deloitte and Touche.

By Order of the Board of Directors

15 May 2006