

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in China National Aviation Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser.

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中航興業有限公司

CHINA NATIONAL AVIATION COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

**GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening an annual general meeting of China National Aviation Company Limited (“the Company”) to be held at Island Ballroom C, Level 5, Island Shangri-La Hong Kong, Pacific Place, Admiralty, Hong Kong on Friday, 30th May, 2003 at 3:00 p.m. is set out on pages 6 to 8 of this circular. Whether or not you wish to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Share Registrars of the Company, Computershare Hong Kong Investor Services Limited, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting.

16th April, 2003

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中航興業有限公司

CHINA NATIONAL AVIATION COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

Executive Directors:

Mr. Kong Dong (*Chairman*)
Mr. Chuang Shih Ping
Mr. Zhang Xianlin
Mr. Tsang Hing Kwong, Thomas
Mr. Gu Tiefei

Registered Office:

5th Floor, CNAC House
12 Tung Fai Road
Hong Kong International Airport
Lantau
Hong Kong

Independent Non-Executive Directors:

Mr. Lok Kung Nam
Dr. Hu Hung Lick, Henry
Mr. Ho Tsu Kwok, Charles
Mr. Li Kwok Heem, John

16th April, 2003

To shareholders

Dear Sir or Madam,

**GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES
AND
NOTICE OF ANNUAL GENERAL MEETING**

1. GENERAL MANDATE TO REPURCHASE SHARES

At the annual general meeting of the Company held on 29th May, 2002, a general mandate was granted by the Company to the Directors to exercise the powers of the Company to repurchase the shares of HK\$0.1 each in the share capital of the Company (the “Shares”). Such mandate will lapse at the conclusion of the forthcoming annual general meeting. The board of Directors (“Board”) will propose at the forthcoming annual general meeting to be held on Friday, 30th May, 2003 (the “Annual General Meeting”) an ordinary resolution to grant to the Directors a general mandate to exercise all powers of the Company during the relevant period to repurchase Shares up to a maximum of 10 per cent of the aggregate nominal amount of the issued share capital of the Company at the date of the passing of the resolution. “Relevant period” means the period from the date of the passing of this resolution until whichever is the earliest of the following: the conclusion of the next annual general meeting, the expiration of the period within which the next annual general meeting of the Company is required to be held by law or the Company’s Articles of Association, and the revocation or variation of the resolution by an ordinary resolution of the shareholders of the Company in general meeting. An explanatory statement (the “Explanatory Statement”) as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) to provide the requisite information of the repurchase proposal is set out in Appendix I hereto.

LETTER FROM THE CHAIRMAN

2. GENERAL MANDATE TO ISSUE SHARES

It will also be proposed at the Annual General Meeting two ordinary resolutions respectively granting to the Directors a general mandate to allot, issue and deal with Shares not exceeding 20 per cent of the aggregate nominal amount of the issued share capital of the Company at the date of the resolution and adding to such general mandate so granted to the Directors any Shares representing the aggregate nominal amount of the Shares repurchased by the Company after the granting of the general mandate to repurchase up to 10 per cent of the nominal amount of the issued share capital of the Company at the date of the above repurchase resolution.

3. ANNUAL GENERAL MEETING

Set out on pages 6 to 8 of this circular is a notice convening the Annual General Meeting to consider the ordinary resolutions relating to the above two general mandates.

A form of proxy for use at the Annual General Meeting is enclosed herein. Whether or not you are able to attend the Annual General Meeting, you are requested to complete the form of proxy and return it to the Share Registrars of the Company, Computershare Hong Kong Investor Services Limited, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting. Completion and return of a form of proxy will not preclude you from attending and voting at the Annual General Meeting if you so wish.

4. RECOMMENDATION

The Board believes that the above two general mandates for Directors to repurchase Shares and to issue new Shares are all in the best interests of the Company and its shareholders. Accordingly, the Board recommends shareholders to vote in favour of the relevant resolutions set out in the notice of the Annual General Meeting.

Yours faithfully,
Kong Dong
Chairman

The following is the Explanatory Statement, as required by the Listing Rules, to provide requisite information to you for your consideration of the proposal to approve the repurchase of Shares up to a maximum of 10 per cent of the issued share capital of the Company at the date of the passing of the resolution as referred to in Ordinary Resolution No. 5A and set out in the Notice of the Annual General Meeting (the “Share Repurchase Mandate”).

1. SHARE CAPITAL

As at 14th April, 2003, being the latest practicable date prior to the printing of this document (the “Latest Practicable Date”), the issued share capital of the Company comprised 3,319,308,000 Shares.

On the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the Company would be allowed to repurchase up to a maximum of 331,930,800 Shares under the Share Repurchase Mandate.

2. REASONS FOR REPURCHASE

The Board believes that it is in the best interests of the Company and its shareholders for the Directors to have a general authority from shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the Company’s net assets value and/or earnings per Share and will only be made when the Board believes that such repurchases will benefit the Company and its shareholders.

3. FUNDING OF REPURCHASE

In repurchasing shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the applicable laws of Hong Kong.

The Board does not propose to exercise the Share Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Board are from time to time appropriate for the Company. However, there might be an adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited financial statements as at 31st December, 2002) in the event that the Share Repurchase Mandate was exercised in full.

4. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous 12 months before the Latest Practicable Date were as follows:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
April 2002	1.70	1.53
May 2002	2.02	1.64
June 2002	2.17	1.72
July 2002	2.10	1.62
August 2002	1.74	1.44
September 2002	1.59	1.32
October 2002	1.74	1.33
November 2002	1.60	1.45
December 2002	1.59	1.44
January 2003	1.69	1.38
February 2003	1.49	1.34
March 2003	1.40	1.09

The Company and its subsidiaries have not purchased, sold or redeemed any of the Shares in the 6 months preceding the Latest Practicable Date.

5. GENERAL

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) have any present intention to sell any Shares to the Company or its subsidiaries.

The Board has undertaken to the Stock Exchange that, so far as the same may be applicable, it will exercise the Share Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Hong Kong.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, in the event that the Company is authorised to make repurchase of Shares.

If as a result of a share repurchase a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Takeover Code"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeover Code as a result of any such increase. The Board is not aware of any consequences which may arise under the Takeover Code as a consequence of any Shares purchased pursuant to the Share

Repurchase Mandate. As at the Latest Practicable Date, the following shareholders were interested in 5 per cent or more of the issued share capital of the Company as recorded in the register of the Company kept under Section 336(1) of Part XV (Disclosure of Interests) of the Securities and Futures Ordinance in Hong Kong:

Name of Shareholder	No. of Shares	Approximate percentage of issued capital
China National Aviation Holding Company	2,282,736,000	68%
China National Aviation Corporation	2,282,736,000	68%
China National Aviation Corporation (Group) Limited	2,282,736,000	68%

Note: The entire issued share capital of China National Aviation Corporation (Group) Limited (“CNAC Group”) is beneficially owned by China National Aviation Corporation (“CNAC”). CNAC is in turn wholly-owned by China National Aviation Holding Company (“CNAH”), a state-owned enterprise established in the People’s Republic of China. Accordingly, the interests of CNAC Group, CNAC and CNAH in the Company duplicate to each other.

In the event of full exercise of the Share Repurchase Mandate, the attributable interests of CNAC Group in the issued share capital of the Company would increase to approximately 76 per cent of the issued share capital of the Company. However, the Board has no present intention to exercise the Share Repurchase Mandate to such an extent that would result in public float being less than 25 per cent of the issued share capital of the Company.



中航興業有限公司

CHINA NATIONAL AVIATION COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at Island Ballroom C, Level 5, Island Shangri-La Hong Kong, Pacific Place, Admiralty, Hong Kong on Friday, 30th May, 2003 at 3:00 p.m. for the following purposes:–

1. To receive and consider the audited consolidated accounts and the Directors' and auditors' reports for the year ended 31st December, 2002.
2. To declare a final dividend.
3. To re-elect the retiring Directors and to authorise the Board of Directors to fix the remuneration of Directors.
4. To re-appoint auditors and to authorise the Board of Directors to fix their remuneration.
5. As special business, to consider and, if thought fit, to pass with or without amendments the following resolutions as ordinary resolutions:–

ORDINARY RESOLUTIONS

A. "THAT:–

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

- (c) for the purposes of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:–
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and
 - (iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

B. “THAT:–

- (a) subject to paragraph (c) below, and pursuant to section 57B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares upon the exercise of the subscription or conversion rights attaching to any warrants of the Company or any securities which are convertible into shares of the Company; (iii) an issue of shares as scrip dividends pursuant to the Articles of Association of the Company from time to time; or (iv) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the issued share capital of the Company at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution,

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:–

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and
- (iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

- C. “**THAT** subject to the passing of Ordinary Resolutions Nos. 5A and 5B set out in the notice convening this meeting, the general mandate granted to the Directors of the Company to allot, issue and deal with additional shares pursuant to Ordinary Resolution No. 5B set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. 5A set out in the notice convening this meeting, provided that such amount of shares shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company at the date of passing of the said Resolution.”

6. To transact any other business.

By Order of the Board
Li Man Kit
Company Secretary

Hong Kong, 16th April, 2003

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged with the Company’s Share Registrars, Computershare Hong Kong Investor Services Limited, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
3. An explanatory statement as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in connection with the proposed repurchase mandate under Ordinary Resolution No. 5A above will be despatched to members together with the 2002 annual report of the Company.