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**中航興業有限公司**

**CHINA NATIONAL AVIATION COMPANY LIMITED**

*(incorporated in Hong Kong with limited liability)*

## **CONNECTED TRANSACTION**

Reference is made to the announcement made by the Company dated 6 August 2001 on reaching a management services agreement (the “Agreement”) with China National Aviation Corporation (Group) Limited (“CNAC Group”) for the provision of secretarial, personnel, accounting and general office administrative services to the Company and its subsidiaries (collectively the “Group”) for two years. The Company announces that the Agreement has now been renewed for a further two-year term.

Pursuant to the Agreement CNAC Group has agreed to provide secretarial, personnel, accounting and general office administrative services (the “Services”) for the Group for a period of two years at a monthly fee of HK\$500,000 in respect of the average monthly expenses incurred by CNAC Group on employment of staff, provision of facilities, office rentals and utilities. Both parties have agreed today to renew the Agreement for a further two-year term commencing from 1 July 2003 with other terms and conditions including the monthly fee unchanged.

The Directors (including independent non-executive Directors) are of the opinion that the monthly fee represents a reasonable amount for the Services provided to the Group, and they considered that the terms and conditions of the renewed Agreement are fair and reasonable and on normal commercial terms.

Given the fact that CNAC Group is the controlling shareholder of the Company, the renewed Agreement constitutes a connected transaction of the Company under Rule 14.23 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). As the aggregate consideration payable over the entire term of the renewed Agreement is less than 3 percent of the book value of the Company’s net tangible assets, details of which require disclosure by way of a press notice and inclusion in the Company’s coming annual reports in accordance with Rule 14.25(1) of the Listing Rules.

By Order of the Board  
**Li Man Kit**  
*Company Secretary*

Hong Kong, 27 August 2003

“Please also refer to the published version of this announcement in The Standard”.