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中航興業有限公司

CHINA NATIONAL AVIATION COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 1110)

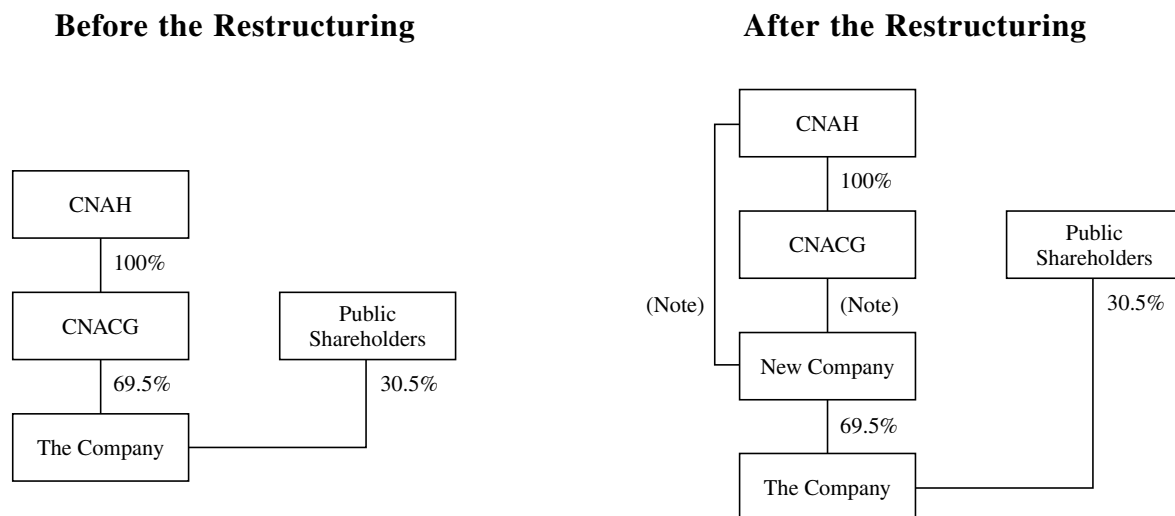
PROPOSED CHANGE IN IMMEDIATE CONTROLLING SHAREHOLDER OF THE COMPANY

The Company has been informed by its ultimate controlling shareholder, CNAH, that CNAH and a number of CNAH's subsidiaries are expected to undergo the Restructuring this year. As part of the Restructuring, CNACG, being the Company's immediate controlling shareholder, is expected to transfer its shareholding interest in the Company to the New Company by way of a capital contribution in return for CNACG acquiring a stake in the New Company. Consequently, the New Company will become the immediate controlling shareholder of the Company. Notwithstanding the Restructuring, CNAH will remain as the ultimate controlling shareholder of the Company. The Company understands from CNAH that the New Company will apply to the Executive in due course for a waiver of its obligations to make a mandatory general offer to all the other shareholders of the Company under Rule 26.1 of the Takeovers Code.

PROPOSED CHANGE IN IMMEDIATE CONTROLLING SHAREHOLDER OF THE COMPANY

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Set out below is the simplified shareholding structure of the Company before and immediately after the completion of the Restructuring:



Note: It is proposed that CNAH will continue to control more than 50% shareholding interests in the Company through its direct and indirect shareholdings in the New Company.

The Company has also been informed by CNAH that CNAH understands that the Restructuring is dependent on its obtaining a series of PRC governmental approvals. As it is uncertain whether CNAH can obtain all such approvals, the Restructuring may not be consummated. As of 18 August 2004, CNAH has not received all the necessary approvals from the relevant PRC governmental authorities in respect of the Restructuring.

By virtue of Rule 26.1(a) of the Takeovers Code, a mandatory general offer obligation could (unless waived by the Executive) be triggered upon the completion of the Restructuring. The Company understands from CNAH that the New Company will apply to the Executive in due course for a waiver of its obligations to make a mandatory general offer to all the other shareholders of the Company on the basis that the ultimate controlling shareholder of the Company will not have changed after the Restructuring. **Such waiver may or may not be granted by the Executive.**

The Company will make further announcement(s) in due course when more information is available. **Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

DEFINITIONS

“Board”	The board of Directors
“CNACG”	China National Aviation Corporation (Group) Limited, a company incorporated under the laws of Hong Kong with limited liability and which is wholly owned by CNAH
“CNAH”	China National Aviation Holding Company, a state-owned enterprise established under the laws of the PRC

“Company”	China National Aviation Company Limited, a company incorporated under the laws of Hong Kong with limited liability and whose shares are listed on the Stock Exchange, as at the date hereof about 69.5% of which are owned by CNACG
“Directors”	the directors of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Hong Kong Securities and Futures Commission or any delegate of the Executive Director
“New Company”	a new company proposed to be incorporated in the PRC as part of the Restructuring, all the registered capital of which will be contributed by CNAH and CNACG
“PRC”	the People’s Republic of China
“Restructuring”	the restructuring of CNAH and its subsidiaries pursuant to which, among other things, the New Company is proposed to be incorporated and CNACG’s interest in the Company is proposed to be transferred to such new company as a capital contribution to the registered capital of the New Company
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Repurchases

As of the date of this announcement, the executive Directors of the Company are Messrs. Kong Dong, Chuang Shih Ping, Zhang Xianlin, Tsang Hing Kwong, Thomas, Gu Tiefei and Zhao Xiaohang and the independent non-executive Directors are Messrs. Lok Kung Nam, Hu Hung Lick, Henry, Ho Tsu Kwok, Charles and Li Kwok Heem, John.

By Order of the Board
Li Man Kit
Company Secretary

Hong Kong, 20 August 2004

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

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