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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 (the "Company"), 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)

(Stock Code: 1110)

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

A notice convening an annual general meeting of the Company to be held at Saloon 5 (Level 3), JW Marriott Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 27 May, 2005 at 3:00 p.m. is set out in 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, 17th 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.

15 April, 2005

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LETTER FROM THE CHAIRMAN



中航興業有限公司

CHINA NATIONAL AVIATION COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 1110)

Executive Directors:

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

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
Ms. Chan Ching Har, Eliza

15 April, 2005

To shareholders

Dear Sir or Madam,

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

1. GENERAL MANDATE TO REPURCHASE SHARES

At the annual general meeting of the Company held on 31 May, 2004, a general mandate was granted by the Company to the Directors to exercise the powers of the Company to repurchase the ordinary 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, 27 May, 2005 (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

LETTER FROM THE CHAIRMAN

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 “Listing Rules”) to provide the requisite information of the repurchase proposal is set out in Appendix I hereto.

2. GENERAL MANDATES TO ISSUE AND TO REPURCHASE 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 10 to 13 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, 17th 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.

5. GENERAL INFORMATION

Your attention is drawn to the additional information set out in Appendix II (Procedure by which the Shareholders may demand a poll at a general meeting pursuant to the articles of association of the Company) and Appendix III (Details of the Directors seeking re-election at the Annual General Meeting) to this circular.

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. 5 and set out in the Notice of the Annual General Meeting (the “Share Repurchase Mandate”).

1. SHARE CAPITAL

As at 13 April, 2005, being the latest practicable date prior to the printing of this document (the “Latest Practicable Date”), the issued share capital of the Company comprised 3,312,680,000 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 331,268,000 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 31 December, 2004) 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 HK\$	Lowest HK\$
April 2004	1.43	1.20
May 2004	1.35	1.12
June 2004	1.34	1.22
July 2004	1.31	1.22
August 2004	1.32	1.18
September 2004	1.52	1.28
October 2004	1.67	1.43
November 2004	1.88	1.48
December 2004	1.71	1.56
January 2005	1.85	1.62
February 2005	1.82	1.60
March 2005	1.86	1.58
April 2005 *	1.78	1.68

* Up to and including the Latest Practicable Date

5. SHARE REPURCHASE

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

6. 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, Air China Limited held 2,264,628,000 shares representing approximately 68.4 per cent of the issued share capital of the Company. On the basis that no Shares are issued or repurchased prior to the date of the Annual General Meeting, in the event of full exercise of the Share Repurchase Mandate, the attributable interest of Air China Limited in the issued share capital of the Company would increase to approximately 75 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.

APPENDIX II PROCEDURE BY WHICH THE SHAREHOLDERS MAY DEMAND A POLL AT A GENERAL MEETING PURSUANT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY
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The following paragraphs set out the procedure by which the Shareholders may demand a poll at a general meeting of the Company (including the Annual General Meeting) pursuant to the articles of association of the Company.

According to Article 68 of the articles of association of the Company, at every general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless (before or on the declaration of the result of the show of hands) a poll is demanded by:

- (i) the chairman of the meeting; or
- (ii) at least three members present in person or by proxy or by duly authorised corporate representative for the time being entitled to vote at the meeting; or
- (iii) a member or members present in person or by proxy or by duly authorised corporate representative and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person or by proxy or by duly authorised corporate representative and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

In accordance with Articles 90 and 98 of the articles of association of the Company, Messrs. Zhao Xiaohang, Chan Ching Har, Eliza, Chuang Shih Ping and Li Kwok Heem, John will retire from office at the Annual General Meeting and will offer themselves for re-election. Their details are as follows:

Mr. Chuang, Shih Ping, aged 94, has been a director of China National Aviation Corporation for over 40 years. He is responsible for advising the Company in relation to its overall strategic development. He is also the founder and Honorary Chairman of Nanyang Commercial Bank, Ltd. He is also the Honorary President of the Chinese Bankers Club in Hong Kong and Honorary President of the Hong Kong Chiu Chow Chamber of Commerce Limited.

Saved as disclosed above, he does not hold any other positions in the Company or any of its subsidiaries. Mr. Chuang has no relationship with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company, he does not hold any directorship in other listed companies in the past three years.

As at the Latest Practicable Date, Mr. Chuang is beneficially interested in 33,126,000 underlying Shares (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), being the subject of options granted to him pursuant to the share option scheme adopted by the Company on 29 May, 2002.

Mr. Chuang has a service contract with the Company for a term of three years, which shall continue thereafter, and terminable by either party giving to the other by six months’ prior written notice. His annual emolument is HK\$385,200 which is determined by reference to the factors such as the Company’s operating performance, prevailing market conditions and job responsibilities.

Mr. Zhao Xiaohang, aged 43, was appointed an executive director of the Company in May 2004. He holds a master’s degree in Economics from Tsinghua University, Beijing, and is an economist. Mr. Zhao mainly focuses on the corporate development and investment management of China National Aviation Corporation (Group) Limited. Prior to joining the Company, he has been deputy director of planning department, general manager of ground handling department, assistant to the President and general manager of corporate development department in Air China International Corporation, the predecessor of Air China Limited. He has been engaged in the airline business for many years and has extensive experience in aviation management.

Saved as disclosed above, he does not hold any other positions in the Company or any of its subsidiaries. Mr. Zhao has no relationship with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company, he does not hold any directorship in other listed companies in the past three years.

As at the Latest Practicable Date, Mr. Zhao has no interest in the Shares within the meaning of Part XV of the SFO.

Mr. Zhao has a service contract with the Company for a term of three years, which shall continue thereafter, and terminable by either party giving to the other by six months' prior written notice. His annual emolument is HK\$937,200 which is determined by reference to the factors such as the Company's operating performance, prevailing market conditions and job responsibilities.

Mr. Li, Kwok Heem, John, aged 49, was the Chief Executive Officer of the Hong Kong Business Aviation Centre Limited and a financial adviser with Herbert Tsoi & Partners, Solicitors and Notaries. Previously, he was a partner at PricewaterhouseCoopers, Certified Public Accountants. He graduated from the Imperial College of the University of London with a Bachelor of Science degree and is a Fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Society of Accountants. He also obtained a Master of Business Administration degree from the Wharton School of Business of the University of Pennsylvania. Mr. Li is the Vice-Chairman of the United Christian Medical Service and United Christian Hospital, a member of the Board of Trustees of Chung Chi College, The Chinese University of Hong Kong and is also a member of the Aviation Advisory Board of the Government of Hong Kong Special Administrative Region. He has been a Non-Executive Director and an audit committee member of the Company since October 1999.

Mr. Li has no relationship with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company. He is also an independent non-executive director of Chevalier International Holdings Limited and China Merchants Holdings (International) Company Limited, the shares of both companies are listed on The Stock Exchange of Hong Kong Limited. Save as disclosed above, he does not hold any directorship in other listed companies in the past three years.

As at the Latest Practicable Date, Mr. Li has no interest in the Shares within the meaning of Part XV of the SFO.

Mr. Li does not have a service contract with the Company and receives an annual emolument of HK\$60,000 which is determined by reference to the industry benchmark as reviewed by the Board from time to time.

Ms. Chan Ching Har, Eliza, aged 48, was appointed an Independent Non-Executive Director of the Company in August 2004. Ms. Chan is a member of the First Selection Committee for HKSAR, member of the Hong Kong Public Service Commission, board member of the Hong Kong Hospital Authority, the Chairman of the Kowloon Hospital and the Hong Kong Eye Hospital, and Chairman of the Public Complaints Committee under the Hospital Authority. She is also a China-Appointed Attesting Officer appointed by the Ministry of Justice of the PRC, a Standing Committee Member of the Tianjin Committee of the Chinese People's Political Consultative Conference (CPPCC), the Foreign Economic Affairs Legal Counsel for the Tianjin Municipal People's Government, an arbitrator of the China International Economic and Trade Arbitration Commission (CIETAC), a Disciplinary Panel Member of the Hong Kong Institute of Certified Public

Accountants and the Legal Advisor to The Hong Kong Chinese Enterprises Association. She is a non-executive director of China Aerospace International Holdings Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited.

Ms. Chan has no relationship with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, she does not hold any directorship in other listed companies in the past three years.

As at the Latest Practicable Date, Ms. Chan has no interest in the Shares within the meaning of Part XV of the SFO.

Ms. Chan does not have a service contract with the Company and receives an annual emolument of HK\$60,000 which is determined by reference to the industry benchmark as reviewed by the Board from time to time.

NOTICE OF ANNUAL GENERAL MEETING



中航興業有限公司

CHINA NATIONAL AVIATION COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 1110)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of China National Aviation Company Limited (the "Company") will be held at Saloon 5 (Level 3), JW Marriott Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 27 May, 2005 at 3:00 p.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and consider the audited consolidated accounts and the Directors' and auditors' reports for the year ended 31 December, 2004.
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.

AS SPECIAL BUSINESS

5. To consider and, if thought fit, pass with or without amendments, the following resolutions as an ordinary resolution of the Company:-

"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;

NOTICE OF ANNUAL GENERAL MEETING

- (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.”
6. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution of the Company:-

“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

NOTICE OF ANNUAL GENERAL MEETING

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).”

7. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution of the Company:-

“**THAT** subject to the passing of the resolutions nos. 5 and 6 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 the resolution no. 6 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

NOTICE OF ANNUAL GENERAL MEETING

Company under the authority granted pursuant to the resolution no. 5 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 this resolution.”

By Order of the Board
Li Man Kit
Company Secretary

Hong Kong, 15 April, 2005

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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
3. The register of members of the Company will be closed from Monday, 23 May, 2005 to Friday, 27 May, 2005 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend to be approved at the meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Friday, 20 May, 2005.
4. 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 the ordinary resolution no. 5 above will be despatched to members together with the 2004 annual report of the Company.
5. The biographical details of all the Directors to be elected or re-elected at the meeting are provided in the 2004 annual report of the Company and also Appendix III to a circular of which this notice forms part.