

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



中國國際航空股份有限公司
AIR CHINA LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00753)

ANNOUNCEMENT ON CHANGE IN ACCOUNTING ESTIMATES

The board of directors (the “**Board**”) of Air China Limited (the “**Company**”) hereby announces that the Board resolved to change the accounting estimates in relation to the depreciation method of overhaul components of engine under fixed assets and right-of-use assets on 29 April 2020.

I. SUMMARY

In view of its accumulation of experience in fleet management and the improvement in monitoring technology for engine operation, the Company has made change to the accounting estimates in relation to the depreciation method of overhaul components of engine under fixed assets and right-of-use assets pursuant to the accounting standards for business enterprises issued by the Ministry of Finance, with a view to more objectively reflecting the financial position and operating performance of the Company and providing more reliable and accurate financial information, while taking into full consideration the industry characteristics and business development of the Company.

On 29 April 2020, the Company convened the 16th meeting of the fifth session of the supervisory committee and the 20th meeting of the fifth session of the Board, during which the Resolution on Change in the Depreciation Method of Overhaul Components of Engine of the Company was considered and approved, respectively. Such matter is not subject to the consideration and approval of shareholders at the general meeting.

II. PARTICULARS OF CHANGE IN ACCOUNTING ESTIMATES AND ITS IMPACT ON THE COMPANY

(I) The reason for, content and date of change in accounting estimates

The overhaul components of engine in relation to engine overhaul under fixed assets and right-of-use assets were originally depreciated using the straight-line method by the Company. Upon assessment of the actual consumption model and the expected method of relevant economic benefit realization in respect of the overhaul components of engine, the Company is of the view that the consumption of overhaul components of engine is more directly associated with the actual flying hours. Therefore, changing the depreciation method of overhaul components of engine to the unit of production method can more truly and objectively reflect the actual consumption of assets and the financial position and operating performance of the Company. The comparison of depreciation method of the overhaul components of engine before and after the change is detailed as below:

Before the change	Expected useful lives	Estimated net residual rate	Annual depreciation rate
Overhaul components of engine	3-15 years	–	6.67%-33.33%

After the change	Expected flying hours	Estimated net residual rate	Depreciation rate per thousand hours
Overhaul components of engine	9-43 thousand hours	–	2.33%-11.11%

The Company has implemented this change in accounting estimates with effect from 1 January 2020.

(II) Impact of change in accounting estimates

Pursuant to the relevant requirements of Accounting Standard for Business Enterprises No.28 – Changes in Accounting Policies and Accounting Estimates and Corrections of Errors, this change in accounting estimates has been applied prospectively and no retrospective adjustment is required to be made on the financial data for the previous years. In addition, the change will not have any impact on the financial condition and operation performance for each of the previous years.

As the actual flying hours of the engines of the Company for the year of 2020 can not be estimated accurately for the time being, it is unable to estimate the amount of impact of this change in accounting estimates on the profit or loss of the Company for the year of

2020. Based on the data of actual flying hours of engines for January to March 2020, the Company estimates that the consolidated profit before tax of the Company for January to March 2020 will increase by approximately RMB420 million as a result of this change in accounting estimates, which is mainly attributable to the year-on-year decrease of actual flying hours of the Company as affected by the novel coronavirus pneumonia pandemic.

III. CONCLUSIVE OPINIONS OF THE INDEPENDENT DIRECTORS, THE SUPERVISORY COMMITTEE AND THE ACCOUNTING FIRM

The independent directors and the supervisory committee of the Company have considered the relevant information of this change in accounting estimates, and are of the view that the Company is in compliance with the Accounting Standard for Business Enterprises No.28 – Changes in Accounting Policies and Accounting Estimates and Corrections of Errors. Moreover, after taking into full consideration the industry characteristics and the business development of the Company, they are of the view that the change made to the accounting estimates for depreciation method of overhaul components of engine under fixed assets and right-of-use assets is reasonable, and agree with the Company’s accounting treatment for this change in accounting estimates.

Deloitte Touche Tohmatsu Certified Public Accountants LLP has issued the Special Report on Change in Accounting Estimates of Air China Limited in respect of the above change in accounting estimates.

By Order of the Board
Air China Limited
Zhou Feng Huen Ho Yin
Joint Company Secretaries

Beijing, the PRC, 29 April 2020

As at the date of this announcement, the directors of the Company are Mr. Cai Jianjiang, Mr. Song Zhiyong, Mr. Patrick Healy, Mr. Xue Yasong, Mr. Wang Xiaokang, Mr. Stanley Hui Hon-chung* and Mr. Li Dajin*.*

* *Independent non-executive director of the Company*