



Air China Limited

Air China HQ Building
30 Tianzhu Road
Shunyi District
Beijing, China

SEP 11, 2013

Technical Director
Financial Accounting Standards Board

Dear Sir/Madam,

Re: Leases (FASB Project 2013-270, Accounting Standards Update Topic 842)

Thank you for the opportunity to provide comments. Air China Limited, China's exclusive national flag carrier for civil aviation, would like to submit comments as follows.

Question 2: lessee accounting

Theoretically we agree with the proposed recognition, measurement and presentation method. However in practice, we still have the following queries,

1. In respect of the conception of "insignificant"

Because there is no quantity criteria of "insignificant" in the draft, how to assess "insignificant" remains a problem. We suggest adding quantity criteria of "insignificant" to avoid any doubt.

2. In respect of the "fair value of the underlying asset"

We understand if there is popular market for the underlying asset or for the similar asset, it is relatively easier to get the fair value of the underlying asset. However if the asset is only for very special purpose and there is barely market for it, it is difficult to get the fair value information, which may increase the difficulty in applying the principle. The situation would be worse if there is large amount of such kind of assets with relatively small value.

3. In respect of unwinding of the discount on the lease liability

Lessee is required to determine the unwinding of the discount on the lease liability in each period during the lease term as the amount that produces a constant periodic discount rate on the remaining balance of the liability. Our understanding is if it is fixed payment, it's easy to do so. If it's variable lease payment and the rate lessor charges the lessee is unknown, it is almost impossible to determine a constant periodic discount rate on day one. It seems more realistic to simply use the discount rate in calculating the present value, and if there is any difference between the actual payment of each period and the unwinding of the discount on the lease liability plus the original discounted lease liability of the same period, the difference goes to P&L for each period.

As conclusion, we think all the queries should be solved, or else lessees will be confused in practice.

Yours sincerely,

Zhang zhi shun
Vice-general Manager, Finance Dept.