29 October 2010

By Fax: (852) 2865 6776
By email: commentletters@hkicpa.org.hk

Mr. Steve Ong
Director, Standard Setting
Hong Kong Institute of Certified Public Accountants
37 Floor Wu Chung House,
214 Queen's Road East,
Wan Chai,
Hong Kong.

Dear Sir,

Comment on Exposure Draft of Hong Kong Interpretation 5 : Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause ("HK-Int 5")
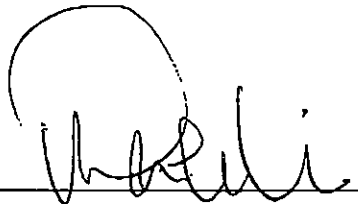
We write to express our views and concerns on the above caption. Please find our points follows for your consideration:

1. Issuance of the proposed HK-Int 5 will result in net current liabilities of many reporting entities with substantial long-term bank loans. This will also distort the long established basic reporting principles including:
    *   Going concern principle; and
    *   Ratio analysis (including but not limit to current ratio and quick ratio) principle.

2. Issuance of the proposed HK-Int 5 will increase cost of funding or even unable to obtain financing of many reporting entities on the back of misleading liquidity problem.

3. The probability of the lender in exercising his discretionary power within 12 months after the reporting date is remote. This remote option is definitely relevant to the classification of liability. The fundamental principle in preparing financial

statements is to present a "true and fair view" to the users and stakeholders of financial statements. Proposed changes will distort the picture of financial statements once it incorporates improbable and remote accounting treatment in the financial statements.

In short, we object issuance of the above caption as it is unnecessary destructive and confusing to financial statements users.

Yours faithfully,
For and on behalf of
China Agri-Products Exchange Limited

Financial Controller