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2nd September 2002

2002 SEP -4 AM 10:50

Deputy Director, Accounting
Hong Kong Society of Accountants
4/F., Tower Two, Lippo Centre
89 Queensway
Hong Kong

BY FAX (2865 6603)
& BY POST

Dear Sir,

Re: Exposure Draft
Proposed Improvements to International Accounting Standards
Proposed Revisions to IAS 40

I refer to your letter of 5 June 2002 inviting comments from interested parties on the proposals contained in the exposure draft issued by the International Accounting Standards Board which has proposed amendments to a number of International Accounting Standards.

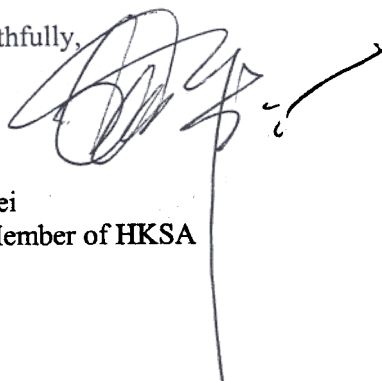
As a Financial Controller of one of the major listed companies participating in property development and investment in Hong Kong, I am so concerned with the HKSA's intention to issue an exposure draft on SSAP13 to converge its content in line with the IAS 40:-

The proposed recognition of change in fair value of investment property directly to income statement may easily lead to abnormal fluctuation in profit for the year as Hong Kong has a more volatile property market than most western countries. Usual measurement of performance of the management (e.g. price earning ratio and return on equity ratio etc) will thus be undermined and become misleading to the stock market. I will foresee that the adoption of IAS 40 in Hong Kong may aggravate the fluctuation in profits of companies by boosting profit during the bloom times and accelerate profit declines during recessions.

2. The changes in fair value of investment properties do not reflect the actual realization of gain or loss over the carrying value of the investment property. The recognition of such profit or loss may give a wrong impression to investors of the financial conditions of the company. It is not easy for investors to differentiate the true operating income of concrete operation from the profit consisting of the unrealised fair value change.
3. Fair value is a product after a lot of subjective factors and assumptions and cannot be determined accurately. Taking the change in fair value into the income statement may not be appropriate and it may be used to manipulate profits.

I would be grateful if HKSA could seriously consider my concerns as mentioned above. I suggest HKSA should not adopt the practice of requiring fair value changes of investment properties be recognised in income statements as the existing standard, SSAP 13, is already serving the users and investors very well.

Yours faithfully,



Yu Tai Tei
Fellow Member of HKSA