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BY FAX (2865 6776) & BY Mail

28 June 2010

Mr Steve Ong, FCA, FCPA
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Hong Kong Institute of Certified Public Accountants
37/F Wu Chung House
213 Queen's Road East
Wanchai
Hong Kong

Dear Steve

Invitation to comment on Exposure Draft of Conceptual Framework for Financial Reporting: The Reporting Entity

Thank you for your letter dated 5 May 2010 addressed to Mr Ronald Wong.

We refer to RE 5 of the Exposure Draft which states:

"A single legal entity that conducts economic activities and does not control any other entity is likely to qualify as a reporting entity. Most, if not all, legal entities have the potential to be reporting entities. However, a single legal entity may not qualify as a reporting entity if, for example, its economic activities are commingled with the economic activities of another entity and there is no basis for objectively distinguishing their activities. In some jurisdictions, there may be questions about whether those entities are separate entities under the law."

As spoken over the phone, our concern is that if the economical activities of two entities are commingled and could not be objectively distinguished, they would not qualify as reporting entities. The problem is that since the two entities are legal entities, they are required to disclose results of their business activities by law. Our question is: if these legal entities are not regarded as reporting entities, how can they prepare financial statements? In our view, all legal entities should qualify as reporting entities.

We would appreciate your comments. Thank you.

Yours sincerely



Peter C H Tam
Chief Executive

PT/IW/sw

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