

From: Fion Lai [mailto:fion.lai@fpigp.com]
Sent: Tuesday, September 28, 2010 4:03 PM
To: P.T. Comment Letter
Cc: paul@paulmpchan.hk
Subject: Comment on ED of HK Interpretation 5

Dear Mr. Ong,

I was very surprised to see the subject draft.

I worked in listed companies and financial institution before, it is very often that Banks will impose Repayment on Demand Clause under a Term Loan Facility. It is purely a protection clause to Banks. So I do not agree that the accounting standard will use this Clause as one of the requirements in classification of a non-current loan even the facility labelled as Term Loan.

The aftermath will be disastrous as all ratio analysis will rendered meaningless, one can never have a clear picture on the face of the balance sheet. In further complication, the auditor may need to copy most of the terms of banking facilities in the notes for better interpretation of real meaning behind the current loan.

Further, on the other side of the coin, can the counterparty, bank usually, be benefited by this new method of classification in calculation of their liquidity ratio?

Your serious and thorough consideration in the matter will be appreciated.

Regards,
Fion Lai

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