



BY E-MAIL AND BY POST

Our Ref.: C/UII

15 September 2004

The International Financial Reporting Interpretations Committee,
International Accounting Standards Board,
30 Cannon Street,
London EC4M 6XH,
United Kingdom.

Dear Sirs,

**International Financial Reporting Interpretations Committee
- IFRIC Draft Interpretations D7 & D8**

In response to the IFRIC's Invitation to Comment on Draft Interpretations D7 and D8, we are pleased to set out below our comments for your consideration.

D7 Scope of SIC-12 Consolidation – Special Purpose Entities

We agree with the proposed change in this draft interpretation. However, we have reservations about the basis for conclusions of the proposed change as set out in this draft interpretation. The basis of conclusions appears to suggest that the change proposed under this draft interpretation is consequential on the replacement of that part of IAS 19 applying to equity compensation plans by IFRS 2. We consider that there is not sufficient explanation of the link between introducing IFRS 2 and amending the scope of this interpretation. Accordingly, although we are of the view that the proposed change is an improvement of the existing practice, we believe that more elaboration on the basis and reason for the proposed change should be made in the basis for conclusions.

D8 Members' Shares in Co-operative Entities

Although we consider that the draft consensus set out in paragraphs 5 to 11 is consistent with the requirements of the financial instruments Standards, we question the appropriateness for setting an interpretation on the application of IFRSs to a specific category of entity. We do not think that this interpretation provides any extra guidance in addition to that already found in IAS 32. However, we believe that this would be a good illustrative example on the application of the requirements under IAS 32. We would consider it more appropriate to include the draft guidance as an illustrative example to be appended to IAS 32 rather than issuing it as a separate interpretation.

If you have any questions on our comments, please do not hesitate to contact Mr. Simon Riley, Technical Director (Financial Reporting) at the Institute, in the first instance.

Yours faithfully,

WINNIE C.W. CHEUNG
CHIEF EXECUTIVE & REGISTRAR
HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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