



新鴻基地產發展有限公司  
SUN HUNG KAI PROPERTIES LTD.

14<sup>th</sup> September, 2004

Mr. Simon Riley  
Technical Director (Financial Reporting)  
Hong Kong Institute of Certified Public Accountants  
4<sup>th</sup> Floor Tower Two, Lippo Centre  
89 Queensway  
Hong Kong

By Post &  
By Fax 2865 6603

Dear Mr. Riley,

**Re: Exposure Draft for HKAS 40 "Investment Property"**

We are in full agreement with the issues raised by The Real Estate Developers Association of Hong Kong in its letter of 6-9-2004 submitted to you.

We do not intend to repeat the issues raised but would like to emphasize the serious impact of the proposed standard on a company's income statement. Our announced profit in 2003 was \$6,584 million and would become a loss of \$1,347 million when fair value changes were put through the income statement. Our results in the past 10 years would behave like a see-saw.

The proposed standard has the greatest impact on the property industry which is a major industry in Hong Kong. We believe that the HKICPA needs to address the concerns of companies and their investors in the industry. We realise that HKICPA may have to adopt HKAS 40 at the same time as a few other accounting standards for technical reasons. Under such circumstance, if HKICPA determines to adopt HKAS 40, we recommend that HKAS 40 be amended so as to allow fair value changes be taken through equity rather than the income statement. This is conceptually justified as this approach would be consistent with the adoption of IAS 39 in relation to financial assets.

Yours faithfully,  
For and on behalf of  
Sun Hung Kai Properties Limited

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Bernard Pun

c.c. The Real Estate Developers Association of Hong Kong