1850-100 Comment Letter No. 773

24 January 2011

Sir David Tweedie, Chairman
International Accounting Standards Board (IASB)
IFRS Foundation/IASB
30 Cannon Street
London, EC4M 6XH
United Kingdom

(By fax +44 (0) 20 7246 6411 & by mail)

Dear Sir Tweedie,

On behalf of Toys LiFung (Asia) Ltd., I write to reflect our serious concerns about the proposed changes to the leasing standards by the International Accounting Standard Board (IASB) issued in August 2010, and earnestly plead with your organization to duly re-consider the implementation of this practice scheduled initially in mid 2011.

We would like to set out our company's concerns on the proposed changes as follows:

Substantial but unjustified changes to Financial Reporting

The proposed change will impact tremendously on lessee financial reporting of the retail industry as it requires all leases to be reported on balance sheet. Subsequently assets and liabilities, and leverage ratios would increase, while capital ratios would decrease. At the same time, rent expenses would be replaced by depreciation and interest expense.

More importantly, as a result of these modifications, key business performance indicators including earnings before interest and tax (EBIT) and earnings before interest, tax, depreciation and amortization (EBITDA) would change accordingly. We anticipate the changing accounting paradigm triggered by the proposal would inevitably pose a lot of challenges to corporate management in regard to its strategic decisions.

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2. Triggering of Arbitrary Judgments in Computation

The proposed changes will require corporations to take on a lot more judgments and estimates simply for the sake of Financial Reporting. Such estimates and judgments do not have to be made under normal commercial circumstances at such early stages, and they are inevitably arbitrary. Management also has to re-examine such estimates from time to time, again not necessary for commercial purposes.

Retailers, for example, would be required to consider the "most likely lease term" when faced with optional renewals. Under normal circumstances, decisions on options to renew leases can be left to be made when the time to exercise the options comes up a few years down the road.

Similarly, contingent rental would have to be measured on the basis of "most likely rental payment". Such terms are very common and estimates of the "most likely rental payment" is time consuming, arbitrary and unhelpful. The methodology of depreciation and interest charges would also mean mismatch of costs against revenue. The former is front loaded while in business reality, the revenue only grows with time.

3. Create Additional Workload & Demands for Extra Resources

The proposed change will also call for a major reshuffle of the required business processes on the part of retailers that necessitates a corresponding overhaul in their accounting, I.T., as well as internal control systems. Retailers would have to enhance their respective systems so that they could be able to capture, analyze and accumulate the necessary data from a portfolio of outlets that may be substantial in number. In doing so, it will inevitably create additional and unnecessary workload to the management and relevant staff. And it will also consume a significant amount of extra resources to support an overhaul of the entire business processes.

In view of the above elaborations, we would sincerely request your Board to kindly re-examine its decision to implement the proposed changes on leasing accounting and take into prudent consideration of recommendations put

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forward by business entities in the international community.

Thank you very much for your kind attention

Yours sincerely,

Lucia Lam

Group Financial Controller Toys LiFung (Asia) Ltd.