

Dear Sirs,

We refer to the open invitation of [21 February 2014](#) to our Institute, amongst others, to comment on the “*Exposure Draft of Accounting Bulletin 5 Guidance for the Preparation of a Business Review under the Hong Kong Companies Ordinance 622*” (**Exposure Draft**). Our comments are as follows:

1. We welcome the intent behind the Exposure Draft and note that the document is modelled upon applicable UK guidance.
2. We express a concern that there needs to be adequate consultation with SMEs over resources issues, and also different industry sectors over the Implementation Guide, as the current consultation takes place over the reporting season and is a relatively short two months for a topic of such importance.
3. There may be a need to consider with HKEx the interactions between a Business Review under the new Companies Ordinance and the reporting obligations of Hong Kong incorporated listed issuers under Appendix 16 of the Listing Rules. Further, will overseas incorporated listed issuers be required to follow any of the reporting obligations of Hong Kong incorporated listed issuers? If so, how will inconsistent home jurisdiction rules to be reconciled with?
4. We mention that we agree with the guiding principles for a Business Review under paragraph 6 of the Exposure Draft, namely that a Business Review should be analyzed through the eyes of the board of directors, be consistent with the scope of the financial statements, and complement as well as to supplement such financial statements in an understandable, balanced and neutral manner. However, please consider if it should be discussed that the Exposure Guide is for reference and does not replace the obligations of directors to comply with the provisions of the Ordinance in accordance with their company’s circumstances. The directors must have the latitude to do what they believe is necessary to discharge their duties under the new Companies Ordinance including Schedule 5.
5. In terms of definitions under paragraph 12 of the Exposure Draft, for ESG related KPIs, as there is the ESG Reporting Guide under the Listing Rules, should compliance by Hong Kong incorporated listed issuer with such guide be deemed sufficient. Please note that there is a large degree of flexibility in relation to compliance under the ESG Reporting Guide. Should there be similar flexibilities built in for the Business Review KPIs?
6. We have received comments, in relation to paragraph 22 that auditors may have difficulty in assessing whether non-financial items under the Business Review is inconsistent with the financial statements. Please consider if this presents any practical difficulties, and if so, how should the matter be dealt with.

We have restricted ourselves to high level issues and there may be practical issues from implementation of Business Review and we suggest that the operation of the Exposure Draft and Implementation Guide be reviewed following implementation.

Yours faithfully,

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