



**21 February 2014**

**To: Members of the Hong Kong Institute of CPAs  
All other interested parties**

**INVITATION TO COMMENT ON EXPOSURE DRAFT OF ACCOUNTING  
BULLETIN 5 GUIDANCE FOR THE PREPARATION OF A BUSINESS REVIEW  
UNDER THE HONG KONG COMPANIES ORDINANCE CAP. 622**

***Comments to be received by 22 April 2014***

The Hong Kong Institute of Certified Public Accountants' (Institute) Financial Reporting Standards Committee (FRSC) is seeking comments on the Exposure Draft of Accounting Bulletin 5 which has been posted on the Institute's website at:

[http://www.hkicpa.org.hk/file/media/section6\\_standards/standards/FinancialReporting/ed-pdf-2014/ed\\_ab5.pdf](http://www.hkicpa.org.hk/file/media/section6_standards/standards/FinancialReporting/ed-pdf-2014/ed_ab5.pdf)

Under the new Companies Ordinance (CO) (Cap.622), companies are required by section 388 to prepare a business review which complies with Schedule 5 unless exempted. The requirements of section 388 are summarised in paragraph 14 of this Exposure Draft. The exemptions from the requirement to prepare a business review are set out in section 388(3) of the new CO, which are summarised in paragraph 15 of this Exposure Draft.

Section 388 of the new CO will come into effect for the first financial reporting year beginning on or after 3 March 2014 (i.e. the commencement date of the new CO). Therefore, especially for Hong Kong companies incorporated prior to 3 March 2014, these requirements will typically apply for the first time in financial years ending in 2015. For example, for those companies with a calendar year-end, the business review requirements under section 388 will first apply in the financial reporting year ending on 31 December 2015.

At the invitation of the Companies Registry, the Institute proposes to issue Accounting Bulletin 5 (Bulletin) to provide guidance on the preparation of a business review under the new CO.

The proposed Bulletin sets out the key elements for the contents of a business review, including details on particular matters that should be disclosed to the extent necessary to meet the minimum requirements for the business review. It is also accompanied by Implementation Guidance which contains application examples.

The proposed Bulletin is for guidance only and does not introduce additional accounting, disclosure or legal requirements. The application of the guidance in the proposed Bulletin may vary considerably depending on whether the company is large or small and whether it is complex or relatively simple. However, in all cases, the directors should ensure that they comply with the minimum requirements of the new CO.



Given the requirements on the preparation of a business review under the CO are partly modelled on the requirements in the United Kingdom, in the preparation of this proposed Accounting Bulletin reference has been made to the Reporting Statement: Operating and Financial Review (UK Reporting Statement), modified and adapted for use in Hong Kong, by kind permission of the UK Financial Reporting Council.

In accordance with the Institute's due process, comments are invited from any interested party. The FRSC would like to hear from both those who do agree and those who do not agree with the guidance contained in the Exposure Draft. Comments should be supported by specific reasoning and should be submitted in written form.

Any comments should be submitted to the Institute on or before **22 April 2014**.

Comments may be sent by mail, fax or e-mail to:

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Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor.