



5 August 2014

Dear members,

Important reminder on the timing for opting out the preparation of business review requirement through special resolution

Under section 388 of the new Companies Ordinance (Cap. 622), companies in general are required to prepare a business review which complies with schedule 5 unless specifically exempted under section 388(3) of the ordinance. Section 388 (and consequently schedule 5) applies in relation to financial years beginning on or after 3 March 2014.

The following companies are exempted from preparation of a business review which complies with schedule 5 under section 388(3):

- (a) The company falls within the reporting exemption for the financial year; or
- (b) The company is a wholly owned subsidiary of another body corporate in the financial year; or
- (c) The company is a private company that does not fall within the reporting exemption for the financial year, and a special resolution (as defined in section 564) is passed by the members to the effect that the company is not to prepare a business review required by schedule 5 for the financial year.

Under section 388(4)(b), the special resolution for opting out of the business review requirement in accordance with section 388(3)(c) must be passed at least six months before the end of the financial year to which the directors' report relates.

Accordingly, private companies with March year-end would need to pass the required special resolution by the end of September 2014 should they wish to opt out of the preparation of business review through special resolution for the financial year ending 31 March 2015.

For private companies with December year-end, the business review requirement under section 388 will first come into effect on the financial statements for the year ending 31 December 2015. Should these companies wish to opt out of the preparation of business review through special resolution for that financial year, such special resolution would need to be passed by the end of June 2015.

Business review guidance

The Institute has issued [Accounting Bulletin 5 Guidance for the Preparation and Presentation of a Business Review under the Hong Kong Companies Ordinance Cap. 622](#), which sets out principles for business review preparation, accompanied by implementation guidance. The bulletin does not introduce additional accounting, disclosure or legal requirements.

A [seminar](#) will be held on 11 September, 12:30 - 2:00 p.m. to cover this topic.

Best regards,

Hong Kong Institute of CPAs

Enquiries: Standard Setting Department commentletters@hki CPA.org.hk

The Institute intends to use the personal data of your name, email address and correspondence address to inform you, where relevant, of CPD activities, members' benefits, goods, services, facilities and events organized or provided by the Institute or other organizations. Members and registered students may opt out of receiving such materials at any time by logging in [here](#). Non-members may opt out of receiving such materials at any time by sending an email to the Institute at privacyofficer@hkipa.org.hk or a letter to the Institute's privacy officer. For more information about the privacy policy of the Institute, please click [here](#).