

16 April 2014

By post and email: simonriley@hki CPA.org.hk

Mr. Simon Riley
Director, Standard Setting
Hong Kong Institute of Certified Public Accountants
37th Floor, Wu Chung House
213 Queen's Road East
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Dear Mr. Riley

**Invitation to Comment on HKICPA Exposure Draft of Accounting Bulletin 5 –
Guidance for the Preparation of a Business Review under the Hong Kong
Companies Ordinance Cap. 622**

We refer to your letter dated 24 February 2014 inviting our comments on the Exposure Draft of Accounting Bulletin 5 – Guidance for the Preparation of a Business Review under the Hong Kong Companies Ordinance (CO) Cap. 622. We welcome the guidance provided by the HKICPA and set out our comments below for your consideration.

Scope exemption

Paragraph 14(b) stipulated that wholly owned subsidiary of another body corporate is exempted from preparing a Business Review if that another body corporate will prepare a Business Review. We recommend the inclusion of the definition of “a body of corporate” per Section 357(3) of the CO. This is to explain that this exemption is applicable not only to the reporting entities 100% directly owned by one parent entity, but also applicable to reporting entities 100% owned by one parent entity effectively through multiple intermediate entities.

The content of a business review

Paragraph 38 requires the disclosure of changes in accounting policies to a material extent in the Business Review. We appreciate if the HKICPA could clarify that only those material changes in accounting policies which would result in significant change in financial key performance indicators should be disclosed.



For the disclosure requirements per paragraph 42, we suggest the HKICPA to make it clear that the disclosures can be either included in the main body of the Business Review or in an appendix to the Business Review.

We hope you would find our comments above useful. Should you have any questions, please do not hesitate to contact Mr. Timothy Tam of the Secretariat at 2526 6080.

Yours sincerely

A handwritten signature in black ink, appearing to read "Eva Wong", is positioned above the typed name and title.

Eva Wong
Secretary