



**13 July 2022**

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

**INVITATION TO COMMENT ON EXPOSURE DRAFT, *CIRCULAR ON REPORTING FOR CERTIFICATION OF FUNDS UNDER SCHEDULE 16D TO THE INLAND REVENUE ORDINANCE (CAP. 112)***

***Comments to be received by 13 August 2022***

The Hong Kong Institute of Certified Public Accountants' (Institute) Auditing and Assurance Standards Committee is seeking comments on the Exposure Draft, *Circular on Reporting for Certification of Funds under Schedule 16D to the Inland Revenue Ordinance* (Exposure Draft) which has been posted on the Institute's website at: <https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/Open-for-comment-documents/Auditing-and-Assurance>

The Inland Revenue (Amendment) (Tax Concessions for Carried Interest) Ordinance 2021 came into effect on 7 May 2021. It amends the Inland Revenue Ordinance ("IRO") to give profits tax and salaries tax concessions to qualifying persons and qualifying employees in relation to eligible carried interest received by, or accrued to, them on or after 1 April 2020 from their provision of investment management services for certain funds and entities.

To be eligible for the tax concessions, a fund, as the applicant, has to submit to the Hong Kong Monetary Authority ("MA") a completed Certification Application Form and the required supporting documents, including an auditor's report by a Certified Public Accountant (Practising) of the Institute on factual findings in connection with the application submitted by the fund. The MA will assess whether a fund has complied with the Criteria for Certification and will certify a fund if the Criteria for Certification and other requirements set out in [Guideline on Certification of Funds Issued by the Monetary Authority under Schedule 16D to the Inland Revenue Ordinance \(Cap. 112\)](#) have been satisfied.

The purpose of this Exposure Draft is to provide guidance to practising members when undertaking such engagements. The basis of the reporting framework is [Hong Kong Standard on Related Services \("HKSRs"\) 4400 \(Revised\), Agreed-Upon Procedures Engagements](#).

Comments to the Exposure Draft should be supported by specific reasoning and should be submitted in written form. To allow your comments on the Exposure Draft to be considered, comments are requested by the due date shown above.



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

Standard Setting Department  
Hong Kong Institute of Certified Public Accountants  
37/F., Wu Chung House  
213 Queen's Road East  
Hong Kong

Fax number (+852) 2865 6776

E-mail: [commentletters@hkiipa.org.hk](mailto:commentletters@hkiipa.org.hk)

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

13 July 2022  
Invitation to Comment

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Response Due Date  
13 August 2022

*Exposure Draft*

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***Circular on Reporting for Certification of Funds  
under Schedule 16D to the Inland Revenue  
Ordinance***



Hong Kong Institute of  
**Certified Public Accountants**  
香港會計師公會

## CONTENTS

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Exposure Draft, *Circular on Reporting for Certification of Funds under Schedule 16D to the Inland Revenue Ordinance*

The Invitation to Comment can also be found on the Institute's website at:

<https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/Open-for-comment-documents/Auditing-and-Assurance>.



Hong Kong Institute of  
**Certified Public Accountants**  
香港會計師公會

**Circular on Reporting for Certification of Funds under Schedule 16D to the  
Inland Revenue Ordinance (Cap. 112)**

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**This Circular is intended to be used as general guidance for practising members of the Hong Kong Institute of Certified Public Accountants. The Institute DOES NOT accept any responsibility or liability, and DISCLAIMS all responsibility and liability, in respect of the Circular and any consequences that may arise from any person acting or refraining from acting as a result of any materials in the Circular.**

**A. Introduction**

1. The Inland Revenue (Amendment) (Tax Concessions for Carried Interest) Ordinance 2021 came into effect on 7 May 2021. It amended the Inland Revenue Ordinance (“IRO”) to give profits tax and salaries tax concessions to qualifying persons and qualifying employees in relation to eligible carried interest received by, or accrued to, them on or after 1 April 2020 from their provision of investment management services for certain funds and entities.
2. As defined in Schedule 16D to the IRO, a Certified Investment Fund means a fund within the meaning of section 20AM of the IRO that is certified by the Monetary Authority (“MA”) to be in compliance with the criteria for certification published by the MA (“Criteria for Certification”). The MA will assess whether a fund has complied with the Criteria for Certification and will certify a fund if the Criteria for Certification and other requirements set out in [Guideline on Certification of Funds Issued by the Monetary Authority under Schedule 16D to the Inland Revenue Ordinance \(Cap. 112\)](#) (“MA’s Guideline on Certification”) have been satisfied. The Inland Revenue Department (“IRD”) will then assess whether the fund as certified by the MA is within the meaning of section 20AM of the IRO, together with other conditions under the IRO, when claims for tax concessions for carried interest are made by the relevant qualifying persons and qualifying employees.
3. To apply for certification, a fund, as the applicant, has to submit to the MA a completed Certification Application Form (“Form”).
4. In addition, the fund or its investment manager (as the case may be) is required to engage a Certified Public Accountant (Practising) of the Institute (“practising member”) to prepare an agreed-upon procedures report in accordance with the [Hong Kong Standard on Related Services \(“HKSRs”\) 4400 \(Revised\), Agreed-Up On Procedures Engagements](#) as specified in [Guideline on Auditor’s Report for Application for Certification of Funds Issued by the Monetary Authority for Practising Members](#) (“MA’s Guideline for Practising Members”) on findings in connection with the certification of the fund. The purpose of the agreed-upon procedures report is to assist the MA to

determine whether the fund has directly or indirectly invested in shares, stocks, debentures, loan stocks, funds, bonds or notes (“specified securities”) of, or issued by, a private company or an investee company (as the case may be) during the applicable period<sup>1</sup> as required under paragraph 2.1(a) of the MA’s Guideline on Certification.

5. The purpose of this Circular is to provide guidance to practising members when undertaking such engagements.

#### **B. The fund’s responsibilities**

6. The fund is required to adhere to the MA’s Guideline on Certification.
7. The fund, as an applicant, is required to submit to the MA a completed “Certification Application Form” and the required supporting documents, including an auditor’s report.
8. For the purposes of the agreed-upon procedure engagement, the engaging party, i.e. the fund or its investment manager, should provide true and accurate information and documents as stated in [Guideline on Auditor’s Report for Application for Certification of Funds Issued by the Monetary Authority for Funds and their Investment Managers](#) (“MA’s Guideline for Funds and Investment Managers”), or other information and documents as alternative where appropriate, to the practising member.

#### **Practising member’s responsibilities**

9. The objective of the reporting is set out in paragraph 4 above. In consultation with the MA, it has been determined that an agreed-upon procedures engagement conducted in accordance with HKSRS 4400 (Revised) and the guidance provided in this Circular would be suitable for this reporting.
10. When conducting an engagement following the guidance in this Circular, practising members should conduct an agreed-upon procedures engagement in accordance with HKSRS 4400 (Revised) and:
  - (a) carry out procedures agreed-upon with the engaging party according to the MA’s Guideline for Practising Members, and use the documents and information obtained from the responsible party<sup>2</sup> of the engaging party as the basis for the agreed-upon procedures report of findings in accordance with HKSRS 4400 (Revised);
  - (b) report the findings based on the procedures performed; and
  - (c) sign the agreed-upon procedures report as a whole which includes the accompanying Annex 1 illustrated in Appendix 1 of this Circular, and other annexes on the findings as the case may be.
11. Practising members should comply with relevant requirements of the Institute’s [Code of Ethics for Professional Accountants](#) and are required to comply with the independence requirements

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<sup>1</sup> Under the IRO, “applicable period” means the period beginning on the day on which a person begins to carry out investment management services directly or indirectly for a certified investment fund or a specified entity ending on the day on which eligible carried interest is received by, or accrued to, the person.

<sup>2</sup> The responsible party of the fund or its investment manager is:

- (a) a director, company secretary or manager of the company if the fund or the investment manager is a company;
- (b) the general partner if the fund or the investment manager is a partnership;
- (c) the trustee if the fund is a trust; or
- (d) the principal officer of the body of persons if the investment manager is a body of persons.

applicable to audits of financial statements for the purpose of the agreed-upon procedures engagement.

12. As explained in HKSRS 4400 (Revised),
  - In an agreed-upon procedures engagement, the practitioner<sup>3</sup> performs the procedures that have been agreed upon by the practitioner and the engaging party, where the engaging party has acknowledged that the procedures performed are appropriate for the purpose of the engagement. The practitioner communicates the agreed-upon procedures performed and the related findings in the agreed-upon procedures report. The engaging party and other intended users consider for themselves the agreed-upon procedures and findings reported by the practitioner and draw their own conclusions from the work performed by the practitioner.<sup>4</sup>
  - An agreed-upon procedures engagement is not an audit, review or other assurance engagement. An agreed-upon procedures engagement does not involve obtaining evidence for the purpose of the practitioner expressing an opinion or an assurance conclusion in any form.<sup>5</sup>
13. The practising member should agree the terms of the agreed-upon procedures engagement with the engaging party and record the agreed terms of engagement in an engagement letter or other suitable form of written agreement. The requirements on terms of engagement are set out in paragraphs 24 to 26 of HKSRS 4400 (Revised); an illustrative engagement letter for an agreed-upon procedures engagement can be found in Appendix 1 of HKSRS 4400 (Revised).

#### **Reporting for certification of funds**

14. The agreed-upon procedures report by the practicing member is prepared based on the information and documents provided by the responsible party of the engaging party. The specific procedures will vary from engagement to engagement. The practising member shall discuss and agree with the engaging party as appropriate, the relevant procedures to be performed as required by the MA's Guideline for Practising Members.
15. In order for a fund to be certified by the MA, it has to invest in specified securities of a private company (as specified in Schedule 16C to the IRO), either directly or indirectly via a special purpose entity or an interposed special purpose entity (as defined in section 20AO(4) of the IRO).
16. Actual names of the issuer of the specified securities and entities (such as a special purpose entity, an interposed special purpose entity, a private company etc.) through which the fund invested in the specified securities directly or indirectly should not be disclosed in the agreed-upon procedures report and the ownership structures diagrams attached to the report. Instead, the practising member should redact the names of the entities and describe them with reference to their identity such as "SPE", "Interposed SPE 1", "Interposed SPE 2", "PC 1" etc. when referring to any entity in the agreed-upon procedures report. The same designation should be used to refer to the same entity throughout the report.
17. According to the MA's Guideline for Funds and Investment Managers, the engaging party should select any one acquisition of specified securities which have been disposed and provide to the practising member relevant information or documents in respect of the selected specified securities. The practising member is not required to check the authenticity and validity of the

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<sup>3</sup> For the purposes of this Circular, "practitioner" and "practising member" are used interchangeably.

<sup>4</sup> Paragraph 4 of HKSRS 4400 (Revised).

<sup>5</sup> Paragraph 6 of HKSRS 4400 (Revised).

information and documents provided by the responsible party of the engaging party and whether the sample they select for the engagement is qualified or appropriate for the certification. Also, it is not necessary for the practising member to perform additional procedures in relation to the disposal of the selected specified securities other than the illustrative procedures in Appendix 1.

18. Appendix 1 to this Circular contains an example agreed-upon procedures report that is based on HKSRS 4400 (Revised). The report is accompanied by Annex 1 on findings to the agreed-upon procedures performed. The practising member should attach all copies of Annex 1 in Appendix 1 to the report and other annexes on findings as the case may be of which the agreed-upon procedures are carried out and sign the report as a whole which includes the accompanying annexes.
19. The MA recommends practising members to report the findings as outlined in Appendix 1. However, practising members are reminded that Appendix 1 provides an illustrative agreed-upon procedures report only. Practising members are required to agree with the engaging party on the actual procedures specific to the circumstances of the fund.

### **Written representations**

20. Paragraph 28 of HKSRS 4400 (Revised) requires the practitioner to consider whether to request written representations from the engaging party. Paragraph A45 further clarifies that requesting written representations is based on the practitioner's decision on specific circumstances. In addition to the written representations obtained as part of the agreed upon procedures, practitioners may consider to request other written representations from the engaging party.
21. Some of the illustrative procedures in Appendix 1 request the practising member to obtain written representations from the responsible party of the engaging party, such as a written representation on the entity's principal activity if the audited financial statements of the entity concerned did not state its principal activity<sup>6</sup>. Practising members should determine whether any other written representations in relation to the engagement are necessary and request them from the responsible party of the engaging party as appropriate.
22. Written representations obtained in connection with the agreed-upon procedures should state the actual name of the fund, the issuer of the specified securities and respective entity, as well as their designated name as referred to in the ownership structures diagrams attached to the agreed-upon procedures report. Written representations provided by the responsible party of the engaging party should not be attached to the report. Please refer to Annex 3 to the MA's Guideline for Funds and Investment Managers for an illustration of the written representations.

### **Effective date**

23. The reporting requirements of this Circular are effective for a fund's application for certification to the MA upon issue.
24. The Institute may issue further guidance where appropriate as a result of any developments arising from discussions with the MA.
25. The Institute's Auditing and Assurance Standards Committee welcomes your comments and feedback, which should be sent to the Standard Setting Department at: [commentletters@hkcipa.org.hk](mailto:commentletters@hkcipa.org.hk).

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<sup>6</sup> Illustrative procedure 7 in the example agreed-upon procedures report in Appendix 1.



Date of Circular: [ ] 2022

## APPENDIX 1

### Example Agreed-Upon Procedures Report

#### Based on HKSRS 4400 (Revised), *Agreed-Upon Procedures Engagements*

(Effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after 1 January 2022)

For purposes of this illustrative agreed-upon procedures report, the following circumstances are assumed:

- The fund, or where appropriate, the investment manager of the fund is the engaging party and the intended user. The report is also intended to be provided to the MA by the fund.
- The MA may provide a copy of the report to the IRD.
- The responsible party of the fund or its investment manager is:
  - (a) a director, company secretary or manager of the company if the fund or the investment manager is a company;
  - (b) the general partner if the fund or the investment manager is a partnership;
  - (c) the trustee if the fund is a trust; or
  - (d) the principal officer of the body of persons if the investment manager is a body of persons.
- No exceptions were found.
- The practising member did not engage an expert to perform any of the agreed-upon procedures.
- There is a restriction on the use and distribution of the report.
- The practising member has agreed with the fund, or where appropriate, the investment manager of the fund that the practising member's compliance with the independence requirements applicable to audits of financial statements is appropriate for the purpose of the agreed-upon procedures engagement. The practising member has agreed to include, in the terms of engagement, compliance with the independence requirements applicable to audits of financial statements for the purpose of the agreed-upon procedures engagement.
- The practising member included a reference to the date when the agreed-upon procedures were agreed in the terms of the engagement.

## AGREED-UPON PROCEDURES REPORT

To [ABC Fund][The investment manager] of [ABC Fund]]<sup>1</sup>

### **Purpose of this Agreed-Upon Procedures Report and Restriction on Use and Distribution**

Our report is solely for the purpose of assisting [ABC Fund] (“Fund”) to apply for the certification of the Fund from the Monetary Authority (“MA”) for the year of assessment [20XX/20XX]<sup>2</sup> to be in compliance with the criteria for certification published by the MA set out in *Guideline on Certification of Funds Issued by the Monetary Authority under Schedule 16D to the Inland Revenue Ordinance*<sup>3</sup> and may not be suitable for other purposes. This report is intended solely for the [Fund][investment manager of the Fund (“Investment Manager”)], and should not be used by, or distributed to, any other parties, except that we agree that a copy of this report may be provided to the MA and the Inland Revenue Department.

### **Responsibilities of the [engaging party]<sup>1</sup> and the [responsible party]<sup>4</sup>**

The [Fund][Investment Manager]<sup>1</sup> has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The [Investment Manager]<sup>4</sup>, as identified by the Fund, is responsible for the selection of the shares, stocks, debentures, loan stocks, funds, bonds or notes (“Specified Securities”) of, or issued by, a private company or an investee private company which has been disposed and the preparation of the ownership structure of the Specified Securities presented in diagrams (“Ownership Structures Diagrams”) attached in Annex 1 of this report according to *Guideline on Auditor’s Report for Application for Certification of Funds Issued by the Monetary Authority for Funds and their Investment Managers*<sup>5</sup> issued by the MA on which the agreed-upon procedures are performed.

### **Practitioner’s Responsibilities<sup>6</sup>**

We have conducted the agreed-upon procedures engagement in accordance with the Hong Kong Standard on Related Services (HKSRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the [Fund][Investment Manager]<sup>1</sup>, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures. We did not perform any procedures regarding the authenticity and validity of the information and documents provided by the responsible party of the engagement and whether the

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<sup>1</sup> Insert the addressee of the report as set forth in the terms of engagement.

<sup>2</sup> A fund is required to apply for the Certification from the MA for each relevant year of assessment if the qualifying person wishes to claim tax concessions for the eligible carried interest received, or accrued, during such year of assessment.

<sup>3</sup> The Guideline is available at: [https://www.hkma.gov.hk/media/eng/doc/key-functions/Guideline\\_on\\_Certification\\_of\\_Funds\\_under\\_Schedule\\_16D\\_to\\_the\\_Inland\\_Revenue\\_Ordinance.pdf](https://www.hkma.gov.hk/media/eng/doc/key-functions/Guideline_on_Certification_of_Funds_under_Schedule_16D_to_the_Inland_Revenue_Ordinance.pdf)

<sup>4</sup> The responsible party of the fund or its investment manager is:

- (a) a director, company secretary or manager of the company if the fund or the investment manager is a company;
- (b) the general partner if the fund or the investment manager is a partnership;
- (c) the trustee if the fund is a trust; or
- (d) the principal officer of the body of persons if the investment manager is a body of persons.

<sup>5</sup> The Guideline is available at: [https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/Open-for-comment-documents/Auditing-and-Assurance].

<sup>6</sup> Practising members may consider it appropriate to include a limitation of liability clause in accordance with their firms’ risk management policies.

Specified Securities they select for the engagement is qualified or appropriate for the certification. We expressly disclaim any liability or duty to any other party for the content in this report.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

*Professional Ethics and Quality Control*<sup>7</sup>

We have complied with the ethical requirements of the HKICPA’s *Code of Ethics for Professional Accountants* (“the Code”) and the independence requirements in Part 4A, Chapter A of the Code.

Our firm applies Hong Kong Standard on Quality Control (“HKSQC”) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.<sup>8</sup>

**Procedures and Findings**

We have performed the procedures described below, which were agreed upon with the [Fund][Investment Manager]<sup>1</sup> in the terms of engagement dated [DATE] for the Fund.

	Procedures	Findings <sup>9,10</sup>
1	Obtain from the [Investment Manager] the Ownership Structures Diagrams of the Specified Securities for purposes of this agreed-upon procedures engagement showing: (i) the description of the Specified Securities;	We obtained from the [Investment Manager] the Ownership Structures Diagrams of the Specified Securities attached as Annex 1 showing: (i) the description of the Specified Securities; (ii) the acquisition date of the Specified

<sup>7</sup> HKSQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* will be effective for engagements beginning on or after 15 December 2022. It will replace HKSQC 1. Practising members applying HKSQM 1 should replace the title with “Professional Ethics and Quality Management”.

<sup>8</sup> Practising members applying HKSQM 1 should replace the paragraph as follow:  
“Our firm applies Hong Kong Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

<sup>9</sup> If the responsible party of the engaging party is unable to provide the information and documents specified in Annex 1 to the MA’s Guideline for Funds and Investment Managers, he/she should provide the reason and the suggested alternative information and documents to the MA in writing. If the MA considers such reason and suggested alternative acceptable, the MA will issue to the responsible party a confirmation, which then can be submitted, together with any alternative information and documents as agreed by the MA, to the practising member to perform the relevant procedure(s). In such cases, the practising member should tailor the relevant procedure(s) in accordance with HKSRS 4400 (Revised) based on the alternative information and documents obtained. The practising member is not required to consider whether the alternative information and documents meet the MA’s requirements.

<sup>10</sup> Practising members should provide details on exceptions found, if any.

	<p>(ii) the acquisition date of the Specified Securities by the Fund;</p> <p>(iii) the percentage of the Fund's participation interests or equity interests, directly or indirectly, in the issuer of the Specified Securities, specifying the name and identity of each entity as at the date of acquisition and the date of last disposal of the Specified Securities, or the date of declaration of the carried interest<sup>11</sup>, whichever is earlier ("Holding Period"); and</p> <p>(iv) the following information to each of the entity presented in the Ownership Structures Diagrams:</p> <ul style="list-style-type: none"> <li>- Principal activity</li> <li>- Place of incorporation</li> <li>- Entity type</li> </ul>	<p>Securities by the Fund;</p> <p>(iii) the percentage of the Fund's participation interests or equity interests, directly or indirectly, in the issuer of the Specified Securities, specifying the name<sup>12</sup> and identify of each entity during the Holding Period; and</p> <p>(v) the following information to each of the entity presented in the Ownership Structures Diagrams:</p> <ul style="list-style-type: none"> <li>- Principal activity</li> <li>- Place of incorporation</li> <li>- Entity type</li> </ul>
2	Obtain from the [Investment Manager] the executed sale and purchase agreement for the acquisition of the Specified Securities ("Acquisition S&P").	We obtained from the [Investment Manager] the executed Acquisition S&P for the acquisition of the Specified Securities.
3	Compare the description of the Specified Securities and the acquisition date of the Specified Securities by the Fund stated in Annex [1] to those stated in the executed Acquisition S&P obtained in Procedure [2].	We compared the description of the Specified Securities and the acquisition date of the Specified Securities by the Fund stated in Annex [1] to those stated in the executed Acquisition S&P agreement obtained in Procedure [2] and found them to be in agreement.
4	Obtain from the [Investment Manager] the executed sale and purchase agreement for the [last] disposal of the Specified Securities ("Disposal S&P") [if there were more than one disposals].	We obtained from the [Investment Manager] the executed Disposal S&P for the disposal of the Specified Securities.
5	Enquire the [Investment Manager] the effective date of the executed Disposal S&P obtained in Procedure [4].	We enquired the [Investment Manager] the effective date of the executed Disposal S&P obtained in Procedure [4]. According to the enquiry, its effective date was [Date].
6	Compare the effective date of the executed Disposal S&P represented by the [Investment Manager] in Procedure [5] to the	We compared the effective date of the executed Disposal S&P represented by the [Investment Manager] in Procedure [5] to the corresponding date stated in the executed

<sup>11</sup> The date of declaration of the carried interest should be the same day on which such carried interest was received by, or accrued to, the investment manager, whichever is earlier.

<sup>12</sup> Actual names of the entities should not be disclosed in the auditor's report. Practising members should redact the names of the entities in the Ownership Structures Diagrams and describe the entities with reference to their identity (e.g. SPE, Interposed SPE 1/2/3, Private Company or Investee Private Company (as the case may be)) when referring to any entity in the agreed-upon procedures report and the Ownership Structures Diagrams attached to the report. In case the same entity is come across in different procedures, the same designation should be used to refer to the same entity throughout the report.

	corresponding date stated in the executed Disposal S&P obtained in Procedure [4].	Disposal S&P obtained in Procedure [4] and found them to be in agreement.
7	For entity(ies) specified in Annex [1], obtain from the [Investment Manager] a copy of [its][their] audited financial statements for the year in which the carried interest was declared ("Declaration Year"); compare the entity's principal activity stated in Annex [1] to that stated in its audited financial statements for the Declaration Year obtained.	For the following entity(ies) specified in Annex [1], we obtained from the [Investment Manager] a copy of [its][their] audited financial statements for the Declaration Year: <ul style="list-style-type: none"> <li>- [Name of entity]<sup>12</sup></li> <li>- [Name of entity]<sup>12</sup></li> </ul> We compared [its][their] principal activity stated in Annex [1] to that stated in [its][their] audited financial statements for the Declaration Year obtained and found them to be in agreement.
<p><b>Note to practising members:</b> <i>If the responsible party of the engaging party cannot provide the audited financial statements for the Declaration Year in respect of all or certain entities specified in Annex 1, the practising member should perform illustrative procedures in 8 to 12 as appropriate, until the principal activity of each of the entities specified in the Ownership Structures Diagrams has been compared to the relevant documents provided by the responsible party. The applicability of all or some of the procedures set out in 8 to 12 should be determined based on the actual circumstances of the engagement.</i></p>		
*[8]	<p><i>*[Enquire the [Investment Manager] whether [any of] the entity(es) specified in Annex [1] not preparing the audited financial statements for the Declaration Year has prepared the audited financial statements for the year preceding the Declaration Year. For [each of] the entity(ies) identified,</i></p> <ul style="list-style-type: none"> <li>- <i>obtain from the [Investment Manager] a copy of its audited financial statements for the year preceding the Declaration Year; and</i></li> <li>- <i>compare its principal activity stated in Annex [1] to that stated in its audited financial statements for the year preceding the Declaration Year obtained.</i></li> </ul>	<p><i>*[According to our enquiry with the [Investment Manager], the following entity(ies) specified in Annex [1] not preparing the audited financial statements for the Declaration Year has prepared the audited financial statements for the year preceding the Declaration Year:</i></p> <ul style="list-style-type: none"> <li>- <i>[Name of entity]<sup>12</sup></i></li> <li>- <i>[Name of entity]<sup>12</sup></i></li> </ul> <p><i>We obtained from the [Investment Manager] a copy of [its][their] audited financial statements for the year preceding the Declaration Year, and compared [its][their] principal activity stated in Annex [1] to that stated in [its][their] audited financial statements for the year preceding the Declaration Year obtained and found them to be in agreement.</i></p>
*[9]	<p><i>*[For [each of] the entity(ies) specified in Annex [1] where its principal activity was not stated in the audited financial statements for the Declaration Year obtained in Procedure [4] or the audited financial statements for the year preceding the Declaration Year obtained in Procedure [5], obtain a written representation from the [Investment Manager] about its principal activity for the Declaration Year and compare it to the principal activity stated in Annex [1].]</i></p>	<p><i>*[For the following entity(ies) specified in Annex [1], we noted that [its][their] principal activity was not stated in [the audited financial statements for the Declaration Year obtained in Procedure [4]][or][the audited financial statements for the year preceding the Declaration Year obtained in Procedure [5]]:</i></p> <ul style="list-style-type: none"> <li>- <i>[Name of entity]<sup>12</sup></i></li> <li>- <i>[Name of entity]<sup>12</sup></i></li> </ul>

		<p><i>For [each of] the entity(ies), we obtained a written representation<sup>13</sup> from the [Investment Manager] about its principal activity for the Declaration Year and compared it to the principal activity stated in Annex [1]. We found them to be in agreement.</i></p>
*[10]	<p><i>*[Enquire the [Investment Manager] whether [any of] the entity(ies) specified in Annex [1] [was][were] exempted from a financial statements audit pursuant to any overseas legislation [for the Declaration Year and for the year preceding the Declaration Year]. For [each of] the entity(ies) identified, obtain a written representation from the [Investment Manager] with respect to the entity stating the same, the overseas legislation concerned and its principal activity for the Declaration Year and compare the principal activity stated in the written representation obtained to its principal activity stated in Annex [1].</i></p>	<p><i>*[According to our enquiry with the [Investment Manager], the following entity(ies) specified in Annex [1] [was][were] exempted from a financial statements audit by an overseas legislation [for the Declaration Year and the year preceding the Declaration Year]:</i></p> <ul style="list-style-type: none"> <li><i>- [Name of entity]<sup>12</sup></i></li> <li><i>- [Name of entity]<sup>12</sup></i></li> </ul> <p><i>For [each of] the entity identified, we obtained a written representation<sup>13</sup> from the [Investment Manager] stating the same, the overseas legislation concerned and its principal activity for the Declaration Year. We compared the principal activity stated in the written representation obtained to the principal activity stated in Annex [1] and found them to be in agreement.</i></p>
*[11]	<p><i>*[Enquire the [Investment Manager] whether [any of] the entity(ies) specified in Annex [1] was not exempted from a financial statements audit by law [for the Declaration Year or for the year preceding the Declaration Year] and did not prepare the audited financial statements for the Declaration Year and the year preceding the Declaration Year. For [each of] the entity(ies) identified, obtain a written representation from the [Investment Manager] with respect to the entity stating the same and its principal activity for the Declaration Year and compare the principal activity stated in the written representation obtained to the principal activity stated in Annex [1].</i></p>	<p><i>*[According to our enquiry with the [Investment Manager], the following entity(ies) specified in Annex [1] [was][were] not exempted from a financial statements audit by law [for the Declaration Year] and did not prepare the audited financial statements for the Declaration Year or the year preceding the Declaration Year:</i></p> <ul style="list-style-type: none"> <li><i>- [Name of entity]<sup>12</sup></i></li> <li><i>- [Name of entity]<sup>12</sup></i></li> </ul> <p><i>For [each of] the entity, we obtained a written representation<sup>13</sup> from the [Investment Manager] stating the same and [its][their] principal activity for the Declaration Year. We compared the principal activity stated in the written representation(s) obtained with the principal activity stated in Annex [1] and found them to be in agreement.</i></p>

<sup>13</sup> Written representations obtained as part of the procedures in the engagement should be specific to the entity identified and tailored for the specific matter.

\* Practising members should determine the applicability of the illustrative procedure based on the actual circumstances of the engagement.

*[12]	*[For entity(ies) specified in Annex [1], if the [Investment Manager] cannot provide the audited financial statements prepared by the entity for the Declaration Year or for the year preceding the Declaration Year, obtain a written representation from the [Investment Manager] stating the same and the reason for not being able to provide the audited financial statements with respect to [each of] the entity(ies) and its principal activity for the Declaration Year and compare the principal activity stated in the written representation(s) obtained to the principal activity stated in Annex [1].	*[For the following entity(ies) specified in Annex [1], the [Investment Manager] cannot provide the audited financial statements prepared by the entity for the Declaration Year or for the year preceding the Declaration Year: - [Name of entity] <sup>12</sup> [reason for not being able to provide] - [Name of entity] <sup>12</sup> [reason for not being able to provide] For [each of] the entity, we obtained a written representation <sup>13</sup> from the [Investment Manager] stating the same and its principal activity for the Declaration Year. We compared the principal activity stated in the written representation obtained to the principal activity stated in Annex [1] and found them to be in agreement.
13	<p>For entities incorporated in Hong Kong as stated in [Annex 1], obtain a copy of the entity's Annual Return ("Form NAR1") previously submitted to the Companies Registry which was made up during the Holding Period and indicated that the entity is a private company. Compare the entity's entity type (i.e., private) stated in [Annex 1] to that stated on Form NAR1 obtained.</p> <p>OR</p> <p>If no such Form NAR1 can be obtained, obtain a copy of the Notice of Change of Company Status (Form NAA4) previously submitted to the Companies Registry indicating that the effective date of alteration of the entity's company status falls within the Holding Period and check whether the entity's company status as stated on Form NAA4 obtained concerns a change from a private company to a public company or from a public company to a private company.</p>	<p>For the entity(ies) incorporated in Hong Kong as stated in [Annex 1], we obtained a copy of [its][their] Form NAR1 previously submitted to the Companies Registry which was made up during the Holding Period and indicated that the entity is a private company. We compared [its][their] entity type stated in [Annex 1] to that stated on Form NAR1 obtained and found them to be in agreement.</p> <p>OR</p> <p>For [name of entity(ies)], we obtained a copy of [its][their] Form NAA4 previously submitted to the Companies Registry indicating that the effective date of alteration of the entity's company status falls within the Holding Period. We noted that details of change of company status stated on Form NAA4 obtained showed that the entity(ies)'s company status changed from [a private company to a public company][a public company to a private company].</p>
<p><b>Note to practising members:</b> It is not necessary to perform Procedure 14 if all the entities specified in the Ownership Structures Diagrams were incorporated in Hong Kong and covered by Procedure 13. Otherwise, the practising member should perform Procedure 14 until all the entities in the Ownership Structures Diagrams are covered by Procedures 13 and/or 14.</p>		

\* Practising members should determine the applicability of the illustrative procedure based on the actual circumstances of the engagement.



*[14]	*[For entities not incorporated in Hong Kong as stated in [Annex 1, obtain a written representation from the [Investment Manager] stating that [it is][they are] not allowed to issue any invitation to the public to subscribe any of its shares or debentures at any one point in time during the Holding Period .]	*[For [name(s) of the entity] <sup>11</sup> that [was][were] not incorporated in Hong Kong as stated in [Annex 1], we obtained a written representation <sup>13</sup> from the [Investment Manager] stating that [it is][they are] not allowed to issue any invitation to the public to subscribe any of its shares or debentures at any one point in time during the Holding Period.]
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[Practitioner's signature]

[Date of practitioner's report]

[Practitioner's address]

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\* Practising members should determine the applicability of the illustrative procedure based on the actual circumstances of the engagement.

## **Annex 1**

### **Ownership Structures Diagrams**

*[For illustration, please refer to Annex 2 to the MA's Guideline for Funds and Investment Managers.]*