



# MEMBERS' HANDBOOK

## Update No. 197

(Issued 6 March 2017)

### **Document Reference and Title**

### **Instructions**

### **Explanations**

#### **VOLUME III**

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Discard the existing pages i and iv and replace with the revised pages i and iv.

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Replace pages 1-10, 12 and 14 with revised pages 1- 10, 12 and 14. Note

Note:

PN 730 (Revised) has been updated for the Frequently Asked Questions issued by The Stock Exchange of Hong Kong Limited in relation to the new and revised Hong Kong Standards on Auditing which became effective for audits of financial statements for periods ended on or after 15 December 2016.

In order for readers to easily identify all the changes, a marked-up version of the updated PN 730 (Revised) is posted at:

[http://www.hkicpa.org.hk/file/media/section6\\_standards/technical\\_resources/pdf-file/handbook/trac\\_kstds197.pdf](http://www.hkicpa.org.hk/file/media/section6_standards/technical_resources/pdf-file/handbook/trac_kstds197.pdf)



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*Practice Note 730 (Revised)*

# Guidance for Auditors Regarding Preliminary Announcements of Annual Results

\*\* PN 730 (Revised) has been updated for the Frequently Asked Questions issued by The Stock Exchange of Hong Kong Limited in relation to the new and revised Hong Kong Standards on Auditing which became effective for audits of financial statements for periods ended on or after 15 December 2016.

\* PN 730 (Revised) will be applicable for preliminary announcements of annual results and annual reports with accounting periods ending on or after 31 December 2015. Early adoption of PN 730 (Revised) is permitted. However, auditors should not adopt PN 730 (Revised) prior to the effective date of Part 9 "Account and Audit" of the new Companies Ordinance (Cap. 622)("new CO"), the provisions of which are applicable for the first financial reporting year beginning on or after 3 March 2014, the commencement date of the new CO.



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

**PRACTICE NOTE 730 (REVISED)**

**GUIDANCE FOR AUDITORS REGARDING  
PRELIMINARY ANNOUNCEMENTS OF ANNUAL RESULTS**

(Issued September 2015\*, revised March 2017\*\*)

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Practice Note (PN) 730 (Revised), "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" should be read in the context of the "Preface to Hong Kong Standards on Quality Control, Auditing, Assurance and Related Services" which sets out the application and authority of PNs.

## Introduction

1. The purpose of this Practice Note, which has been prepared in consultation with The Stock Exchange of Hong Kong Limited (SEHK) and the Securities & Futures Commission (SFC), is to provide guidance for auditors on their responsibilities with regard to preliminary announcements of results for the financial year. This Practice Note:
  - (a) addresses the requirement for an issuer listed on the SEHK (listed issuer) to obtain its auditors' agreement with the listed issuer's preliminary announcement of results under Main Board (Rule 13.49(2)) or GEM (Rule 18.49) Listing Rules and provides guidance on the nature and scope of such an agreement; and
  - (b) emphasizes the need for auditors to consider the way in which additional information accompanying the preliminary announcement of results (for example: highlights, Chairman's Statement, narrative disclosures, management commentary, etc), is presented in the preliminary announcement of results before reporting their agreement in respect of the preliminary announcement of results.
2. Preliminary announcement of results plays a key part in the annual financial reporting cycle, being the first public communication of listed issuers' full year results and year-end financial position. Preliminary announcement of results is relied on to provide timely, sufficient and accurate information to ensure an orderly and efficient market. Preliminary announcement of results forms one of the focal points for investor interest, primarily because they confirm or update market expectations. Because of this auditors have a legitimate and important role to play in the process leading to the release of the preliminary announcement of a listed issuer's results for the financial year.
3. Both the content and the preparation of the preliminary announcement of results are the responsibility of the listed issuer's directors. The directors of a listed issuer are required by the Main Board Listing Rule 13.49(2) or GEM Listing Rule 18.49 to publish a preliminary announcement of results for the financial year which shall have been agreed with its auditors before it is published. This requirement is effective for preliminary announcements of annual results of listed issuers for accounting periods commencing on or after 1 July 2004.
4. The Main Board and GEM Listing Rules do not indicate what form the agreement with the auditors would take or the extent of work expected of auditors before they give their agreement. This Practice Note provides guidance on the procedures that would normally be carried out by auditors and on communicating the outcome of such procedures to the directors.
5. Taking into account the nature of the engagement, auditors would perform an agreed-upon procedures engagement. Accordingly, auditors will carry out their work in accordance with Hong Kong Standard on Related Services (HKSRs) 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information".
6. In addition to publishing the preliminary announcement of its results, a listed issuer is also required to provide additional information to accompany its preliminary announcement of results. In this regard, auditors are to note that they are not required to report on the additional information to accompany the preliminary announcement of results. However, the auditors' work in respect of the additional information accompanying the preliminary announcement of results would be carried out in accordance with the procedures set out in this Practice Note.
7. There is an expectation that the information in a preliminary announcement of results will be consistent with that in the audited financial statements as the audit would be at an advanced stage and that, subject only to unforeseen events, auditors expect to be in a position to issue their report on the financial statements once the outstanding matters have been resolved and that the results in the financial statements would be consistent with the amounts included in the preliminary announcement of results. However, the risk of later changes to the figures in the preliminary announcement of results is not completely extinguished unless the preliminary announcement of results is issued at the same time that the financial statements are approved by the directors and auditors have signed their opinion on them.

8. To help ensure that the draft preliminary announcement of results that has been agreed by auditors has in fact been approved by the directors without any further amendments or that auditors agree with the amendments, it is recommended that auditors carry out the following procedures:
  - (a) Attend the board of directors' meeting at which the directors approve the preliminary announcement of results and the draft financial statements supporting that preliminary announcement of results. Alternatively, auditors obtain a copy of the board minutes approving the preliminary announcement of results and the draft financial statements; and
  - (b) Attach a set of the draft financial statements and the final version of the preliminary announcement approved by the directors to the auditors' letter to directors indicating their agreement with respect to the preliminary announcement of results.

This is recommended because, in the event that the board of directors at its meeting to approve the preliminary announcement of results decides to amend the preliminary announcement of results and the draft financial statements, auditors would need to be made aware of the directors' decision to amend the preliminary announcement of results and be in a position to decide the additional work, if any, that may be required before auditors give their agreement with the revised preliminary announcement of results.

9. This Practice Note provides guidance to auditors on interpreting the expression "advanced stage".
10. There is no requirement for a preliminary announcement of results to include an auditors' report. This is considered appropriate, as it is unlikely that a communication that contains both a clear expression of opinion and sets out the information necessary for a proper understanding of that opinion, can be developed without producing a report of excessive length and complexity; which would be out of place in the context of the preliminary announcement of results as a whole. However, to avoid possible misunderstanding and to make explicit the scope of their agreement to the preliminary announcement of results, auditors would issue a letter to the listed issuer signifying their agreement (see Appendix 1).

## **Main Board and GEM Listing Rule requirements**

### *Main Board*

11. Appendix 3 sets out section 13.49 of the Main Board Listing Rules together with paragraphs 4, 45 and 45A of Appendix 16 in relation to Preliminary Announcement of Results – Full Financial Year.

### *GEM*

12. Appendix 4 sets out sections 18.49 to 18.51 of the GEM Listing Rules in relation to preliminary announcement of results for the financial year.

### *Frequently Asked Questions*

13. The SEHK updates its frequently asked questions ("FAQ") from time to time and they are designed to help issuers understand and comply with the Listing Rules, particularly in situations not explicitly set out in the Listing Rules or where further clarification may be desirable.
14. FAQ 001-2017, 002-2017 and 003-2017 issued on 6 January 2017 relate to the audit terminology used in the Listing Rules with reference to the Hong Kong Standards of Auditing and they are relevant for preliminary announcements of results for period ended on or after 15 December 2016.

## Terms of engagement

15. It is in the interests of both auditors and the listed issuer that the auditors' role in respect of preliminary announcement of results is set out in writing, typically by including relevant paragraphs in the engagement letter. To avoid misunderstanding, the engagement letter describes the process of "agreeing" the preliminary announcement of results.
16. In circumstances where the auditors are to agree to a preliminary announcement of results that in turn is based on financial statements on which their audit is not complete (which may often be the case in Hong Kong) the engagement letter includes cautionary language to the effect that there is an unavoidable risk that the company may wish to revise its preliminary announcement of results in the light of audit findings or other developments occurring before the completion of the audit.
17. Matters that may be dealt with in the engagement letter include:
  - (a) the responsibility of the directors in preparing the preliminary announcement of results;
  - (b) the fact that auditors will conduct their work in accordance with HKSRS 4400 and with reference to this Practice Note;
  - (c) a statement as to whether auditors believe it is management's intention that the preliminary announcement of results will be based on audited financial statements or on draft financial statements upon which auditors have not issued a report or alternatively, that it is not certain as to which will be the case;
  - (d) a statement that auditors would issue a letter confirming their agreement to the preliminary announcement of results (subject to obtaining the necessary evidence and carrying out the work in accordance with HKSRS 4400 and with reference to this Practice Note); and
  - (e) a statement explaining the inherent limitations of the auditors' work.
18. An example engagement letter is set out in Appendix 2 for use as a guide only and will need to be varied according to individual requirements and circumstances.

## Procedures

### *Planning*

19. Where the preliminary announcement of results is to be based on draft financial statements, the company's timetable would allow auditors to have completed the audit other than for those matters set out in paragraph 23 below. Furthermore, the Board/Committee of the Board would formally approve the draft financial statements of the company supporting the preliminary announcement of results before auditors agree to the preliminary announcement of results. If this is not available auditors obtain alternative evidence of the adoption by the listed issuer of the draft financial statements and preliminary announcement of results. In the absence of such, auditors would refrain from issuing their agreement to the preliminary announcement of results.

### *Preliminary announcements based on audited financial statements*

20. Arising from the requirements of the Listing Rules, there is an expectation on the part of users that the information in a preliminary announcement of results will be consistent with that in the audited financial statements. The only way of achieving absolute certainty of this is for the audit of the financial statements to have been completed and the contents of the preliminary announcement of results to have been extracted from audited financial statements that have been approved and signed by the directors and upon which auditors have issued their report.

### *Preliminary announcements based on draft financial statements*

21. Where a preliminary announcement of results is based on draft financial statements, there are additional risks in these circumstances if further information comes to light during the course of



finalization of the financial statements by the listed issuer or as a result of the auditors' further procedures that would be reflected in the financial statements and that may give rise to the need for a revised preliminary announcement of the listed issuer's results. Before agreeing to the preliminary announcement of results, therefore, the directors need to ensure they are satisfied that the information contained in the preliminary announcement of results will be consistent with the information that will be contained in the audited financial statements.

22. Auditors will need to be satisfied that any matters outstanding with respect to their audit will be unlikely to result in changes to the results contained in the preliminary announcement of results. This means that the audit of the financial statements would be at an advanced stage and that, subject only to unforeseen events, auditors expect:
  - (a) to be in a position to issue their report on the financial statements once the outstanding matters have been resolved; and
  - (b) that the results in the financial statements will be consistent with the amounts included in the preliminary announcement of results.
23. This means that the audit, including an Engagement Quality Control Review as described in paragraphs 19 to 21 of HKSA 220, *Quality Control for an Audit of Financial Statements*, is completed subject only to the following:
  - (a) clearing outstanding audit matters which auditors are satisfied are unlikely to have a material impact on the financial statements or disclosures in the preliminary announcement of results;
  - (b) completing audit procedures on the details of disclosures in the notes to the financial statements that will not be expected to have a material impact on the primary financial statements;
  - (c) completing their reading of other information in the annual report in accordance with HKSA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*;
  - (d) updating the subsequent events review to cover the period between the issue of the preliminary announcement of results and the date of the auditors' report on the financial statements; and
  - (e) obtaining written representations, where relevant, from management and establishing that the financial statements have been reviewed and approved by the directors.

*All preliminary announcements*

24. The core procedure that auditors will normally carry out in relation to the preliminary announcement of results regardless of whether it is based on draft financial statements or extracted from audited financial statements is checking that the figures in the preliminary announcement of results have been accurately extracted from the audited or draft financial statements, and reflect the presentation to be adopted in the audited financial statements.
25. In FAQ 002-2017 issued by the SEHK, it is stated that there is no specific requirement under the Main Board Listing Rules or the GEM Listing Rules for an issuer to provide in its preliminary announcement of results the details of the key audit matters included in the auditor's report. FAQ 002-2017 further states that for investors to better understand the financial statements and the audit that was performed, it is considered more appropriate that KAM should be read and considered together with the full audit report and complete set of financial statements. Therefore, the issuer is recommended to publish its full annual report as soon as practicable after the preliminary results announcement has been issued.
26. Other ancillary procedures that auditors will normally carry out include:
  - (a) considering whether the information (including the management commentary) is consistent with other expected contents of the annual report of which auditors are aware; and

- (b) considering whether the information in the preliminary announcement of results is misstated. A misstatement exists when the information is stated incorrectly or presented in a misleading manner. A misstatement may arise, for example, as a result of an omission of a significant change of accounting policy disclosed or due to be disclosed in the audited financial statements.

If auditors encounter any inconsistency or misstatement, they seek to resolve the issues with the directors.

*Additional information and management commentary*

- 27. It is recognized that in some circumstances the presentation of additional financial information and narrative explanations in the preliminary announcement of results in addition to disclosing the results may help shareholders understand better the financial performance of a listed issuer. However, there is concern that in some instances, such additional information has the potential to be misleading and shareholders may sometimes be misinformed by the manner in which additional information is included in the preliminary announcement of results with which auditors are associated. In those circumstances it is believed that the potential for additional information to be misleading is considerable when inappropriate prominence is given to the additional information, when there is no description of the additional information or where the information is not consistent with the information set out in the draft or final (as the case may be) financial statements.
- 28. In this context where the preliminary announcement of results includes additional information, before agreeing to the preliminary announcement of results, auditors consider whether:
  - (a) additional financial information is clearly and appropriately described; and
  - (b) the additional information is not otherwise misleading in the form and context in which it appears.

If auditors do not believe that the additional information accompanying the preliminary announcement of results satisfies these conditions, they seek to resolve the issues arising with the directors.

- 29. Auditors read the management commentary and any other narrative disclosures and consider whether they are in conflict with the information that they have obtained in the course of their audit. If they become aware of any material inconsistencies with information obtained during their audit or with the draft or final (as the case may be) financial statements, they seek to resolve them with the directors.
- 30. Auditors will also read the text, or draft thereof, if they are available, of any Chairman's Statement, operating and financial review or similar document to be included in the annual report from which the management commentary in the preliminary announcement of results will usually be derived. In event of disagreement, auditors communicate with the board of directors and the audit committee.

*Prior period adjustments due to correction of material errors*

- 31. Where there are prior period adjustments due to the correction of material errors, a listed issuer must include a statement of that fact. With respect to the financial information in relation to the prior period adjustments, auditors will normally check that the figures in the preliminary announcement of results have been accurately extracted from the audited or draft financial statements. With respect to the information (including the management commentary) describing the prior period adjustments due to correction of material errors, the procedures normally carried out by the auditors include considering whether such information:
  - (a) is consistent with the expected contents of the audited or draft financial statements;
  - (b) is clearly and appropriately described; and

(c) is not otherwise misleading in the form and context in which it appears.

If auditors encounter any inconsistency or misstatement, they seek to resolve the issues with the directors.

*Inability to resolve matters*

32. If the listed issuer is unable to resolve the matters set out in paragraphs 24 to 31 above to the auditors' satisfaction, auditors do not issue their agreement in respect of the preliminary announcement of results and send a letter to the board of directors setting out the reasons. It will be necessary to allow the listed issuer to provide a copy of the letter to the SEHK and SFC upon request.

*Directors' approval of the preliminary announcement*

33. It is recommended that the preliminary announcement of results states the date on which it was approved by the board of directors. Auditors do not agree to the preliminary announcement of results until its entire content has been formally approved by the board or by a duly authorized committee of the board. As recommended in paragraph 8 above, auditors therefore attend the board of directors' meeting approving the preliminary announcement of results and the draft financial statements supporting the preliminary announcement of results or obtain sufficient alternative evidence confirming these matters.

*Modifications to the audit opinion*

34. The Main Board and GEM Listing Rules require that, if the auditors' report on the listed issuer's annual financial statements is likely to be qualified or modified (whether or not it is also likely to be qualified), the preliminary announcement of results give details of the qualification or modification.
35. In FAQ 003-2017 issued by the SEHK, it is stated that the issuer needs to provide details in the preliminary results announcement for the following situations:
- (a) where the audit opinion in the auditors' report is a "modified opinion" (i.e. a qualified opinion, an adverse opinion or a disclaimer of opinion); and/or
  - (b) where the auditors' report contains any of the following without modifying the audit opinion: - an emphasis of matter paragraph; and a material uncertainty related to going concern.
36. Where the auditors' report does, or is expected to, include a separate section on "Material Uncertainty Related to Going Concern", auditors do not issue their agreement in respect of the preliminary announcement of results unless the directors have adequately disclosed about the material uncertainty in the preliminary announcement of results. This is because the material uncertainty related to going concern would generally be regarded as a matter that is highly relevant to the reported financial position. There is, however, no need for the preliminary announcement of results to refer to the auditors in this context – it is for management to explain the relevant material uncertainty.
37. If the precise details of the matters giving rise to a modified opinion or an emphasis of matter paragraph are critical to a full appreciation of the financial position/auditors' report, it is strongly recommended that auditors do not normally issue their agreement in respect of the preliminary announcement of results unless the matters are adequately disclosed in the preliminary announcement of results. Where reference is made in a preliminary announcement of results to a modified opinion, an emphasis of matter paragraph or a material uncertainty related to going concern, the directors would give adequate prominence to that information in the preliminary announcement of results and auditors would have to be satisfied in this regard. If auditors have concerns about the appropriateness of the wording of a statement referring to a modified opinion they are encouraged to discuss their concerns with the audit committee of the listed issuer and seek their assistance to resolve their concerns or seek legal advice.

## Communication of agreement

38. Auditors are encouraged to make explicit their agreement in respect of the preliminary announcement of results by sending a letter to the directors. An example of such a report is given in Appendix 1. The report will be addressed to the board of directors and will state the factual findings in accordance with HKRSR 4400. It will also state that no assurance engagement has been performed and accordingly, no assurance is expressed thereon by auditors.
39. Similarly, if auditors are not in agreement with the content of the preliminary announcement of results, they communicate this to the directors by sending them a letter setting out the reasons for their disagreement, advising the directors that it may be inappropriate for the listed issuer to publish the preliminary announcement of results.
40. The report is solely for the purpose for the listed issuer's information only, and is not to be used for any other purpose or to be distributed to any other parties and the report shall state this. However, it will be necessary to allow the listed issuer to provide a copy of the report to the SEHK and SFC upon request.
41. The auditors' agreement to the preliminary announcement of results may be mentioned in the listed issuer's public announcement. Auditors will normally agree to this provided that the scope of their work is clearly set out in the preliminary announcement of results. An example of such a disclosure can be found in Appendix 2.
42. Auditors may become aware that a listed issuer has released its preliminary announcement of results without first obtaining their agreement. There may be a number of reasons for this ranging from innocent oversight on the part of the directors to the directors knowingly releasing a preliminary announcement of results with which auditors disagree. The action that auditors take depends on the particular circumstances. In circumstances where a preliminary announcement of results is inadvertently released without the auditors' knowledge, but with which auditors do in fact agree, auditors may wish to remind the directors of their obligation under the Main Board or GEM Listing Rules to obtain the auditors' agreement.
43. However, at the other end of the spectrum where auditors become aware that the directors have released a preliminary announcement of results with which they disagree they write to the audit committee regarding the discrepancies and request the audit committee to inform the regulators of such matter.
44. If auditors were to report the matter to the SEHK, they need to consider whether there might be a breach of confidentiality. Where the listed issuer has issued the preliminary announcement despite the auditor has not issued the letter confirming their agreement to the preliminary announcement of results, the auditor's course of action depends upon the auditor's legal rights and obligations. Consequently, the auditor may consider it appropriate to seek legal advice.
45. If auditors decide it necessary to report the fact that they had not agreed to the preliminary announcement of results to the SFC, they will be subject to the protection of sections 380 and 381 of the Securities and Futures Ordinance. Sections 380 and 381 of the Securities and Futures Ordinance provide immunity to a person who is or was an auditor of a corporation which is listed, or any associated corporation of the corporation, who reports to the SFC matters which come to his attention that suggest that at any time since the formation of the listed company, its shareholders have not been given all the information with respect to its affairs that they might reasonably expect. Auditors are advised to consult their lawyers before making such a report.

## APPENDIX 1

### EXAMPLE REPORT ON AGREEMENT WITH PRELIMINARY ANNOUNCEMENT OF RESULTS

#### Report of Factual Findings

To: Board of Directors  
[XYZ Company Limited]

In accordance with our engagement letter dated [date], we have performed the procedures agreed with you which are set out below with respect to the preliminary announcement of results of [XYZ Company Limited] (the "Company") and its subsidiaries (the "Group") for the year ended [date] (the "Preliminary Announcement"), for which you are solely responsible.

Our engagement was conducted in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" ("HKSRs 4400") and with reference to Practice Note 730 (Revised) "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The procedures were performed solely to assist you in satisfying the requirement of Rule [13.49(2)]<sup>1</sup>[18.49]<sup>2</sup> of the Rules Governing the Listing of Securities on [the Growth Enterprise Market of]<sup>2</sup> The Stock Exchange of Hong Kong Limited (the "SEHK").

For the purpose of this report, we obtained from the Company [a draft copy of] the Preliminary Announcement and the [draft/audited] consolidated financial statements of the Group for the year ended [date], copies of which are attached for reference, and compared the figures set out in the Preliminary Announcement in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto to the [draft/audited] consolidated financial statements of the Group for the year.

Based on the information and documents made available to us, we found the figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended [date] as set out in the Preliminary Announcement were in agreement with the amounts set out in the [draft/audited] consolidated financial statements of the Group for the year [as tabled for approval by the board of directors on [date]] [except for the following discrepancies set out below (*such discrepancies to be set out, if applicable*)]<sup>3</sup>.

Because the above procedures did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA (collectively referred to as Hong Kong assurance standards), we do not express any assurance on the Preliminary Announcement.

Had we performed additional procedures or had we performed an assurance engagement in respect of the Preliminary Announcement in accordance with Hong Kong assurance standards, other matters might have come to our attention that would have been reported to you.

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<sup>1</sup> Applicable for Main Board listed issuers.

<sup>2</sup> Applicable for GEM listed issuers.

<sup>3</sup> In general, the report should not be released if discrepancies between the amounts set out in the preliminary announcement and the financial statements were noted, unless the discrepancies were considered to be minor, e.g. typographical errors.

## APPENDIX 2

### EXAMPLE ENGAGEMENT LETTER

The following engagement letter is for use as a guide only and will need to be varied according to individual requirements and circumstances<sup>5</sup>. This engagement letter can be issued at the same time as the engagement letter for the audit of the annual financial statements of the company.

To the Board of Directors of [XYZ Company Limited]:

The purpose of this letter is to set out the basis on which we assist you in satisfying the requirement of Rule [13.49(2)]<sup>6</sup>[18.49]<sup>7</sup> of the Rules Governing the Listing of Securities on [the Growth Enterprise Market of]<sup>7</sup> The Stock Exchange of Hong Kong Limited ("SEHK").

As your auditors, we are required to provide you with a report on our agreement with the preliminary announcement of results of [XYZ Company Limited] (the "Company") and its subsidiaries (the "Group") for the year ended [date] (the "Preliminary Announcement").

#### 1. Responsibilities of directors

- 1.1 As directors of the Company, you are solely responsible for content and the preparation of the Preliminary Announcement.
- 1.2 You will make available to us for the purpose of preparing our report:
  - [a draft copy of] the Preliminary Announcement; and
  - [draft/audited] consolidated financial statements of the Group for the year ended [date].
- 1.3 You will provide us with such information and explanations as we consider necessary for the purposes of our work. We shall request sight of the Preliminary Announcement in sufficient time to enable us to complete our work. The Board/Committee of the Board will formally approve the Preliminary Announcement.
- [1.4 You will also make available to us the proposed text of the Company's annual report. The Board/Committee of the Board should also formally approve the draft consolidated financial statements of the Group supporting the Preliminary Announcement before we report on that Preliminary Announcement.]
- 1.5 You will also invite us to attend the Board of Directors' meeting at which the directors approve the Preliminary Announcement and the draft consolidated financial statements of the Group supporting that Preliminary Announcement. Alternatively, you will provide us with a copy of the board minutes approving the Preliminary Announcement and the draft consolidated financial statements of the Group.

#### 2. Scope of our work

- 2.1 You have requested us to provide a report on our agreement with the Preliminary Announcement. The scope of our work will be limited to the procedures agreed with you as set out in this engagement letter. In carrying out our work, we will not in any way act as management. Your responsibilities as directors of the Company have been set out in section 1 above.

<sup>5</sup> Auditors may consider it appropriate to include a limitation of liability clause in their engagement letter in accordance with their risk management policies.

<sup>6</sup> Applicable for Main Board listed issuers.

<sup>7</sup> Applicable for GEM listed issuers.

*Scope of work of ABC & Co.*

*The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, [insert other statements if presented in the preliminary announcement] and the related notes thereto for the year ended [date] as set out in the preliminary announcement have been agreed by the Group's auditors, ABC & Co., to the amounts set out in the Group's [draft/audited] consolidated financial statements for the year. The work performed by ABC & Co. in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ABC & Co. on the preliminary announcement.*

- 3.4 We will be entitled to review and comment on the appropriateness of, and object to, the contents of the Preliminary Announcement containing references to ABC & Co. prior to its issuance. The Company will take account of our comments and objections and the Company agrees that any references to our report on the Preliminary Announcement will not be finalised or published without having obtained our prior written consent. If a situation arises where the Preliminary Announcement is published without taking into account our comments and objections and without having obtained our prior written consent, we will write to your audit committee regarding the discrepancies and request the audit committee to inform the regulators of such matter.
- [3.5 You are to note that we will not provide you with our report on our agreement with the Preliminary Announcement until the audit is complete subject only to the following:
- (a) clearing outstanding audit matters which we are satisfied are unlikely to have a material impact on the consolidated financial statements or disclosures in the Preliminary Announcement;
  - (b) completing audit procedures on the details of disclosures in the notes to the consolidated financial statements that will not be expected to have a material impact on the primary financial statements;
  - (c) completing our reading of the other information in the annual report in accordance with HKSA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information* issued by the HKICPA;
  - (d) updating the subsequent events review to cover the period between the issue of the Preliminary Announcement and the date of the auditors' report on the consolidated financial statements; and
  - (e) obtaining written representations, where relevant, from management and establishing that the consolidated financial statements have been reviewed and approved by the directors of the Company.

The scope of our work will be necessarily limited in that we will only be able to check the consistency of the Preliminary Announcement with draft consolidated financial statements of the Group on which our audit is incomplete. Accordingly, we shall not, at that stage, know whether further adjustments may be required to those draft consolidated financial statements of the Group. Consequently, there is an unavoidable risk that the Company may wish to revise its Preliminary Announcement in the light of audit findings or other developments occurring between the Preliminary Announcement being published and the completion of the audit.]