



27 September 2021

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

**INVITATION TO COMMENT ON EXPOSURE DRAFT, CONFORMING  
AMENDMENTS TO OTHER STANDARDS AND PRONOUNCEMENTS AS A  
RESULT OF HONG KONG STANDARD ON RELATED SERVICES 4400 (REVISED),  
AGREED-UPON PROCEDURES ENGAGEMENTS**

**Comments to be received by 27 October 2021**

The Hong Kong Institute of Certified Public Accountants' (Institute) Auditing and Assurance Standards Committee is seeking comments on the Exposure Draft ("ED") addressing changes for the following standards and pronouncements (collectively "the local pronouncements") resulting from [HKRSRS 4400 \(Revised\), Agreed-Upon Procedures Engagements](#) ("HKRSRS 4400 (Revised)") issued in September 2020. HKRSRS 4400 (Revised) will be effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after 1 January 2022.

The ED 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>

Hong Kong Standards on Investment Circular Reporting Engagements

- HKSIR 400 (Revised), *Comfort Letters and Due Diligence Meetings*
- HKSIR 500, *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness*

Practice Notes

- PN 720, *Acting as Scrutineer at a General Meeting of a Listed Issuer*
- PN 730 (Revised), *Guidance for Auditors Regarding Preliminary Announcements of Annual Results*
- PN 810.2 (Revised), *The Duties of the Auditor of an Insurer authorized under the Insurance Ordinance*
- PN 830 (Revised), *Reports by the Auditor under the Banking Ordinance*

Auditing and Assurance Technical Bulletins

- AATB 1 (Revised), *Assistance Options to New Applications and Sponsors in connection with Due Diligence Obligations, including Internal Controls over Financial Reporting*

Auditing and Assurance Circulars

- Circular on Gross Fee Income Report of Rule 8 of the Solicitors (Professional Indemnity) Rules
- Circular on Reporting to Grantees of the Language Fund
- Circular on Reporting to Grantees of the Quality Education Fund
- Circular on Reporting related to the Private Columbaria Ordinance

The ED aligns the local pronouncements with HKRSRS 4400 (Revised) through conforming amendments. This will ensure that the local pronouncements continue to be applied as intended. The proposed changes are relatively minor or editorial in nature, or

are changes to reflect existing obligations under HKSRS 4400 (Revised) or other housekeeping changes, including:

- Aligning the terminologies with HKSRS 4400 (Revised).
- Updating the example agreed-upon procedures ("AUP") reports and the example engagement letters with reference to the illustrations in HKSRS 4400 (Revised), and aligning the ethical and independence requirements assumption and the wordings on illustrative procedures in the engagement letters with the AUP reports.
- Stating the requirements regarding the AUP engagement acceptance and continuance conditions as set out in HKSRS 4400 (Revised) for relevant pronouncements.
- Stating the requirement to comply with the ethical requirement of the *Code of Ethics for Professional Accountants* issued by the Institute for relevant pronouncements.
- Updating references to the new quality management standard – Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*.

In accordance with the Institute's due process, comments are invited from any interested party and the Institute would like to hear from both those who do agree and those who do not agree with the contents of the ED.

Comments should be supported by specific reasoning and should be submitted in written form.

To allow your comments on the ED 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@hkipa.org.hk](mailto:commentletters@hkipa.org.hk)

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

27 September 2021  
Invitation to Comment

---

Response Due Date  
27 October 2021

*Exposure Draft*

---

***Conforming Amendments to Other Standards  
and Pronouncements as a result of  
HKRSRS 4400 (Revised), Agreed-Upon  
Procedures Engagements***



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

## CONTENTS

---

Exposure Draft, *Conforming Amendments to Other Standards and Pronouncements as a result of HKSRS 4400 (Revised), Agreed-Upon Procedures Engagements*

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

HKSIR 400 (Revised)  
Issued December 2016; revised [Month] 2021\*

---

Effective upon issue

*Hong Kong Standard on  
Investment Circular Reporting Engagements 400 (Revised)*

---

# Comfort Letters and Due Diligence Meetings

\* HKSIR 400 (Revised) has been updated for conforming changes to Hong Kong Standard on Related Services (HKSRS) 4400 (Revised), *Agreed-Upon Procedures Engagements* which will be effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after 1 January 2022.



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

**HONG KONG STANDARD ON  
INVESTMENT CIRCULAR REPORTING ENGAGEMENTS 400 (REVISED)**

**COMFORT LETTERS AND DUE DILIGENCE MEETINGS**

(Issued December 2016; Revised [Month] 2021\*; Effective upon issue)

**CONTENTS**

---

	Paragraphs
Definitions	
Introduction and Scope .....	1-13
Comfort Letters .....	14-58
Due Diligence Meetings .....	59-68
Cross-Border and International Offerings .....	69
Effective Date .....	70
Appendix 1 Example Arrangement Letter Relating to the Issuance of a Comfort Letter and Taking Part in Due Diligence Meetings	
Appendix 2 Example Comfort Letter	
Appendix 3 Example Bring-down Letter	
Appendix 4 Example Issuer's Representation Letter on Subsequent Changes	
Appendix 5A Example Written Oral Due Diligence Acknowledgement	
Appendix 5B Example Master Agreement Regarding Due Diligence Meetings	
Appendix 6 Examples of Questions Commonly Asked in Due Diligence Meetings and Comments on the Reporting Accountants' Response	

---

Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 400 (Revised), *Comfort Letters and Due Diligence Meetings* should be read in the context of the *Amended Preface to the Hong Kong Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements* which sets out the application and authority of HKSIRs.

This HKSIR is based on the Listing Rules/GEM Rules, the Takeover Code and the Companies (Winding Up and Miscellaneous Provisions) Ordinance that were in effect as at 29 December 2016.

- b. The sponsors may rely on any written or oral<sup>1</sup> statement made by reporting accountants to add credibility to the subject matter of the statement; accordingly, any statement needs to be appropriately supported.
  - c. In order to make a statement that is appropriately supported, reporting accountants need to possess adequate knowledge of the subject matter, and to act with due care and an objective state of mind.
  - d. Reporting accountants can properly make a statement only if there is suitable evidence as a basis for reporting on the subject matter.
8. By providing a comfort letter or participating in a due diligence meeting, reporting accountants lend credibility to the information on which their comments are made. Hence it is important that the procedures to be undertaken relate only to matters to which their professional competence is relevant, and are performed in accordance with this HKSIR.
  9. The scope of work in an engagement under this HKSIR encompasses procedures in respect of selected financial information and in respect of subsequent changes in historical financial information included in the investment circular. This work should be planned and performed in accordance with the requirements of this HKSIR and with reference to the principles in other relevant standards issued by the HKICPA. In respect of selected financial and non-financial information, the reporting accountants report the procedures carried out and the findings obtained. Accordingly, in planning and performing this work the reporting accountants should refer to the principles in HKSRS 4400 (Revised), *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. In respect of subsequent changes in historical financial information, it is customary for reporting accountants to provide limited assurance<sup>2</sup>. Accordingly, in planning and performing this work, the reporting accountants should refer to the principles in HKSAS 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* applicable to limited assurance engagements.
  10. Only sponsors can determine the information on which comfort is required and the procedures that will provide the required degree of comfort on that information. Consequently, it is important for reporting accountants, the issuer's management and sponsors to reach an early understanding and agreement as to the sponsors' requirements and the procedures the reporting accountants can properly perform. While responsibility for determining the appropriateness and sufficiency of the procedures required for the sponsors' purposes rests with the sponsors, reporting accountants have a professional responsibility not to be associated with information that they believe, or have reason to believe, is false or misleading.
  11. Reporting accountants, when issuing a comfort letter under this HKSIR may not issue any additional letters or reports under any other standard to sponsors that contain procedures expressly prohibited by this HKSIR.
  12. As explained in paragraphs 3 and 5 above, this HKSIR relates principally to an arrangement among the issuer, the sponsors and the reporting accountants in connection with the sponsors' due diligence responsibilities under the Listing Rules/GEM Rules. In certain circumstances, for example for large public offerings, reporting accountants may be requested to include other parties connected with the investment circular as addressees to the comfort letter. The comfort letter will be provided solely in the context of the due diligence procedures undertaken or procured to be undertaken by the addressees.

---

<sup>1</sup> Oral statements may only be relied upon on the basis that the reporting accountants shall have no liability in contract or in tort (including negligence) for such oral statements, other than for an oral statement known to be false or misleading when made and made with intent to deceive.

<sup>2</sup> In a limited assurance engagement, the reporting accountants express their conclusion in the negative form. Accordingly, limited assurance is also commonly referred to as negative assurance.

13. Independent accountants should also follow the guidance in this HKSIR when requested to issue a comfort letter or take part in a due diligence meeting with persons fulfilling a similar role to sponsors in connection with an offering of debt securities. For an offering of debt securities in reliance on Regulation S under the U.S. Securities Act of 1933, as amended ("Regulation S"), an example arrangement letter is included in example 4 of Appendix 1 and an example comfort letter for a Regulation S debt offering is included in example 2 of Appendix 2 to this HKSIR. The example bring down letter in Appendix 3 may also be used, suitably modified with respect to terms such as "sponsor" and "prospectus" and details of the offering.

## Comfort Letters

### Agreeing the Terms of the Engagement

14. In accordance with the principles in HKSA 210, *Agreeing the Terms of Audit Engagements*, reporting accountants when entering into an arrangement with the issuer and the sponsors to issue a comfort letter should agree the terms of the arrangement with the issuer and sponsors. The terms of the arrangement should be recorded in writing.
15. The terms of the arrangement to issue a comfort letter are recorded in an arrangement letter among the issuer, the sponsors, and the reporting accountants. The arrangement letter documents and confirms the reporting accountants' acceptance of the arrangement, and the scope and nature of the procedures to be performed. It also documents the responsibilities of the issuer and sponsors, and the extent of the reporting accountants' responsibilities to them. The issuer and sponsors being signatories to the letter, also confirm their acceptance of the terms and procedures described therein. The arrangement letter may also include other parties with due diligence obligations as addressees, as indicated in the example arrangement letter included in Appendix 1 to this HKSIR.
16. In any discussion of procedures, reporting accountants should not indicate in any manner that any representations will be able to be provided regarding the sufficiency of the procedures for the sponsors' purposes.
17. Typically, reporting accountants are asked to apply procedures to selected items of a financial nature included in the investment circular and to report the results or ~~factual~~ findings. Such procedures may be applied to, for example, changes in selected financial statement items subsequent to the date of the historical financial information ("subsequent changes"), and specific items of financial or other information included in the investment circular.
18. Reporting accountants may suggest a meeting with management and sponsors, or consultation by telephone or other means, to discuss and agree upon the detailed procedures to be followed in connection with the comfort letter. Only sponsors can determine what is sufficient for their purposes, however, reporting accountants can advise sponsors and management if, for any reason, it is not feasible to perform a requested procedure.
19. Reporting accountants will normally be willing to assist sponsors, but the assistance reporting accountants can provide by way of comfort letters is subject to limitations. One limitation is that reporting accountants can properly report in their professional capacity only on matters to which their professional expertise is substantially relevant. Another limitation is that procedures such as those contemplated in a comfort letter provide reporting accountants with a basis for reporting no more than a list of procedures performed and the findings of those procedures, or providing limited assurance on subsequent changes. Such limited procedures may bring to the sponsors' attention significant matters affecting the financial information, but they do not provide assurance that sponsors will learn of all information that they may wish to know. Because matters concerning the issuer's operations and financial results are the responsibility of management and may not be within the expertise of reporting accountants, they are best communicated to sponsors by management.
20. To ensure a mutual understanding of the procedures to be followed, it is desirable that reporting accountants, after discussing the comfort letter with management and sponsors, furnish both with a draft of the letter they expect to be able to issue, clearly identified as a draft.



**Contents of a Comfort Letter**

21. The detailed contents of a comfort letter will vary according to the nature of the information in the investment circular and the procedures agreed on by management, sponsors and reporting accountants.
22. At a minimum, a comfort letter should contain the following matters:
- a. date;
  - b. reporting accountants' address;
  - c. addressees (e.g., the issuer and sponsors, as signatories to the arrangement letter);
  - d. identification of the purpose for which the procedures were performed;
  - e. a statement that the comfort letter is provided pursuant to the terms agreed upon with the addressees in the arrangement letter;
  - f. a statement that reporting accountants comply with the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants, or requirements imposed by law or regulation, that are at least as demanding;
  - f.g. a statement that reporting accountants apply HKSQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*\* ("HKSQC 1"), or other professional requirements, or requirements in law or regulation, that are at least as demanding as HKSQC 1.
  - g.h. a statement that the engagement was performed in accordance with this HKSIR;
  - h.i. identification of specific financial or non-financial information to which the procedures have been applied;
  - i.j. a description of the procedures performed and the ~~results or factual findings from each procedure performed~~, including ~~sufficient details of errors and on~~ exceptions found;
  - j.k. when reporting ~~factual findings on~~ of agreed-upon-procedures performed, a statement that the procedures performed do not constitute an assurance engagement in accordance with standards within the Hong Kong Framework for Assurance Engagements and, as such, no opinion or assurance conclusion is expressed; and when limited assurance is given on subsequent changes, a statement that the procedures performed do not constitute an audit or review in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the Hong Kong Institute of Certified Public Accountants;
  - k.l. a statement that the letter is restricted to the addressees of the letter and is to be used only in connection with the stated purpose of the letter; and
  - l.m. reporting accountants' signature.
23. Sponsors may request reporting accountants to provide a letter reporting the updating of the procedures described in a previously issued comfort letter. This is commonly referred to as a "bring-down" letter. Such a letter should normally be issued at or shortly before the closing date. If more than one letter is requested, it will be necessary to carry out the procedures and enquiries as of the cut-off date for each letter. Comments contained in an earlier letter may, where appropriate, be incorporated by reference in a subsequent letter.
24. An example of a comfort letter and a bring-down letter is included in Appendix 2 and Appendix 3 to this HKSIR.

---

\* Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* replaces HKSQC 1. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.

52. The change period for which reporting accountants provide comfort ends on the cut-off date and ordinarily begins, for balance sheet items, immediately after the date of the last balance sheet in the historical financial information and, for income statement items, immediately after the latest period for which such items are presented in the document.
53. The comparison relates to the entire period and not to portions of that period. For example, a decrease during one part of the period may be offset by an equal or larger increase in another part of the period; however, because there was no decrease for the period as a whole, the comfort letter should not report the decrease occurring during one part of the period.
54. The arrangement letter usually specifies the dates as of which, and periods for which, data at the cut-off date and data for the change period are to be compared. For balance sheet items, the comparison date is normally that of the latest balance sheet included in the historical financial information (that is, immediately prior to the beginning of the change period). For income statement items, the comparison period or periods should ordinarily be the corresponding period of the preceding year, but might be instead or might include in addition any period of corresponding length chosen by sponsors.
55. Whether or not specified in the arrangement letter, the date and period used in comparison should be identified in the comfort letter in both draft and final form so that there is no misunderstanding about the matters being compared and so that sponsors can determine whether the comparison date and period are suitable for the sponsors' purposes.
56. Limited assurance may only be provided on subsequent changes when the financial statements from which the changes are being measured have been subject to an audit or a review in accordance with standards within the Hong Kong Framework for Assurance Engagements. In addition, depending on the particular circumstances applicable to the engagement, reporting accountants may consider it inappropriate to provide limited assurance on subsequent changes. Factors that might be relevant include (but should not be limited to); the period of time since the latest financial information was subject to an assurance engagement, the extent that complete accounting information is not yet available, the extent that the internal financial statements have been prepared on a basis substantially consistent with that of the historical financial information included in the investment circular, and whether ~~factual~~ findings of agreed-upon procedures performed only are being provided in a separate comfort letter for the same transaction (e.g., in respect of an overseas tranche of the offering where a comfort letter is also being issued under a different framework to this HKSIR). Where limited assurance is not provided reporting accountants may instead include in the comfort letter the procedures performed and the ~~factual~~ findings (i.e., in the manner of agreed-upon-procedures), provided that there is an adequate basis to do so.
57. Reporting accountants should obtain written representations from management with respect to changes subsequent to the date of the historical financial information.
58. An illustration of the representations from management is included in Appendix 4 to this HKSIR.

## Due Diligence Meetings

59. As part of their due diligence investigation, sponsors frequently request one or more meetings ("due diligence meeting") with the issuer, reporting accountants, and legal counsel, at which the respective parties are requested to respond to specific questions raised by the sponsors. A due diligence meeting provides sponsors with an opportunity to obtain information required to fulfil their responsibilities. The questions asked may relate to the business of the issuer, information contained in the investment circular, the nature of the engagement undertaken by the reporting accountants, financial reporting, corporate governance, and other matters of interest to the sponsors.
60. Before attending a due diligence meeting with sponsors, reporting accountants should establish an understanding and agreement with the issuer's management and sponsors as to the basis on which the reporting accountants attend the due diligence meeting.

matters primarily involving discussion and analysis of the results of operations and financial position of the issuer, unless this is the subject of a separate assurance engagement performed by the reporting accountants. Reporting accountants should generally decline to answer questions such as questions about the aggressiveness of the issuer's accounting policies or income tax practice, or questions as to the adequacy of the issuer's insurance coverage (except in relation to the fairness of presentation of the historical financial information), or questions on forward-looking statements or on a business plan. Any questions on such matters are properly addressed to the issuer's management, and should be responded to by management.

68. Further guidance as to the manner in which reporting accountants might respond to requests in a due diligence meeting is provided in Appendix 6 to this HKSIR.

### **Cross-Border and International Offerings**

69. When all or part of a securities offering for equity or debt is made overseas, reporting accountants may be requested to perform procedures and provide a separate comfort letter for the purposes of such offerings. In circumstances where there are no relevant standards governing the provision of a comfort letter in the overseas jurisdiction in which the offer is being made, reporting accountants refer to this HKSIR in establishing the scope of work to be performed and the form and content of the comfort letter to the sponsors (or persons fulfilling a similar role to sponsors in the relevant jurisdiction). A commonly encountered example of this is in the case of an international offering in conjunction with a Hong Kong public offering. In addition to providing a comfort letter under this HKSIR for the purposes of the Hong Kong public offering, the reporting accountants are typically requested to provide a separate comfort letter in respect of certain portions of the international offering. In such circumstances, with no requirement to follow any relevant jurisdictional standards, the reporting accountants refer to this HKSIR for the purposes of their comfort letter and due diligence meetings in relation to the relevant international tranche<sup>3</sup> (excluding any tranche to be offered in the United States, which will typically be covered by a comfort letter in the style of PCAOB auditing standards (AS) 6101 or AICPA Auditing Standards Board's clarified auditing standard (AU-C 920), as applicable<sup>4</sup>); thereby aligning standards for both the Hong Kong and relevant international portions of the offering.<sup>5</sup>

### **Effective Date**

70. This HKSIR is effective upon issue and conforming changes to HKSRS 4400 (Revised) will be effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after 1 January 2022.

<sup>3</sup> For example, to be offered in reliance on Regulation S under the U.S. Securities Act of 1933, as amended.

<sup>4</sup> For example, to be offered in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended.

<sup>5</sup> In the context of paragraph 69, it is noted that comfort letters issued in connection with U.S. S.E.C. registered offerings of securities are normally issued following the guidance in PCAOB auditing standards 6101.

## Appendix 1

### **Example Arrangement Letter Relating to the Issuance of a Comfort Letter and Taking Part in Due Diligence Meetings**

*This arrangement letter has been developed in consultation with stakeholders. The contents of the arrangement letter will vary according to the nature of the information in the investment circular, and the procedures agreed between reporting accountants, sponsors and the issuer.*

*The examples below refer to an "arrangement letter" which is the terminology more commonly adopted to describe an engagement letter issued in respect to a comfort letter and the taking part in due diligence meetings. They do not cover terms and conditions that relate to the Issuer and reporting accountants only in connection with the engagement, (for example fee arrangements) which would typically be covered by a separate engagement letter between the Issuer and the reporting accountants. Paragraphs 12-14 are appropriate for when limited assurance is provided in relation to subsequent changes. When reporting accountants report on ~~factual~~ findings rather than providing limited assurance the wording should be revised accordingly.*

*As further explained in paragraph 69 of this HKSIR, where there is also an international offering not covered by relevant jurisdictional standards, reporting accountants shall refer to the requirements of HKSIR 400 (Revised). In practice for such cases, separate comfort letters will often be issued for the international and Hong Kong public offerings (due to, for example, different cut-off dates being applied for each). Separate arrangement letters may also be prepared, or alternatively, where for example the same addressees are applicable for both offerings, a combined letter covering both offerings may be issued. The example arrangement letters below illustrate the following situations: Example 1: a Public Offering in Hong Kong, Example 2: an International Offering in reliance on Regulation S ("Regulation S"), and Example 3: a Public Offering in Hong Kong and an International Offering in reliance on Regulation S (combined approach). Example 4 illustrates a letter with respect to a Debt Offering in reliance on Regulation S.*

9. The Comfort Letter will be provided solely for the Addressees' private information and should not be used for any purpose other than as set out in Paragraph 4. The Comfort Letter may not be referred to in any other document (except that references may be made to its existence in (i) contracts among any of the Issuer, the Addressees and ourselves and (ii) any communications in relation to the Issue among any of the Issuer, the Addressees, the underwriters of the International Offering and ourselves), nor made available to any other party (except that copies may be included in bibles of transaction documents memorialising the Issue).
10. Nothing in Paragraphs 4, 7 or 9 shall prevent the Addressees from disclosing this arrangement letter and the Comfort Letter to the Addressees' professional advisers or as may be required by law, regulation or court order or the rules or requirements of a regulatory body or stock exchange whose requirements the Addressees are complying with, and/or referring to and/or producing the Comfort Letter for any of the purposes set out in Paragraph 4. Except as permitted in the immediately preceding sentence, the Addressees shall first obtain our prior written consent for disclosure of the Comfort Letter to third parties.
11. Other than to those who have, or before the Comfort Letter is issued shall have, validly accepted this arrangement letter, we will not accept any responsibility to any party to whom the Comfort Letter is shown or into whose hands it may come.

### Work and Procedures

12. Our work will be conducted in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 400 (Revised), *Comfort Letters and Due Diligence Meetings* issued by the HKICPA. Specifically, our work will enable us to report factual findings of agreed-upon procedures performed in relation to selected financial information and to enable us to provide limited assurance on subsequent changes to historical financial information included in the Prospectus. [Procedures undertaken in connection with providing limited assurance on interim financial information will be conducted with reference to Hong Kong Standard on Review Engagements ("HKSRE") 2410.<sup>7</sup>] In other jurisdictions, standards and practices relevant to reporting accountants may be different and may not provide for reporting in the manner contemplated herein. Accordingly, the Comfort Letter should not be relied on as if it had been provided in accordance with the standards and practice of any professional body in any other jurisdiction.
13. Except as specifically stated in our comfort letter we have not performed an audit or review in respect of any financial information relating to the Issuer for any period subsequent to [date of last reported balance sheet] in accordance with Hong Kong Standards on Auditing ("HKSA") or [Hong Kong Standards on Review Engagements ("HKSREs")][HKSREs] issued by the HKICPA. The procedures we will use to perform the work set out in this arrangement letter including those in relation to subsequent changes will not constitute an audit or review made in accordance with HKSA or HKSREs issued by the HKICPA. Furthermore, they will not necessarily reveal matters of significance with respect to any material misstatement of the information referred to below.
14. We will only carry out those procedures expressly provided for in the Comfort Letter. Accordingly, we make no representations as to the sufficiency for the Addressees' purposes of the procedures provided for in the Comfort Letter and, therefore, our responsibility shall be limited to performing the work agreed upon in this arrangement letter and/or recorded in the Comfort Letter with due skill, care and attention. If we were to perform additional procedures or if we were to conduct an audit or review on the financial information of the Issuer in accordance with HKSA or HKSREs issued by the HKICPA, other matters might be reported to the Addressees in the Comfort Letter. The procedures to be performed by us in connection with the Comfort Letter should not be taken to supplant additional inquiries or procedures that may be appropriate in the performance of the Addressees' role under the proposed Issue.

---

<sup>7</sup> In certain situations the reporting accountant may be required to perform a review of interim financial information in order to enable negative assurance to be provided on subsequent changes. This sentence should be included where such a review will be undertaken.

contracts among any of the Issuer, the Addressees and ourselves and (ii) any communications in relation to the Issue among any of the Issuer, the Addressees, the Sponsors of the Hong Kong Public Offering, the International Underwriters and ourselves), nor made available to any other party (except that copies may be included in bibles of transaction documents memorialising the Issue).

10. Nothing in Paragraphs 4, 7 or 9 shall prevent the Addressees from disclosing this arrangement letter and the Comfort Letter to the Addressees' professional advisers or as may be required by law, regulation or court order or the rules or requirements of a regulatory body or stock exchange whose requirements the Addressees are complying with, and/or referring to and/or producing the Comfort Letter for any of the purposes set out in Paragraph 4. Except as permitted in the immediately preceding sentence, the Addressees shall first obtain our prior written consent for disclosure of the Comfort Letter to third parties.
11. Other than to those who have, or before the Comfort Letter is issued shall have, validly accepted this arrangement letter, we will not accept any responsibility to any party to whom the Comfort Letter is shown or into whose hands it may come.

### Work and Procedures

12. Our work will be conducted in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 400 (Revised), *Comfort Letters and Due Diligence Meetings* issued by the HKICPA. Specifically, our work will enable us to report ~~actual~~ findings of agreed-upon procedures performed in relation to selected financial information and to enable us to provide limited assurance on subsequent changes to historical financial information included in the Offering Memorandum. [Procedures undertaken in connection with providing limited assurance on interim financial information will be conducted with reference to Hong Kong Standard on Review Engagements ("HKSRE") 2410.<sup>13</sup>] In other jurisdictions, standards and practices relevant to reporting accountants may be different and may not provide for reporting in the manner contemplated herein. Accordingly, the Comfort Letter should not be relied on as if it had been provided in accordance with the standards and practice of any professional body in any other jurisdiction.
13. Except as specifically stated in our comfort letter we have not performed an audit or review in respect of any financial information relating to the Issuer for any period subsequent to [date of last reported balance sheet] in accordance with Hong Kong Standards on Auditing ("HKSA") or [Hong Kong Standards on Review Engagements ("HKSREs")][HKSREs] issued by the HKICPA. The procedures we will use to perform the work set out in this arrangement letter including those in relation to subsequent changes will not constitute an audit or review made in accordance with HKSA or HKSREs issued by the HKICPA. Furthermore, they will not necessarily reveal matters of significance with respect to any material misstatement of the information referred to below.
14. We will only carry out those procedures expressly provided for in the Comfort Letter. Accordingly, we make no representations as to the sufficiency for the Addressees' purposes of the procedures provided for in the Comfort Letter and, therefore, our responsibility shall be limited to performing the work agreed upon in this arrangement letter and/or recorded in the Comfort Letter with due skill, care and attention. If we were to perform additional procedures or if we were to conduct an audit or review on the financial information of the Issuer in accordance with HKSA or HKSREs issued by the HKICPA, other matters might be reported to the Addressees in the Comfort Letter. The procedures to be performed by us in connection with the Comfort Letter should not be taken to supplant additional inquiries or procedures that may be appropriate in the performance of the Addressees' role under the proposed Issue.

---

<sup>13</sup> In certain situations the reporting accountant may be required to perform a review of interim financial information in order to enable negative assurance to be provided on subsequent changes. This sentence should be included where such a review will be undertaken.

7. The Comfort Letter issued pursuant to this arrangement letter will be provided in accordance with the standards of the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and will not have been provided in accordance with any other professional standards, including but not limited to those of the American Institute of Certified Public Accountants.
8. Our work and findings shall not in any way constitute advice or recommendations (and we accept no liability in relation to any advice or recommendations) regarding any commercial decisions associated with the Issue, including, in particular, but without limitation, any which may be taken by any Addressee (or any person connected to any Addressee) in the capacity of investor or in providing investment advice to their clients.
9. The Comfort Letter will be provided solely for the Addressees' private information and should not be used for any purpose other than as set out in Paragraph 4. The Comfort Letter may not be referred to in any other document (except that references may be made to its existence in (i) contracts among any of the Issuer, the Addressees and ourselves and (ii) any communications in relation to the Issue among any of the Issuer, the Addressees and ourselves), nor made available to any other party (except that copies may be included in bibles of transaction documents memorialising the Issue).
10. Nothing in Paragraphs 4, 7 or 9 shall prevent the Addressees from disclosing this arrangement letter and the Comfort Letter to the Addressees' professional advisers or as may be required by law, regulation or court order or the rules or requirements of a regulatory body or stock exchange whose requirements the Addressees are complying with, and/or referring to and/or producing the Comfort Letter for any of the purposes set out in Paragraph 4. Except as permitted in the immediately preceding sentence, the Addressees shall first obtain our prior written consent for disclosure of the Comfort Letter to third parties.
11. Other than to those who have, or before the Comfort Letter is issued shall have, validly accepted this arrangement letter, we will not accept any responsibility to any party to whom the Comfort Letter is shown or into whose hands it may come.

### Work and Procedures

12. Our work will be conducted in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 400 (Revised), *Comfort Letters and Due Diligence Meetings* issued by the HKICPA. Specifically, our work will enable us to report ~~factual~~ findings of agreed-upon procedures performed in relation to selected financial information and to enable us to provide limited assurance on subsequent changes to historical financial information included in the Offering Document. [Procedures undertaken in connection with providing limited assurance on interim financial information will be conducted with reference to Hong Kong Standard on Review Engagements ("HKSRE") 2410.<sup>19</sup>] In other jurisdictions, standards and practices relevant to reporting accountants may be different and may not provide for reporting in the manner contemplated herein. Accordingly, the Comfort Letter should not be relied on as if it had been provided in accordance with the standards and practice of any professional body in any other jurisdiction.
13. Except as specifically stated in our comfort letter we have not performed an audit or review in respect of any financial information relating to the Issuer for any period subsequent to [date of last reported balance sheet] in accordance with Hong Kong Standards on Auditing ("HKSA") or [Hong Kong Standards on Review Engagements ("HKSREs")][HKSREs] issued by the HKICPA. The procedures we will use to perform the work set out in this arrangement letter including those in relation to subsequent changes will not constitute an audit or review made in accordance with HKSA or HKSREs issued by the HKICPA. Furthermore, they will not necessarily reveal matters of significance with respect to any material misstatement of the information referred to below.

---

<sup>19</sup> In certain situations the reporting accountant may be required to perform a review of interim financial information in order to enable negative assurance to be provided on subsequent changes. This sentence should be included where such a review will be undertaken.

copies may be included in bibles of transaction documents memorialising the Issue).

10. Nothing in Paragraphs 4, 7 or 9 shall prevent the Addressees from disclosing this arrangement letter and the Comfort Letter to the Addressees' professional advisers or as may be required by law, regulation or court order or the rules or requirements of a regulatory body or stock exchange whose requirements the Addressees are complying with, and/or referring to and/or producing the Comfort Letter for any of the purposes set out in Paragraph 4. Except as permitted in the immediately preceding sentence, the Addressees shall first obtain our prior written consent for disclosure of the Comfort Letter to third parties.
11. Other than to those who have, or before the Comfort Letter is issued shall have, validly accepted this arrangement letter, we will not accept any responsibility to any party to whom the Comfort Letter is shown or into whose hands it may come.

### Work and Procedures

12. Our work will be conducted in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 400 (Revised), *Comfort Letters and Due Diligence Meetings* issued by the HKICPA. Specifically, our work will enable us to report ~~factual findings~~ of agreed-upon procedures performed in relation to selected financial information and to enable us to provide limited assurance on subsequent changes to historical financial information included in the Offering Circular. [Procedures undertaken in connection with providing limited assurance on interim financial statements will be conducted with reference to Hong Kong Standard on Review Engagements ("HKSRE") 2410.<sup>25</sup>] In other jurisdictions, standards and practices relevant to our work may be different and may not provide for reporting in the manner contemplated herein. Accordingly, the Comfort Letter should not be relied on as if it had been provided in accordance with the standards and practice of any professional body in any other jurisdiction.
13. Except as specifically stated in our comfort letter we have not performed an audit or review in respect of any financial statements relating to the [Company/Guarantor] for any period subsequent to [date of last reported balance sheet] in accordance with Hong Kong Standards on Auditing ("HKASs") or [Hong Kong Standards on Review Engagements ("HKSREs")][HKSREs] issued by the HKICPA. The procedures we will use to perform the work set out in this arrangement letter including those in relation to subsequent changes will not constitute an audit or review made in accordance with HKASs or HKSREs issued by the HKICPA. Furthermore, they will not necessarily reveal matters of significance with respect to any material misstatement of the information referred to below.
14. We will only carry out those procedures expressly provided for in the Comfort Letter. Accordingly, we make no representations as to the sufficiency for the Addressees' purposes of the procedures provided for in the Comfort Letter and, therefore, our responsibility shall be limited to performing the work agreed upon in this arrangement letter and/or recorded in the Comfort Letter with due skill, care and attention. If we were to perform additional procedures or if we were to conduct an audit or review on the financial statements of the [Company/Guarantor] in accordance with HKASs or HKSREs issued by the HKICPA, other matters might be reported to the Addressees in the Comfort Letter. The procedures to be performed by us in connection with the Comfort Letter should not be taken to supplant additional inquiries or procedures that may be appropriate in the performance of the Addressees' role under the proposed Issue.
15. In relation to the contents of the Offering Circular, we will address ourselves solely to such financial and other information in the Offering Circular as is identified in the Comfort Letter and we will make no representations as to the adequacy of disclosure in the Offering Circular or as to whether any material facts have been omitted by the Company. Further, we make no representations regarding any questions of legal interpretation.
16. The procedures that we plan to conduct have been determined by the Named Addressees and agreed by the parties to this arrangement letter, and will be recorded in

---

<sup>25</sup> In certain situations independent accountants may be required to perform a review of interim financial statements in order to enable negative assurance to be provided on subsequent changes. This sentence should be included where such a review will be undertaken.



**Example 1 – Hong Kong Public Equity Offering**

(letterhead of reporting accountants)

Date

To: The Directors, XYZ Limited  
[Address]

Sponsors Limited  
[Address]

[Other Named Addressee]<sup>30</sup>  
[Address]

[and each of the Hong Kong Underwriters as defined in the Hong Kong Underwriting Agreement dated [•] (the "Hong Kong Underwriters") identified below as an Addressee]<sup>30</sup>

Dear Sirs,

**Proposed Listing of [XYZ Limited] (the "Issuer") on the [Main Board/Growth Enterprise Market] of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange")**

This letter is written to you pursuant to the terms agreed between us in our arrangement letter dated [date] (the "Arrangement Letter"). Our engagement to prepare this letter has been performed in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 400 (Revised), *Comfort Letters and Due Diligence Meetings* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

This letter is addressed to [insert the names of each Named Addressee] and to each of the Hong Kong Underwriters that is an "Addressee" as defined in paragraph 3 of the Arrangement Letter and to the directors of the Issuer. Other than to those who have validly accepted the Arrangement Letter, we will not accept any responsibility to any party to whom this letter is shown or into whose hands it may come.

We confirm that we have complied with the ethical requirement of the *Code of Ethics for Professional Accountants* (the "Code") issued by the HKICPA and we are independent with respect to the Issuer in accordance with the requirements of the Code of Ethics for Professional Accountants issued by the HKICPA.

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.

**Selected Financial Information**

For the purposes of this letter, we have read the items that you have identified as indicated on the attached extract of the prospectus (attached as Appendix 1) of the Issuer and have performed the following procedures, which were applied as indicated by the letters explained below:<sup>31</sup>

<sup>30</sup> Refer to Example 1, footnote 6, in Appendix 1 to this HKSIR.

<sup>31</sup> The purpose of the procedures described in this section is to compare amounts and to state whether such amounts are found to be in agreement or to recompute calculations and to state whether or not these were found to be arithmetically accurate.

- A Compared the amount or percentage to, or recalculated the amount and/or percentage from, the corresponding amount or percentage appearing in the historical financial information of the Issuer [and its subsidiaries ("the Group")] for the years ended 31 December 20X2, 31 December 20X3 and 31 December 20X4 and [periods ended [*insert stub period balance sheet date*] and [*insert comparative stub period balance sheet date*] as set out on pages [ ] to [ ] of the prospectus (the "Historical Financial Information"), as applicable, and found them to be in agreement.
- B Compared the amount or percentage to the corresponding amount or percentage appearing on a schedule prepared by the management of the Issuer and found the amount or percentage to be in agreement. Management of the Issuer has represented to us that the information on the schedule was derived from the regularly maintained accounting records of the [Issuer][Group] and was subject to the [Issuer's][Group's] internal controls over financial reporting. [We compared the amounts shown on the schedule prepared by the management of the Issuer with the accounting records and found such amounts to be in agreement.]
- C Recalculated the amount, percentage or ratio based on the information in the same sentence, paragraph or table and found them to be arithmetically accurate.
- D Recalculated the [United States dollar] amount based on the corresponding [*reporting currency*] amount and the rate of US\$[x] to [x] as specified on page [x] in the prospectus and found them to be arithmetically accurate. However, we make no comment as to the appropriateness of such rate or whether the [*reporting currency*] could have been, or could be, converted into [United States dollars] at that rate.
- E [Recalculated the amounts under "As Adjusted" in the "Capitalization [and Indebtedness]" section of the Offering memorandum based on the assumptions specified on page [x] of the Offering Memorandum and found them to be arithmetically accurate. However, we make no comment as to the reasonableness or appropriateness of those assumptions or as to the ultimate amount or use of proceeds or the appropriateness of the financial reporting presentation.<sup>32</sup>]

For the purposes of reporting our findings, in those instances in which one or more of the compared or recalculated amounts (including percentages and ratios) stated were rounded to some degree, we have nevertheless stated that we found the compared or recalculated amounts to be in agreement or arithmetically accurate if differences are attributable to rounding.

We make no representations regarding questions of legal interpretation or regarding the sufficiency for your purposes of the aforementioned procedures; also, such procedures do not constitute an assurance engagement ~~performed in accordance with Hong Kong Standards on Auditing ("HKSA"), Hong Kong Standards on Review Engagements ("HKSREs"), Hong Kong Standards on Assurance Engagements [or other Hong Kong Standards on Investment Circular Reporting Engagements] issued by the HKICPA~~, and therefore would not necessarily reveal any material misstatement of the amounts, percentages or ratios identified above. Accordingly, we do not express an opinion or an assurance conclusion. Further, we have addressed ourselves solely to the foregoing data in the prospectus and we make no representations regarding the adequacy of disclosures or regarding whether any material facts have been omitted.

---

<sup>32</sup> This procedure is only applicable for an international equity offering (hence the reference to an "Offering Memorandum" as opposed to a prospectus) and should only be performed and reported on if all of the information required to recalculate the amounts under "As Adjusted" are set out on the specified page in the Offering Memorandum. In an actual comfort letter in respect of an international equity offering, other conforming changes to the introductory paragraphs and other parts of the letter would be required reflecting, for example, the different terminology used for an international offering.

**Changes in Financial Position**<sup>33,34</sup>

For the purpose of this letter, we have [also] performed the following limited procedures:

- (1) We have:
- (a) read the minutes of meetings of shareholders and the board of directors of the Issuer [and its subsidiaries] held since [31 December 20X4 or such later reported stub period balance sheet date included in the prospectus], as set out in minute books at 22 May 20X5 (the "Cut-off Date") [(together with/excluding<sup>35</sup> the papers referred to in the minutes)], which the directors have advised us are complete; and
  - (b) read the unaudited management accounts of the [Issuer/Group] for the [four] month[s] ended 30 April 20X5 (the "April 20X5 Management Accounts") [(which the directors have advised us are the most recent management accounts available)] [(as agreed with you)<sup>36</sup>] and the corresponding unaudited management accounts for the previous year (the "April 20X4 Management Accounts").

Our objective in reading the documents referred to in paragraphs 1(a) and (b) above is to identify those matters which in our view, might, *prima facie*, be expected to impact the figures and changes set out in paragraph (3) below.

- (2) We have made inquiries of [certain officials of the Issuer/*name of officials*] with responsibility for financial and accounting matters (the "Persons Responsible for Financial and Accounting Matters") as to whether:

---

<sup>33</sup> For the purpose of this example comfort letter limited assurance is provided in respect to the changes in financial position, rather than reporting accountant reporting in the form of agreed-upon-procedures. Should the form of agreed-upon-procedures be adopted, paragraphs (5) and (7) would be revised by reporting the ~~actual findings of agreed-upon-procedures performed~~<sup>obtained</sup>, for example the final sentence of paragraph (7) may be deleted and paragraph (5) may be revised to read:

We enquired of the Persons Responsible for Financial and Accounting Matters whether:

- (a) at 30 April 20X5 there were any decreases in [the issued share capital, cash and cash equivalents, net current assets or total current assets or increases in long-term debt or total current liabilities] of the [Group] as compared with the corresponding amounts as at [31 December 20X4 or such later reported stub period balance sheet date included in the prospectus] in the Historical Financial Information; and
- (b) in the period from [1 January] 20X5 to 30 April 20X5 there were any decreases in [turnover or profit before taxation or increases in net interest expense, or depreciation of fixed assets] of the Group, as compared to the corresponding period in the preceding year as shown in the April 20X4 Management Accounts.

Those Persons Responsible for Financial and Accounting Matters stated that there was no such increase or decrease except that the April 20X5 Management Accounts showed a [decrease/increase] in [insert line items] as compared with [31 December 20X4 or such later reported stub period balance sheet date included in the prospectus] and a [decrease/increase] in [insert line items] as compared with the [4] months ended 30 April 20X4, as set out in Appendix 2.

<sup>34</sup> Where the reporting accountants agree to perform a review of subsequent interim financial information not included in the prospectus for the purpose of providing limited assurance on subsequent changes, this may be referred to in the section headed "Changes in Financial Position" and any other corresponding changes made to the comfort letter as applicable. For example, the following language may be added to record the fact that the review was performed and the conclusion arising from that review:

For the purposes of this letter, with respect to the three-month period ended 31 March 20X5, we have performed procedures with reference to HKSRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, on the unaudited condensed statement of financial position of the Group as of 31 March 20X5, and the related unaudited condensed statements of comprehensive income, changes in equity and cash flows for the three-month period ended 31 March 20X5, attached to this comfort letter as Appendix 3.

Nothing came to our attention as a result of the foregoing procedures that caused us to believe that any material modification should be made to the unaudited condensed financial information described in the paragraph above and attached to this comfort letter as appendix 3, for them to be in conformity with [Hong Kong][International] Accounting Standard 34 "Interim Financial Reporting".

<sup>35</sup> Where practicable, on appropriate terms and provided sufficient time is available, the accountants may agree to review the papers referred to in the minutes.

<sup>36</sup> This wording would apply in circumstances where the Reporting Accountants and the Sponsors are aware of the date of the latest management accounts, but it is agreed that management accounts as of and for an earlier period are to be referred to in this letter.

- (a) whether there has been any decrease in [issued share capital, cash and cash equivalents, net current assets or total current assets] or increase in [long term debt or total current liabilities] of the [Group] at the Cut-off Date as compared with the corresponding amounts shown at [31 December 20X4 or such later reported stub period balance sheet date included in the prospectus] in the Historical Financial Information; and
- (b) whether for the period from [1 January 20X5] up to the Cut-off Date there have been any decreases in [turnover or profit before taxation], or increases in [net interest expense or depreciation of fixed assets] of the [Group] as compared with the corresponding period in the preceding year.
- (7) The persons responsible for financial and accounting matters advised us that they were not aware of any increase in [long term debt, total current liabilities, net interest expense or depreciation of fixed assets] or decrease in any of the other listed items described in paragraph (6)(a) or (b) above except that [as at the Cut-off Date as compared with [31 December 20X4 or such later reported stub period balance sheet date included in the prospectus] [there was an [increase][decrease] in [state line items]]/[for the period from 1 [January 20X5] to the Cut-off Date as compared with the corresponding period in the previous year there was an [increase][decrease] in [state line items]]. On the basis of the responses to these inquiries and our reading of the minutes as described in paragraph (1) above, [except for all instances of increases or decreases advised by the Persons Responsible for Financial and Accounting Matters as set out above], nothing has come to our attention that causes us to believe that there was any such increase or decrease.
- (8) We have not performed an audit in respect of any historical financial information of the Issuer or the Group as of any date or for any period subsequent to [31 December 20X4 or such later reported stub period balance sheet date included in the prospectus] in accordance with HKSA's issued by the HKICPA. Therefore we are unable to and do not express any opinion on the financial position, results of operations or cash flows of the Issuer [or the Group] as of any date or for any period subsequent to [31 December 20X4 or such later reported stub period balance sheet date included in the prospectus].

This letter is solely for your information and to assist the Addressees in conducting and documenting their due diligence investigation of the affairs of the [Issuer/Group] in connection with the issue of new shares covered by the prospectus and except as permitted in the Arrangement Letter, it is not to be used, circulated, quoted, or otherwise referred to for any other purpose, nor is to be filed with or referred to in whole or in part in the prospectus or any other document.

Yours faithfully,

ABC & Co.  
 Certified Public Accountants (Practising) [or Certified Public Accountants]  
 Hong Kong  
 Date

Enclosures: Appendix 1 - Extract of prospectus  
 Appendix 2 - Schedule prepared by the Issuer's management  
 [Appendix 3 – Unaudited condensed consolidated financial statements for the period ended [insert interim balance sheet date reviewed] and [insert corresponding date in prior year]

\* Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* replaces HKSQC 1. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.

**Example 2 – Debt Offering in reliance on Regulation S**

(letterhead of independent accountants)

Date

To: The Directors, [XYZ Limited and ABC Limited]  
[Address]

[Lead Manager Limited]  
[Address]

[Other Named Addressee]<sup>39</sup>  
[Address]

[and each of the joint lead managers and managers as defined in the Subscription Agreement dated [x] (the "Managers") identified below as an Addressee]<sup>39</sup>

Dear Sirs,

**Proposed Issue (the "Issue") of [x] (the "Notes") by [XYZ Limited] (the "Company") [and guaranteed by [ABC Limited] (the "Guarantor")]**

This letter is written to you pursuant to the terms agreed between us in our arrangement letter dated [date] (the "Arrangement Letter"). Our engagement to prepare this letter has been performed in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 400 (Revised), *Comfort Letters and Due Diligence Meetings* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

This letter is addressed to [insert the names of each Named Addressee] and to each of the Managers that is an "Addressee" as defined in paragraph 3 of the Arrangement Letter and to the directors of the Company [and the Guarantor]. Other than to those who have validly accepted the Arrangement Letter, we will not accept any responsibility to any party to whom this letter is shown or into whose hands it may come.

We confirm that we have complied with the ethical requirements of the *Code of Ethics for Professional Accountants* (the "Code") issued by the HKICPA and we are independent with respect to the Company [and the Guarantor] in accordance with the requirements of the ~~Code of Ethics for Professional Accountants~~ issued by the HKICPA.

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

On pages [x to x], the offering circular of the Company with respect to the Notes dated 20[x] (the "Offering Circular") sets out certain financial statements as at and for the [three] years ended 31 December 20X2, 20X3 and 20X4 (the "Historical Financial Statements") [and the [six] months ended 30 June 20X4 and 20X5] (the "Interim Financial Statements") of the [Company/Guarantor] and its subsidiaries (the "Group"). We have read this information and have compared it with that shown in the published audited consolidated financial statements as at and for the [three] years ended 31 December 20X2, 20X3 and 20X4 [and the published unaudited consolidated interim financial

---

<sup>39</sup> Refer to Example 4, footnote 24, in Appendix 1 to this HKSIR.

statements as at and for the [six] months ended 30 June 20X4 and 20X5] of the [Company/Guarantor]. We confirm that these financial statements have been found to be in agreement with the published audited consolidated financial statements for the relevant years [or, as the case may be, the published unaudited consolidated interim financial statements for such period]. [We did not conduct a review of such interim financial statements in accordance with the standards and guidance issued by the [HKICPA] or any professional body in any other jurisdiction].

### Selected Financial Information

For the purposes of this letter, we have read the items that you have identified as indicated on the attached extract of the Offering Circular (attached as Appendix 1) and have performed the following procedures, which were applied as indicated by the letters explained below<sup>40</sup>:

- A Compared the amount or percentage to, or recalculated the amount and/or percentage from, the corresponding amount or percentage appearing in the Historical Financial Statements [or the Interim Financial Statements] as set out in the Offering Circular, as applicable, and found them to be in agreement.
- B Compared the amount or percentage to the corresponding amount or percentage appearing on a schedule prepared by the management of the [Company/Guarantor] and found the amount or percentage to be in agreement. The management of the [Company/Guarantor] has represented to us that the information in the schedule was derived from the regularly maintained accounting records of the Group and was subject to the [Company's/Guarantor's] internal controls over financial reporting. [We compared the amounts shown on the schedule prepared by the management of the [Company/Guarantor] with the accounting records of the Group and found such amounts to be in agreement.]
- C Recalculated the amount, percentage or ratio based on the information in the same sentence, paragraph or table and found them to be arithmetically accurate.
- D Recalculated the [United States dollar] amount based on the corresponding [*reporting currency*] amount and the rate of US\$[x] to [x] as specified on page [ ] in the Offering Circular and found them to be arithmetically accurate. However, we make no comment as to the appropriateness of such rate or whether the [*reporting currency*] could have been, or could be, converted into [United States dollars] at that rate.
- E Recalculated the amounts under "As Adjusted" in the "Capitalization [and Indebtedness]" section of the Offering Circular based on the assumptions specified on page [x] of the Offering Circular and found them to be arithmetically accurate. However, we make no comment as to the reasonableness or appropriateness of those assumptions or as to the ultimate amount or use of proceeds or the appropriateness of the financial reporting presentation.<sup>41</sup>

For the purposes of reporting our findings, in those instances in which one or more of the compared or recalculated amounts (including percentages and ratios) stated were rounded to some degree, we have nevertheless stated that we found the compared or recalculated amounts to be in agreement or arithmetically accurate if differences are attributable to rounding.

We make no representations regarding questions of legal interpretation or regarding the sufficiency for your purposes of the aforementioned procedures; also, such procedures do not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing ("HKSA"), Hong Kong Standards on Review Engagements ("HKSRs"), Hong Kong Standards on Assurance Engagements [or other Hong Kong Standards on Investment Circular Reporting Engagements] issued by the HKICPA, and therefore would not necessarily reveal any material misstatement of the amounts,

<sup>40</sup> The purpose of the procedures described in this section is to compare amounts and to state whether such amounts are found to be in agreement or to recompute calculations and to state whether or not these were found to be arithmetically accurate.

<sup>41</sup> This procedure should only be performed and reported on if all of the information required to recalculate the amounts under "As Adjusted" are set out on the specified page in the Offering Circular.

percentages or ratios identified above. Accordingly, we do not express an opinion or an assurance conclusion. Further, we have addressed ourselves solely to the foregoing data in the Offering Circular and we make no representations regarding the adequacy of disclosures or regarding whether any material facts have been omitted.

### Changes in Financial Position<sup>42, 43</sup>

For the purpose of this letter, we have [also] performed the following limited procedures:

- (1) We have:
- (a) read the minutes of meetings of shareholders and the board of directors of the [Company/Guarantor] [and its subsidiaries] held since 31 December 20X4, as set out in minute books at 22 July 20X5 (the "Cut-off Date") [(together with/excluding<sup>44</sup> the papers referred to in the minutes)], which the directors have advised us are complete; and
  - (b) read the unaudited consolidated management accounts of the [Company/Guarantor] for the [one/seven] months ended 31 July 20X5 (the "July 20X5 Management Accounts") [(which the directors have advised us are the most recent management accounts available)] [(as agreed with you)<sup>45</sup>] and the corresponding unaudited consolidated management accounts for the previous year (the "July 20X4 Management Accounts").

Our objective in reading the documents referred to in paragraphs 1(a) and (b) above is to identify those matters which in our view, might, *prima facie*, be expected to impact the figures and changes set out in paragraph (3) below.

- (2) We have made inquiries of [certain officials of the Company/Guarantor/*name of officials*] with

<sup>42</sup> For the purpose of this example comfort letter limited assurance is provided in respect to the changes in financial position, rather than reporting in the form of agreed-upon-procedures. Should the form of agreed-upon-procedures be adopted, paragraphs (5) and (7) would be revised by reporting the factual findings obtained of agreed-upon-procedures performed, for example the final sentence of paragraph (7) may be deleted and paragraph (5) may be revised to read:

We enquired of the Persons Responsible for Financial and Accounting Matters whether:

- (a) at 31 July 20X5 there were any decreases in [the issued share capital, cash and cash equivalents, net current assets or total current assets or increases in long-term debt or total current liabilities] of the [Group] as compared with the corresponding amounts as at [31 December 20X4/30 June 20X5] in the [Historical Financial Statements/Interim Financial Statements] included in the Offering Circular; and
- (b) in the period from 1 [January/July] 20X5 to 31 July 20X5 there were any decreases in [turnover or profit before taxation or increases in net interest expense, or depreciation of fixed assets] of the [Group], as compared to the corresponding period in the preceding year as shown in the July 20X4 Management Accounts.

Those Persons Responsible for Financial and Accounting Matters stated that there was no such increase or decrease except that the July 20X5 Management Accounts showed a [decrease/increase] in [insert line items] as compared with [31 December 20X4/30 June 20X5] in the [Historical Financial Statements/Interim Financial Statements] included in the Offering Circular and a [decrease/increase] in [insert line items] as compared with the [1/7] months ended 31 July 20X4, as set out in Appendix 2.

<sup>43</sup> Where the independent accountants agree to perform a review of Interim Financial Statements included in the Offering Circular, or subsequent interim financial information not included in the Offering Circular for the purpose of providing limited assurance on subsequent changes, this may be referred to in the section headed "Changes in Financial Position" and any other corresponding changes made to the comfort letter as applicable. For example, the following language may be added to record the fact that the review was performed and the conclusion arising from that review:

For the purposes of this letter, with respect to the six-month period ended 30 June 20X5, we have performed procedures with reference to HKSRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, on the unaudited condensed consolidated statement of financial position of the Group as of 30 June 20X5, and the related unaudited condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period ended 30 June 20X5, attached as Appendix 3 to this comfort letter.

Nothing came to our attention as a result of the foregoing procedures that caused us to believe that any material modification should be made to the unaudited condensed consolidated financial statements described in the paragraph above and attached to this comfort letter as Appendix 3, for them to be in conformity with [Hong Kong][International] Accounting Standard 34 "Interim Financial Reporting".

<sup>44</sup> Where practicable, on appropriate terms and provided sufficient time is available, the independent accountants may agree to review the papers referred to in the minutes.

<sup>45</sup> This wording would apply in circumstances where the independent accountants and the Lead Managers are aware of the date of the latest management accounts, but it is agreed that management accounts as of and for an earlier period are to be referred to in this letter.

carried out for the period up to that date. Up to the Cut-off Date (our work did not extend to the period from the Cut-off Date to the date of this letter), we have made inquiries of the Persons Responsible for Financial and Accounting Matters as to:

- (a) whether there have been any decreases in [issued share capital, cash and cash equivalents, net current assets or total current assets] or increases in [long term debt or total current liabilities] of the [Group] at the Cut-off Date as compared with the corresponding amounts shown at [31 December 20X4/30 June 20X5] in the [Historical Financial Statements/Interim Financial Statements] included in the Offering Circular; and
  - (b) whether for the period from 1 [January/July] 20X5 up to the Cut-off Date there have been any decreases in [turnover or profit before taxation], or increases in [net interest expense or depreciation of fixed assets] of the [Group] as compared with the corresponding period in the preceding year.
- (7) The Persons Responsible for Financial and Accounting Matters advised us that they were not aware of any increase in [long term debt, total current liabilities, net interest expense or depreciation of fixed assets] or decrease in any of the other listed items described in paragraph (6)(a) or (b) above except that [as at the Cut-off Date as compared with [31 December 20X4/30 June 20X5] [there was an [increase][decrease] in [state line items]]/[for the period from 1 [January/July] to the Cut-off Date as compared with the corresponding period in the previous year there was an [increase][decrease] in [state line items]]. On the basis of the responses to these inquiries and our reading of the minutes as described in paragraph (1) above, [except for all instances of increases or decreases advised by the Persons Responsible for Financial and Accounting Matters as set out above] nothing has come to our attention that causes us to believe that there was any such increase or decrease.
- (8) We have not performed an audit in respect of any historical financial statements of the [Company/Guarantor] or the Group as of any date or for any period subsequent to 31 December 20X4 in accordance with HKSAs issued by the HKICPA or the standards of any other professional body in any other jurisdiction. Therefore, we are unable to and do not express any opinion on the financial position, results of operations or cash flows of the [Company/Guarantor] or the Group as of any date or for any period subsequent to 31 December 20X4.

This letter is solely for your information and to assist the Addressees in conducting and documenting their due diligence investigation of the affairs of the [Company/Group] in connection with the Issue covered by the Offering Circular and except as permitted in the Arrangement Letter, it is not to be used, circulated, quoted, or otherwise referred to for any other purpose, nor is to be filed with or referred to in whole or in part in the Offering Circular or any other document.

Yours faithfully,

ABC & Co.  
 Certified Public Accountants (Practising) [or Certified Public Accountants]  
 Hong Kong  
 Date

Enclosures: Appendix 1 – Extract of Offering Circular  
 Appendix 2 - Schedule prepared by the [Company's/Guarantor's] management  
 [Appendix 3 – Unaudited condensed consolidated financial statements for the period ended [insert interim balance sheet date reviewed] and [insert corresponding date in prior year]

\* Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* replaces HKSQC 1. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.



HKSIR 500  
Issued April 2014; revised December 2015,  
September 2019, May 2020, [Month] 2021\*

---

Effective for reports dated on or after 1 June 2020

*Hong Kong Standard on  
Investment Circular Reporting Engagements 500*

---

# **Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness**

\* HKSIR 500 has been updated for conforming changes to Hong Kong Standard on Related Services (HKSRS) 4400 (Revised), Agreed-Upon Procedures Engagements which will be effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after 1 January 2022.



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

**HONG KONG STANDARD ON  
INVESTMENT CIRCULAR REPORTING ENGAGEMENTS 500  
REPORTING ON PROFIT FORECASTS, STATEMENTS OF SUFFICIENCY OF  
WORKING CAPITAL AND STATEMENTS OF INDEBTEDNESS**

(Issued April 2014; Revised December 2015, September 2019, May 2020  
and [Month] 2021\*; Effective for reports dated on or after 1 June 2020)

**CONTENTS**

	Paragraphs
Introduction .....	1
Definitions .....	2
Relevant Regulations .....	3-15
Preparation of the Profit Forecast, Working Capital Statement and Indebtedness Statement by the Issuer's Directors .....	16-22
Reporting on Profit Forecasts .....	23-38
Reporting on Statements of Sufficiency of Working Capital .....	39-48
Reporting on Statements of Indebtedness.....	49-59
Appendix 1 Example letter on a Profit Forecast	
Appendix 2 Example letter on a Working Capital Statement	
Appendix 3 Example letter on a Statement of Indebtedness	

Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 500 "*Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness*" should be read in the context of the "*Amended Preface to the Hong Kong Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*" which sets out the application and authority of HKSIRs.

This HKSIR reflects the Listing Rules/GEM Rules, the Takeovers Code and the Companies (Winding Up and Miscellaneous Provisions) Ordinance that were in effect as at 1 October 2019.

29. When reporting on the Profit Forecast, the reporting accountants should plan and perform the work in accordance with this HKSIR and with reference to HKSAE 3000 (Revised). HKSAE 3000 (Revised) requires, among other things, compliance with Chapter A, Parts 1, 3 and 4B, and Chapter C of the HKICPA's *Code of Ethics for Professional Accountants* (the Code) related to assurance engagements, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding.<sup>9</sup> It also requires the engagement partner to be a member of a firm that applies HKSQC 1,<sup>10</sup> or other professional requirements, or requirements in law or regulation, that are at least as demanding as HKSQC 1. The degree of work required will in part depend on whether forecasts made in the past have proved reliable. The approach to such an assignment typically may include:
- (a) obtaining the board memorandum prepared by the directors;
  - (b) reviewing the Issuer's recent history, with reference to such matters as the general nature of its activities and its main products, markets, customers, suppliers, divisions, locations, management, labour force, trend of results and organisational changes;
  - (c) discussing the plans, strategies and risk analysis with the directors in the context of the preparation of the Profit Forecast, considering documentary support for the plans, strategies and risk analysis of the directors and assessing whether they are consistent with the analysis of the business, and with information generated within the Issuer itself as well as from external sources such as key economic indicators and reliable industry statistics;
  - (d) considering the consistency of underlying assumptions with the business analysis of the directors and assessing the source and reliability of the evidence supporting management's best-estimate assumptions. Sufficient appropriate evidence supporting such assumptions would be obtained from internal and external sources including consideration of the assumptions in the light of historical information and an evaluation of whether they are based on plans that are within the entity's capacity;
  - (e) establishing which accounting policies have been adopted by the Issuer in published financial statements so as to ensure that they are acceptable and have been consistently applied in the preparation of interim accounts and the Profit Forecast;
  - (f) considering the assumptions on which the Profit Forecast has been based in the course of their work to determine that the Profit Forecast is consistent with and has been properly compiled on the basis of the assumptions adopted by the directors;
  - (g) reading the minutes of the board and of other important management meetings which contain key factors that might affect the forecast;
  - (h) checking the arithmetical accuracy of the forecast and the supporting information; and
  - (i) obtaining written representations where necessary from the board of directors regarding the intended use of the Profit Forecast, the completeness of significant management assumptions and management's acceptance of its responsibility for the Profit Forecast.
30. In addition to checking the arithmetical accuracy of the Profit Forecast and that it is properly compiled on the basis of the stated assumptions, the reporting accountants will also need to consider the assumptions. If any assumption appears to be unrealistic, or if any important assumption has not been included in the Profit Forecast, the reporting accountants should consider the need to draw attention to it in their letter or whether to withhold issuing their letter until the matter is addressed to their reasonable satisfaction. The reporting accountants have

<sup>9</sup> HKSAE 3000 (Revised), paragraphs 3(a), 20 and 34

<sup>10</sup> HKSAE 3000 (Revised), paragraphs 3(b) and 31(a). 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* is replaced by Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.*

46. In respect of the Working Capital Statement included in an Application Proof, the reporting accountants should seek to complete the work insofar as is practicable at the time of the submission of the Application Proof to the Stock Exchange. However, as the board memorandum and the working capital forecast supporting the Working Capital Statement are likely still subject to change, and the facilities and resources expected to be available upon listing may not be fully in place at the time of the submission of the Application Proof, it will generally be inappropriate for the reporting accountants to issue a letter in final form to the Issuer's directors. The reporting accountants should present draft letters and provide verbal updates to the sponsor on the status and work performed in respect of the Working Capital Statement included in the Application Proof to assist the sponsor in providing its draft confirmation as described in paragraph 10 above.
47. In the case of a new listing of equity securities, having regard to the Stock Exchange's requirement that the listing applicant's sponsor provides a final confirmation letter on the Working Capital Statement before a listing document is bulk-printed, the reporting accountants should issue a letter on the Working Capital Statement on the same date as the date of the sponsor's final confirmation letter, which should also be the date of the final working capital forecast board memorandum approved by the directors. In addition, the reporting accountants shall be in a position to issue a second signed letter on the Working Capital Statement upon the issue of the listing document. The second letter of the reporting accountants should be in substantially the same form as the first letter, except that the second letter would be dated the date of the listing document and would refer to the final listing document, which would not have been available at the time of the issue of the first letter. The reporting accountants should obtain appropriate written representations from the directors confirming that no modification to the board memorandum and the working capital forecast supporting the Working Capital Statement is required since the date of approval of the board memorandum.
48. An example letter on a Working Capital Statement upon issue of an investment circular is set out in Example 1 of Appendix 2 to this HKSIR. An example letter on a Working Capital Statement upon the listing applicant's sponsor providing a final confirmation letter on the Working Capital Statement before a listing document is bulk-printed in the case of new listing of equity securities (i.e. the first letter referred to in paragraph 47 above) is set out in Example 2 of Appendix 2 to this HKSIR.

### Reporting on Statements of Indebtedness

49. As the date to which the Statement of Indebtedness is prepared is the most recent practicable date, typically audited financial statements for a period ending on such date are unavailable. Accordingly, the reporting accountants will often have less evidence on which to base their letter than they would have if the Statement of Indebtedness were made as at the end of an audited financial period. In these circumstances reporting accountants have to place substantial reliance on management as to the identification of amounts and disclosures in the Statement of Indebtedness.
50. When issuing a letter on a Statement of Indebtedness, the reporting accountants perform a range of agreed upon procedures on the schedule of indebtedness as agreed with the Issuer and agree the amounts disclosed in the Statement of Indebtedness as at the most recent practicable date to the schedule of indebtedness. In such an engagement, the reporting accountants follow the principles in Hong Kong Standard on Related Services ("HKSRS") 4400, "Engagements to Perform Agreed-upon Procedures Engagements Regarding Financial Information" ("HKSRS 4400") and the guidance in this HKSIR.
51. The reporting accountants' procedures on the Issuer's indebtedness may include:
  - (a) obtaining the schedule of indebtedness prepared by the directors including a complete list of bankers and other lenders of the group;
  - (b) agreeing amounts shown on the Statement of Indebtedness to the relevant amounts in the schedule of indebtedness;
  - (c) agreeing amounts shown on the schedule of indebtedness to the Issuer's records;

REPORTING ON PROFIT FORECASTS, STATEMENTS OF SUFFICIENCY OF WORKING CAPITAL AND STATEMENTS OF INDEBTEDNESS

- (f) comparing items and amounts disclosed in the schedule to items and amounts disclosed in the historical financial information on which the reporting accountants have issued their accountants' report; and
  - (g) obtaining written representations from the Issuer's directors regarding the completeness and accuracy of the information disclosed in the schedule of indebtedness, as well as on other matters where the reporting accountants so require.
55. Reporting accountants would generally not be in a position to comment on management's discussion and analysis of indebtedness or contingent liabilities which primarily involves the exercise of management's judgment. For example, the possibility of obtaining a loan in the future or the outcome of litigation may not be within the reporting accountants' knowledge and expertise.
56. Where the reporting accountants identify any errors or discrepancies, they should discuss these with management. Where they believe it to be necessary, the reporting accountants request management to amend the amounts disclosed in the investment circular. Where management does not make amendments that the reporting accountants believe to be necessary, the reporting accountants consider the need to draw attention to the errors or discrepancies in their letter or whether to withhold issuing their letter until the matters are addressed to their reasonable satisfaction.
57. The reporting accountants issue a letter on the Statement of Indebtedness reporting ~~actual~~ findings in respect of the agreed-upon procedures performed, including appropriate details of errors and exceptions found. The letter should be addressed to the Issuer's directors with a copy to the sponsor, where applicable, but it should not be referred to in the investment circular. A copy of the reporting accountants' letter may also be provided to the Stock Exchange and the SFC upon their request.
58. In respect of the Statement of Indebtedness presented in an Application Proof, the reporting accountants may also be engaged to report on indebtedness information as at a date that is different from and earlier than the date used for the purpose of the final investment circular. The reporting accountants would normally be in a position to issue a letter on the ~~actual~~ findings in respect of the agreed-upon procedures performed regarding the indebtedness position as at the earlier date, even though the Statement of Indebtedness is expected to be updated in the final investment circular, provided that the agreed-upon procedures have been performed and subject to the relevant requirements set forth in HKSRS 4400 (Revised) and in this HKSIR.
59. An example letter on a Statement of Indebtedness is set out in Appendix 3 to this HKSIR.

## Appendix 1

### Example letter on a Profit Forecast

*The following example letter is provided for illustrative purposes only. It is intended to be used only as a guide to the possible form and content of a letter that reporting accountants may wish to provide, and is not intended to suggest standard wording to be used in any particular set of circumstances.*

(letterhead of reporting accountants)

The Board of Directors  
XYZ Limited

Sponsor Limited

Date

Dear Sirs,

[XYZ Limited] ("the Company")

#### **Profit [Forecast]/[Estimate] for [Period/Year][Ending/Ended][Date]**

We refer to the [forecast]/[estimate] of the [combined]/[consolidated] profit attributable to equity holders of the Company for the [period/year][ending/ended] [date] ("the Profit [Forecast]/[Estimate]") set forth in the section headed [Financial Information] in the prospectus of the Company dated [date] ("the Prospectus").

#### *Directors' Responsibilities*

The Profit [Forecast]/[Estimate] has been prepared by the directors of the Company based on the audited [combined]/[consolidated] results of the Company and its subsidiaries (collectively referred to as "the Group") for the [x] months ended [date], the unaudited [combined]/[consolidated] results based on the management accounts of the Group for the [x] months ended [date] and [a forecast]/[an estimate] of the [combined]/[consolidated] results of the Group for the remaining [x] months [ending]/[ended] [date].

The Company's directors are solely responsible for the Profit [Forecast]/[Estimate].

#### *Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

~~The~~ 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.

#### *Reporting Accountants' Responsibilities*

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit [Forecast]/[Estimate] based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance

Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit [Forecast]/[Estimate] in accordance with the [bases and assumptions][bases] adopted by the directors and as to whether the Profit [Forecast]/[Estimate] is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

#### *Opinion*

In our opinion, so far as the accounting policies and calculations are concerned, the Profit [Forecast]/[Estimate] has been properly compiled in accordance with the [bases and assumptions][bases] adopted by the directors as set out in Appendix [x] of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated [date], the text of which is set out in Appendix [x] of the Prospectus.

Yours faithfully,

ABC & Co.  
Certified Public Accountants (Practising) [or Certified Public Accountants]  
Hong Kong

---

#### *Note*

1. ~~*HKSQC 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*~~ *Hong Kong Standard on Quality Management ("HKSQM") 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements replaces HKSQC 1. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.*
2. *If any assumption used in the preparation of the Profit Forecast appears to the reporting accountants to be unrealistic or if any important assumption has been omitted in the forecast, the reporting accountants should include an appropriate comment in the letter. The comment should ordinarily be included in a separate section after the opinion paragraph.*

*The reporting accountants may also include an additional paragraph in the separate section after the opinion paragraph to draw users' attention in the case that the Profit Forecast involves assumptions of a high level of uncertainty, such as the projected change in fair value of investment properties during the forecast period. An example paragraph is set out below:*

#### **"Other Matter**

*We draw attention to Section [X] of Appendix [X] headed "Bases and Assumptions" on pages [xx] to [xx] of the Prospectus which sets out the assumptions adopted by the directors of the Company regarding the fair value of the Group's investment properties as at [31 December 20X3]. In preparing the Profit Forecast, the directors of the Company have assumed that there will be an increase in the amount of [x] in the fair value of the Group's investment properties from [date] to [31 December 20X3]. The actual increase or decrease in the fair value of the Group's investment properties is likely to be different from the amount estimated or forecast. Any difference between the actual increase or decrease in the fair value of the Group's investment properties during the period from [date] to [31 December 20X3] when compared to the amount as estimated by the directors of the Company would have the effect of increasing or decreasing the consolidated profit of the Group for the year ending [31 December 20X3] attributable to equity holders of the Company. Our opinion is not qualified in respect of this matter."*

## Appendix 2

### Example letter on a Working Capital Statement

*The following example letter is provided for illustrative purposes only. It is intended to be used only as a guide to the possible form and content of a letter that reporting accountants may wish to provide, and is not intended to suggest standard wording to be used in any particular set of circumstances.*

#### **Example 1 - upon issue of the investment circular**

(letterhead of reporting accountants)

The Board of Directors  
XYZ Limited

Date

Dear Sirs,

[XYZ Limited] ("the Company")

#### **Directors' Statement of Sufficiency of Working Capital**

We refer to the board memorandum dated [date] which has been prepared by the directors of the Company in connection with their statement relating to the sufficiency of working capital of the Company and its subsidiaries (collectively referred to as "the Group") ("the Statement") contained in section headed [Working Capital Statement] in the investment circular dated [date] ("Investment Circular"). Copies of the board memorandum and extracts of the Investment Circular, for which the directors of the Company are solely responsible, are attached hereto and stamped by us solely for the purpose of identification.

#### *Directors' Responsibilities*

The Company's directors are solely responsible for the Statement and the board memorandum, including the working capital forecast therein, in support of the Statement.

#### *Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

~~The~~ 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*<sup>1</sup>, 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.

#### *Reporting Accountants' Responsibilities*

Our responsibility is to express an opinion on the Statement and to report our opinion to you.<sup>2</sup>



cc [Name of sponsor(s)]  
The Stock Exchange of Hong Kong Limited  
Securities and Futures Commission

---

Notes

1. ~~HKSQC 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements~~Hong Kong Standard on Quality Management ("HKSQM") 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements replaces HKSQC 1. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.-
2. Reporting accountants may consider it appropriate to clarify to whom they are responsible here or elsewhere in the report in accordance with their risk management policies and reference to Professional Risk Management Bulletin No. 2 "Auditors' Duty of Care To Third Parties and The Audit Report". Example text is included under "Intended Users and Purpose" of this example letter.
3. Where the requested confirmations have not been returned, the reporting accountants should seek to obtain suitable alternative evidence such as checking to the underlying agreements or having sighted a letter from the Issuer's bankers confirming banking facilities that is addressed to the Issuer. The extent of facilities covered by direct confirmations and alternative evidence should be clearly stated in the opinion. In such situation, opinion (b) can be replaced and (c) included, as follows:
  - (b) the persons or institutions providing finance have confirmed to us in writing the existence of the facilities in the amount of [amount covered by direct confirmations received] as of [date] that are shown to be required by the Company's working capital forecast; and
  - (c) direct confirmations have not been received as of the date of this letter for facilities in the amount of [amount of which direct confirmations have not been received] that are shown to be required by the Company's working capital forecast. We have relied on the [the source document reviewed as alternative procedures, e.g. signed loan agreements] between the [lenders] [facility providers] and the Company as alternative evidence of the existence of these facilities."
4. If no facilities are shown to be required, opinion (b) can be modified as "(b) no facilities are shown to be required by the Company's working capital forecast".
5. Or state other purpose where appropriate.

**Example 2 - upon the listing applicant's sponsor providing a final confirmation letter on the Working Capital Statement before a listing document is bulk-printed in the case of new listing of equity securities**

(letterhead of reporting accountants)

The Board of Directors  
XYZ Limited

Date

Dear Sirs,

[XYZ Limited] ("the Company")

**Directors' Statement of Sufficiency of Working Capital**

We refer to the board memorandum dated [date] which has been prepared by the directors of the Company in connection with their statement relating to the sufficiency of working capital of the Company and its subsidiaries (collectively referred to as "the Group") ("the Statement") contained in section headed [Working Capital Statement] therein. A copy of the board memorandum, for which the directors of the Company are solely responsible, is attached hereto and stamped by us solely for the purpose of identification.

*Directors' Responsibilities*

The Company's directors are solely responsible for the Statement and the board memorandum, including the working capital forecast therein, in support of the Statement.

*Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

~~The~~ 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<sup>1</sup>, 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.

*Reporting Accountants' Responsibilities*

Our responsibility is to express an opinion on the Statement and to report our opinion to you.<sup>2</sup>

We conducted our engagement in accordance with the terms of our engagement letter dated [date] and Hong Kong Standard on Investment Circular Reporting Engagements 500, *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether the Company's directors have made the Statement, in the form and context in which it is made, after due and careful enquiry. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the working capital forecast is based and applying analytical procedures to financial data in the working capital forecast. It is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

*Opinion*

On the basis of our procedures, we report that:

- (a) in our opinion, the Statement has been made by the directors of the Company after due and careful enquiry; and
- (b) the persons or institutions providing finance have confirmed in writing the existence of such facilities as of [date] that are shown to be required by the Company's working capital forecast.<sup>3, 4</sup>

*Other Matters*

Without qualifying our opinion, we draw your attention to the sensitivity factors set out in paragraph [x] of the board memorandum.

Furthermore, the Statement is based on the Company's forecasts and estimation of future transactions and cash flows and other assumptions about the future. Actual cash flows are likely to be different from those estimated or forecast since anticipated events frequently do not occur as expected and unforeseen events may arise, and their impact on estimates and forecasts may be material.

We make no representation regarding the sufficiency for your purposes of the aforementioned procedures.

*Intended Users and Purpose*

This letter has been prepared in connection with [the proposed listing of the Company's shares on The Stock Exchange of Hong Kong Limited]<sup>5</sup>. It should not be relied upon by any party for any other purpose and we expressly disclaim any liability or duty to any party in this respect. It should not be disclosed, referred to or quoted in whole or in part without our prior written consent, nor is it to be filed with or referred to in whole or in part in the [prospectus for the proposed listing] or any other document, except that references may be made to its existence in (i) contracts among any of the Company, [Name of sponsor(s)] and ourselves and (ii) any communications in relation to the [proposed listing] among any of the Company, [Name of sponsor(s)] and ourselves, and a copy of this letter may be included in the bible of transaction documents memorialising the [proposed listing] prepared for the Company. Nothing in the preceding sentence shall prevent [Name of sponsor(s)] from disclosing this letter to [their][its] professional advisers or as may be required by law, regulation or court order or the rules or requirements of a regulatory body or stock exchange whose requirements [Name of sponsor(s)] [are][is] complying with.

Yours faithfully,

ABC & Co.  
Certified Public Accountants (Practising) [or Certified Public Accountants]  
Hong Kong

cc Name of sponsor(s)  
The Stock Exchange of Hong Kong Limited  
Securities and Futures Commission

---

*Notes*

1. ~~*HKSQC 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*~~ *Hong Kong Standard on Quality Management ("HKSQM") 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements replaces HKSQC 1. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.*
2. *Reporting accountants may consider it appropriate to clarify to whom they are responsible here or elsewhere in the report in accordance with their risk management policies and reference to Professional Risk Management Bulletin No. 2 "Auditors' Duty of Care To Third Parties and The Audit Report". Example text is included under "Intended Users and Purpose" of this example letter.*
3. *Where the requested confirmations have not been returned, the reporting accountants should seek to obtain suitable alternative evidence such as checking to the underlying agreements.*

### Appendix 3

#### Example letter on a Statement of Indebtedness

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

*The following example letter is provided for illustrative purposes only. It is intended to be used only as a guide to the possible form and content of a letter that reporting accountants may wish to provide, and is not intended to suggest standard wording to be used in any particular set of circumstances. The contents of the letter will vary according to the procedures agreed between reporting accountants, the Issuer and sponsors, where appropriate.*

(letterhead of reporting accountants)

The Board of Directors  
XYZ Limited

Date

Dear Sirs,

#### Statement of Indebtedness

This letter is written to you pursuant to the terms agreed between us in our engagement letter dated [date]. For the purpose of this letter, we have ~~carried out~~ performed the procedures described below, which were agreed with you as set out below with regard to the attached statement of indebtedness and contingent liabilities of [XYZ Limited] ("the Company") and its subsidiaries (collectively referred to as "the Group") as at [most recent practicable date]<sup>1</sup> ("the Statement") prepared by the directors of the Company for inclusion in the investment circular dated [date]<sup>2</sup> ("Investment Circular"). We ~~carried out our work~~ have conducted the agreed-upon procedures engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, "*Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness*" and with reference to Hong Kong Standard on Related Services ("HKSRs") 4400 (Revised), "*Engagements to Perform Agreed-upon Procedures Engagements Regarding Financial Information*" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The directors of the Company have acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

Our work in respect of the Statement has in turn been based on a schedule of indebtedness ("Schedule") prepared by the directors of the Company from the Group's accounting records in support of the Statement.

Both the Statement and Schedule are the sole responsibility of the directors of the Company. Copies of the Statement and Schedule are attached hereto and stamped by us for the purpose of identification only.

1. Bank loans and overdrafts, debt securities and other borrowings, mortgages and charges<sup>3</sup>
  - a. [We have compared the amounts shown on the Statement with the relevant amounts included in the Schedule and found them to be in agreement *[or state the differences, if any]*.]
  - b. [We have enquired of management whether reconciliations have been prepared where amounts in the Schedule are different to the amounts in the relevant bank statements at the relevant date. Management have confirmed that these reconciliations have been appropriately performed and reviewed<sup>4</sup>.]
  - c. [We have requested confirmations from the banks[, the relevant trustee]<sup>5</sup> and other providers of finance listed on the Schedule confirming the balances with them and the mortgages and charges at that date. We have compared the amounts shown on the

confirmations with the relevant amounts included in the Schedule and found the amounts to be in agreement or where the amounts confirmed were different to the amounts in the [Company/Group]'s books and records, we traced them to reconciliations prepared by the [Company/Group] and found them to be in agreement. We have indicated on the Schedule those balances, mortgages and charges which have been directly confirmed to us. [We have not received confirmations in respect of balances which account for [x]% of the amount included on the Schedule and have noted alternative sources of evidence on the Schedule (*e.g. bank statements where available*).]

- d. [We have compared the amounts of debt securities shown in the Schedule to copies of agreements made available to us by the [Company/Group] and found the amounts noted to be in agreement];

2. Lease liabilities<sup>6, 7</sup>

- a. [We have compared the amounts shown on the Statement with the relevant amounts included in the Schedule and found them to be in agreement [*or state the differences, if any*].]
- b. [We have compared the amounts of lease liabilities shown in the Schedule to lease liabilities calculation schedules prepared by management and found them to be in agreement. We have compared the lease periods and the lease payments as adopted in the lease liabilities calculations to relevant copies of lease agreements made available to us by the Group and found them to be in agreement. We have checked the arithmetical accuracy of the lease liabilities calculation schedules and found them to be arithmetically accurate]<sup>6, 7</sup>

3. Contingent liabilities or guarantees<sup>6</sup>

In relation to contingent liabilities or guarantees we have:

- a. [compared the amounts shown on the Statement with the relevant amounts included in the Schedule and found them to be in agreement [*or state the differences, if any*].]
- b. [read the items on the Schedule which, in the view of the directors of the Company, would at [latest practicable date] be expected to be disclosed pursuant to [Hong Kong Accounting Standard ("HKAS") /International Accounting Standard ("IAS")] 37 "Provisions, Contingent Liabilities and Contingent Assets" in any financial statements of the [Company/Group] were they to be prepared at that date;]
- c. [read the minutes of board meetings and made inquiries of management with responsibility for financial and accounting matters as to whether they are aware of any other contingent liabilities which, in their view would be expected to be disclosed pursuant to [HKAS/IAS] 37 in any published financial statements of the Company were they to be prepared at the [*latest practicable date*]<sup>4</sup>.]
- d. [requested confirmations from the banks listed on the Schedule confirming the amounts of guarantees at that date. We have compared the amounts shown on the confirmations with the relevant amounts included in the Schedule and found the amounts to be in agreement. We have indicated on the Schedule those amounts which have been directly confirmed to us. [We have not received confirmations in respect of amounts of guarantees which account for [x]% of the amount included on the Schedule and have noted alternative sources of evidence on the Schedule (*e.g. bank letters where available*).]
- e. [noted on the Schedule the sources of evidence in support of the amounts disclosed by the Company.]

An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the directors of the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We have placed reliance on representations from the directors of the

Company as to the completeness of the amounts shown in the Statement and Schedule.

We make no representations regarding questions of legal interpretation or regarding the sufficiency for your purposes of the ~~above~~ ~~mentioned~~ ~~agreed-upon~~ ~~procedures~~; also, ~~such procedures do not constitute~~ ~~this agreed-upon procedures engagement is not 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, and therefore would not necessarily reveal any material misstatement of the amounts or percentages or ratios listed above. Accordingly, we do not express any an opinion or an assurance conclusion on the Statement or Schedule.~~ Further, we have addressed ourselves solely to the foregoing data in the Investment Circular and we make no representations regarding the adequacy of disclosures or regarding whether any material facts have been omitted.

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

*Professional Ethics and Quality Control*

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<sup>9,10</sup>.

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*<sup>11</sup>, 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.

This letter has been prepared in connection with [the proposed listing of the Company's shares on The Stock Exchange of Hong Kong Limited]<sup>8</sup> and may not be suitable for another purpose. It should not be relied upon by any party for any other purpose and we expressly disclaim any liability or duty to any party in this respect. It should not be disclosed, referred to or quoted in whole or in part without our prior written consent, nor is it to be filed with or referred to in whole or in part in the Investment Circular or any other document, except that references may be made to its existence in (i) contracts among any of the Company, [Name of sponsor(s)] and ourselves and (ii) any communications in relation to the [proposed listing] among any of the Company, [Name of sponsor(s)] and ourselves, and a copy of this letter may be included in the bible of transaction documents memorialising the [proposed listing] prepared for the Company. Nothing in the preceding sentence shall prevent [Name of sponsor(s)] from disclosing this letter to [their][its] professional advisers or as may be required by law, regulation or court order or the rules or requirements of a regulatory body or stock exchange whose requirements [Name of sponsor(s)] [are][is] complying with.

Yours faithfully,

ABC & Co.  
Certified Public Accountants (Practising) [or Certified Public Accountants]  
Hong Kong

[cc [Name of sponsor(s)]]

---

*Notes*

1. *Most recent practicable date is a date normally no more than*
  - *two calendar months prior to the date of the Application Proof or the final listing document, in the case of a listing of new equity securities; or*
  - *eight calendar weeks prior to the date of the investment circular, in the case of notifiable transactions.*

2. *In the case that where the reporting accountants are reporting on the information in an Application Proof, "investment circular dated [date]" should be amended as "draft listing document to be submitted to The Stock Exchange of Hong Kong Limited"*
3. *Details of mortgages and charges are also a legal issue, in respect of which the Issuer and sponsor may need to discuss with the Issuer's legal advisors.*
4. *Management's confirmation could be obtained in the form of management representation.*
5. *May be applicable in the case of debentures.*
6. *To be included where applicable.*
7. *These are sample procedures for lease liabilities. Reporting accountants should discuss and agree with the Company on the extent of scope and specific procedures to be performed, in particular when a large quantity of lease contracts is involved.*
8. *Or state other purpose where appropriate.*
9. *For the purpose of this example letter, it is assumed that the reporting accountants are the auditors of the financial statements of the Company and have agreed with the directors of the Company that the reporting accountants' compliance with the independence requirements applicable to audits of financial statements is appropriate for the purpose of the agreed-upon procedures engagement. The reporting accountants have 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.*
10. *In case that the reporting accountants are not required to be independent and have not otherwise agreed in the terms of engagement to comply with independence requirements, a statement should be included in the letter that, for the purpose of the engagement, there are no independence requirements with which the reporting accountants are required to comply.*
11. *Hong Kong Standard on Quality Management ("HKSQM") 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements replaces HKSQC 1. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.*

PN 720  
Issued July 2005; revised [Month] 2021\*

---

Effective upon issue for engagements for which the terms of engagement are agreed on or after 1 January 2022

*Practice Note 720*

---

# Acting as Scrutineer at a General Meeting of a Listed Issuer

\* PN 720 has been updated for conforming changes to Hong Kong Standard on Related Services (HKSRs) 4400 (Revised), *Agreed-Upon Procedures Engagements* which will be effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after 1 January 2022.



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



## PRACTICE NOTE 720

### ACTING AS SCRUTINEER AT A GENERAL MEETING OF A LISTED ISSUER

(Issued July 2005, revised [Month] 2021\*; Effective upon issue for engagements for which the terms of engagement are agreed on or after 1 January 2022)

#### CONTENTS

---

	Paragraphs
Introduction and Purpose .....	1–53
Scope of Work .....	64–120
Reporting .....	131–1416
Representations by Management .....	175
Example Engagement Letter, Representation Letter and <u>Agreed-Upon Procedures Engagement Report</u> .....	186–2018
Effective Date .....	1921
Appendix 1: Example Engagement Letter	
Appendix 2: Example Letter of Representations	
Appendix 3: Example <u>Agreed-Upon Procedures Report of Factual Findings</u>	

---

Practice Note (PN) 720, “*Acting as Scrutineer at a General Meeting of a Listed Issuer*” should be read in the context of the “*Amended Preface to the Hong Kong Standards on Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*” which sets out the application and authority of PNs.

## Introduction and Purpose

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 to practising members who have been requested by a listed issuer to act as scrutineer when a poll is called at a general meeting.
2. The Main Board Listing Rule 13.39(5) and GEM Listing Rule 17.47(5) state that if voting at a general meeting is taken on poll, the listed issuer shall announce the results of the poll (including:
  - (i) the total number of shares entitling the holder to attend and vote for or against the resolution at the meeting,
  - (ii) the total number of shares entitling the holder to attend and vote only against the resolution at the meeting,
  - (iii) the number of shares represented by votes for and against the relevant resolution),

by way of an announcement which is published in the newspapers on the business day following the meeting. The listed issuer shall appoint its auditors, share registrar or external accountants who are qualified to serve as auditors for the listed issuer as scrutineer for the vote-taking and state the identity of the scrutineer in the announcement. The listed issuer shall confirm in the announcement whether or not any parties that have stated their intention in the listed issuer's circular to shareholders to vote against the relevant resolution or to abstain have done so at the general meeting.

3. Taking into account the nature of the engagement, practising members would perform an agreed-upon procedures engagement when acting as scrutineer at a general meeting of a listed issuer. Accordingly, practising members will carry out their work in accordance with Hong Kong Standard on Related Services ("HKSRS") 4400 (Revised), *"Engagements to Perform Agreed-upon Procedures Engagements Regarding Financial Information"*.
4. HKSRS 4400 (Revised) introduced requirements and application material to provide more clarity in the agreed-upon procedures report. Practising members are reminded to read HKSRS 4400 (Revised) for the requirements.
5. In particular, practising members should refer to paragraphs 21 – 23 and A28 – A38 of HKSRS 4400 (Revised) for the engagement acceptance and continuance conditions. Practising members shall include the terms as set out in paragraph 24 of HKSRS 4400 (Revised) in the engagement letter. Among the terms, the engagement letter shall include the purpose of the engagement and the intended users of the agreed-upon procedures report as identified by the engaging party. An illustrative engagement letter for an agreed-upon procedures engagement can be found in Appendix 1 to HKSRS 4400 (Revised).

## Scope of Work

6. Practising members' responsibility as scrutineer will normally be limited to the work performed below.
  - (i) To obtain the results of the votes cast (for example, the total of votes cast for and against each motion) included in the poll results summary prepared by the listed issuer and check the additions of the totals included in the summary.
  - (ii) To compare the individual details of votes cast included in the summary to the poll forms collected and provided by the listed issuer. This would not be expected to be carried out on a test basis.

75. Practising members will not in any way act as management. It is the directors' responsibility to undertake any poll and vote-taking, and to ensure that such are carried out properly in compliance with all applicable laws and regulations and that adequate controls are in place to ensure the completeness, authenticity and accuracy of the votes cast and the poll results. The directors are also responsible for ensuring the completeness and accuracy of the details of the poll results included in the announcement on the poll.
86. Practising members will not be required to report, as part of their procedures, on the listed issuer's procedures over the process of registration of the shareholders and authorised proxies, the distribution and collection of poll forms, the safeguarding of vote collection boxes, the counting process of the poll forms and the input of the poll results into the poll results summary. Practising members will state in the engagement letter that their work should not be relied upon in any way as confirmation of any voter's entitlement to vote.
97. Although practising members will not be required to report on the matters set out in paragraph (6) above, they will gain an understanding, through observation and enquiry, of the listed issuer's above procedures. Furthermore, observation and enquiry will also include ensuring that counters of the listed issuer:
- (a) are present when the ballot boxes are opened;
  - (b) open all sealed envelopes;
  - (c) check validity and signature for each ballot paper;
  - (d) tabulate the valid and void papers;
  - (e) confirm the votes; and
  - (f) prepare the necessary report.

During the observation and enquiry of the listed issuer's procedures on the poll, practising members are encouraged to select a sample of shareholders/authorised proxies and compare the identity to the information on the members' register and/or proxy form.

108. The procedures that practising members will perform will 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 will be expressed. Furthermore, practising members will also include in their engagement letter that the engagement cannot be relied upon to identify or disclose whether fraud or errors, or illegal acts exist or have been undertaken.
119. Under HKSRS 4400 (Revised), independence is not normally a requirement for agreed-upon procedures engagements; however, the terms or objectives of an engagement may require practising members to comply with certain independence requirements. In this regard, there is no objection to practising members who are auditors acting as scrutineers in general meeting provided that they observe the ~~Statements of Professional Ethics/Code of Ethics for Professional Accountants~~ issued by the Hong Kong Institute of Certified Public Accountants.
120. Where practising members are not required to be independent and have not otherwise agreed in the terms of engagement to comply with independence requirements in relation to acting as scrutineer for a poll in respect of their reappointment as auditors, a statement to that effect would be made in their agreed-upon procedures report of factual findings. However, practising members will refrain from accepting appointment as scrutineer for a poll in respect of their reappointment where the reappointment is contested. If practising members are required to be independent or have agreed in the terms of engagement to comply with independence

requirements, the agreed-upon procedures report should include a statement on compliance with the relevant independence requirements. The statement shall also identify those independence requirements.

## Reporting

131. The engagement ~~agreed-upon procedures~~ report will be addressed to the board of directors and will state the ~~factual findings of agreed-upon procedures performed~~ in respect of the poll results summary, including details of errors or exceptions found, in accordance with HKSRS 4400 (Revised). It will also state that no assurance engagement has been performed on the poll results summary and accordingly, no assurance is expressed thereon by practising members. In addition, if practising members when carrying out their work are of the view that irregularities or differences of view occur on the poll, such irregularities and differences of view will be included in the agreed-upon procedures engagement report.

142. In accordance with HKSRS 4400 (Revised), ~~the engagement report will not be distributed to any parties who have not agreed to the procedures to be performed~~ the agreed-upon procedures report should include the identification of the purpose of the report and a statement that the report may not be suitable for another purpose. Accordingly, the engagement agreed-upon procedures report shall state this. ~~Consequently, the engagement~~ The agreed-upon procedures report will be for the listed issuer's information only and it shall not be copied, referred to or disclosed in whole or in part to any other persons and this should be stated including expressly disclaiming any liability to any such party in this respect. However, it will be necessary to allow the listed issuer to disclose the contents and/or send a copy of the report to the regulators upon request.

153. The name of practising members, as scrutineer, will normally be identified in the listed issuer's public announcement of the poll results to be issued on the business day following the relevant general meeting. Practising members will normally agree to this provided that the following in respect of the scope of their work is included in the announcement:

*Scope of work of ABC & Co.*

*The poll results were subject to scrutiny by ABC & Co., Certified Public Accountants (Practising), whose work was limited to certain procedures requested by the Company to agree the poll results summary prepared by the Company to poll forms collected and provided by the Company to ABC & Co. 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 nor did it include provision of any assurance or advice on matters of legal interpretation or entitlement to vote.*

164. Practising members will request the listed issuer to entitle them, as scrutineer, to review, comment on the appropriateness of, and object to, the contents of any of the listed issuer's announcement containing references to the practising members prior to its issuance. Furthermore, practising members will request the listed issuer to take account of their comments and objections and to agree that the listed issuer's announcement shall not be finalised or published without having obtained their prior written consent. If a situation arises where the listed issuer's announcement is published without taking into account the practising members' comments and objections and without having obtained their prior written consent, they will be required to write to the listed issuer's audit committee regarding the discrepancies and request the audit committee to inform the SEHK of such matter.

## Representations by Management

175. Practising members will obtain written representations from management of the listed issuer on the results of the poll in the relevant general meeting.

## **Example Engagement Letter, Representation Letter and Engagement Report**

186. An example engagement letter is set out in Appendix 1 to this Practice Note.

197. An example letter of representations is set out in Appendix 2 to this Practice Note.

2018. An example agreed-upon procedures report of factual findings is set out in Appendix 3 to this Practice Note.

### **Effective Date**

2119. This Practice Note is effective upon issue, i.e. July 2005, for agreed-upon procedures engagements for which the terms of engagement are agreed on or after 1 January 2022.

## APPENDIX 1

### 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>1</sup>.~~

To the Board of Directors of [XYZ Company]:

The purpose of this letter is to set out the basis on which we are to act as scrutineer of [XYZ Company] (the "Company") with respect to the poll in the general meeting to be held on [date], the responsibilities of the directors, and the scope of our work as scrutineer ~~and the fee to be charged by us<sup>2</sup>.~~

#### **1. Responsibilities of directors**

1.1 ~~As directors of the Company, you are responsible for establishing and maintaining adequate systems of internal control to ensure that the poll is carried out properly and to ensure the completeness and accuracy of the results of the poll.~~

1.2 ~~You are also responsible to ensure the accuracy of the information included in the summary of the poll results and in any announcement of the results of the poll.~~

1.3 ~~You will confirm to us that all proxy forms have been properly received and all votes cast are legally valid, and that the poll results are complete and accurate.~~

1.4 ~~You will make available to us:~~

~~(a) all written policies, internal memoranda, correspondence and working papers relating to the vote-taking; and~~

~~(b) other information necessary for us to perform the agreed-upon procedures as set out in our scope of work in section 2 below.~~

#### **2. Scope of our work**

2.1 ~~You have requested us to act as scrutineer for any vote-taking to be taken place during the Company's general meeting to be held on [date]. The scope of our work as scrutineer will be limited to the procedures agreed with you as set out in this section below. 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.~~

2.2 ~~As agreed with you, we will perform the following procedures:~~

~~(a) We will obtain the results of the votes cast (for example, the total of votes cast for and against each motion) included in the poll results summary prepared by the Company and will check the additions of the totals included in the summary.~~

~~(b) We will compare the individual details of votes cast included in the summary to the poll forms collected and provided to us by the Company.~~

<sup>1</sup> ~~Practising members may consider it appropriate to include a limitation of liability clause in their engagement letter in accordance with their risk management policies.~~

<sup>2</sup> ~~Delete where not applicable.~~

~~2.3 Our work will be carried out in accordance with Hong Kong Standard on Related Services (HKSRS) 4400 “Engagements to Perform Agreed-upon Procedures Regarding Financial Information” and with reference to Practice Note 720 “Acting as Scrutineer at a General Meeting of a Listed Issuer” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).~~

~~2.4 The procedures that we will perform will 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 HKICPA and, consequently, no assurance will be expressed.~~

~~2.5 Our engagement cannot be relied upon to identify or disclose whether fraud or errors, or illegal acts exist or have been undertaken. However, we will inform you of any such matters which come to our attention.~~

### ~~3 Reporting~~

~~3.1 In accordance with HKSRS 4400, our report will be addressed to the Board of Directors of the Company and will state our factual findings in respect of the poll results summary, including details of errors or exceptions found. It will also state that we have not performed an assurance engagement on the poll results summary and accordingly express no assurance thereon. In addition, if when carrying out our work we are of the view that irregularities or differences of view occur on the poll, such irregularities and differences of view will be included in the engagement report.~~

~~3.2 In accordance with HKSRS 4400, our report should not be distributed to any parties who have not agreed to the procedures to be performed. Accordingly, our report will state this. Consequently, our report will be for the information of the Board of Directors of the Company only and it should not be copied, referred to or disclosed in whole or in part to any other persons and we expressly disclaim any liability to any such party in this respect. However, we will allow you to disclose the contents and/or send a copy of the report to the regulators upon request.~~

~~3.3 We understand that our name, as scrutineer, will be identified in the Company’s public announcement of the poll results to be issued on the business day following the general meeting. We will agree to this provided that the following in respect of our scope of work is included in the announcement.~~

~~“Scope of work of ABC & Co.~~

~~The poll results were subject to scrutiny by ABC & Co., Certified Public Accountants (Practising), whose work was limited to certain procedures requested by the Company to agree the poll results summary prepared by the Company to poll forms collected and provided by the Company to ABC & Co. 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 nor did it include provision of any assurance or advice on matters of legal interpretation or entitlement to vote.”~~

~~3.4 We will be entitled to review, comment on the appropriateness of, and object to, the contents of any announcement by the Company containing references to ABC & Co. prior to its issuance. The Company will take account of our comments and objections and the Company agrees that the announcement by the Company will not be finalised or published without having obtained our prior written consent. If a situation arises where the announcement by the Company 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 SEHK of such matter.~~

~~<sup>2</sup>[4. Fee]~~

~~Yours faithfully,~~

~~ABC & Co.  
Certified Public Accountants (Practising) [or Certified Public Accountants]  
Date~~

---

~~We agree to the terms of this letter.~~

~~\_\_\_\_\_  
\_\_\_\_\_  
(Signed)~~

~~Director, for and on behalf of the Board of [XYZ Company]~~

---

<sup>2</sup> See footnote 2.



## **APPENDIX 1**

### **Example Engagement Letter**

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

The following is an example of an engagement letter for an agreed-upon procedures engagement that illustrates the relevant requirements and guidance contained in this Practice Note. This letter is not authoritative and is intended only to be a guide that may be used in conjunction with the considerations outlined in this Practice Note. It will need to be adapted according to the requirements and circumstances of individual agreed-upon procedures engagements. It is drafted to refer to an agreed-upon procedures engagement for a single reporting period and would require adaptation if intended or expected to apply to a recurring engagement. It may be appropriate to seek legal advice that any proposed letter is suitable<sup>1</sup>.

To the Board of Directors of [XYZ Company]:

You have requested that we perform an agreed-upon procedures engagement on acting as scrutineer of [XYZ Company] (the “Company”) with respect to the poll undertaken in the general meeting to be held on [date]. This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services that we will provide. Our engagement will be conducted in accordance with the Hong Kong Standard on Related Services (“HKSRS”) 4400 (Revised), *Agreed-Upon Procedures Engagements* and with reference to Practice Note (“PN”) 720, *Acting as Scrutineer at a General Meeting of a Listed Issuer* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In performing the agreed-upon procedures engagement, we will comply with the ethical requirements of the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”) and we agree to comply with the independence requirements applicable to audits of financial statements as set out in the Code.

An agreed-upon procedures engagement performed under HKSRS 4400 (Revised) involves our performing the procedures agreed with you, and communicating the findings in the agreed-upon procedures report. Findings are the factual results of the agreed-upon procedures performed. You acknowledge that the procedures are appropriate for the purpose of the engagement. We make no representation regarding the appropriateness of the procedures. This agreed-upon procedures engagement will be conducted on the basis that the Company is responsible for all votes cast, proxy forms and voter’s entitlement to vote on which the agreed-upon procedures are performed. Further, this agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

The procedures that we will perform are solely for the purpose of assisting you in satisfying the requirement of the [Main Board Listing Rule 13.39(5)/GEM Listing Rule 17.47(5)]<sup>2</sup> issued by The Stock Exchange of Hong Kong Limited (“SEHK”). Accordingly, our report will be addressed to you and our report may not be suitable for another purpose.

#### **1. Responsibilities of directors**

- 1.1 As directors of the Company, you are responsible for establishing and maintaining adequate systems of internal control to ensure that the poll is carried out properly and to ensure the completeness, authenticity and accuracy of the votes cast and the results of the poll.
- 1.2 You are responsible for ensuring the completeness and accuracy of the information included in the summary of the poll results and in any announcement of the results of the poll, and also ensuring each voter’s entitlement to vote.

<sup>1</sup> The auditor may consider it appropriate to include a limitation of liability clause with his firm’s risk management policies.

<sup>2</sup> Delete where not applicable.

1.3 You will confirm to us that all proxy forms have been properly received and all votes cast are legally valid, and that the poll results are complete and accurate.

1.4 You will make available to us:

(a) all written policies, internal memoranda, correspondences and working papers relating to the vote-taking; and

(b) other information necessary for us to perform the agreed-upon procedures as set out in our scope of work in section 2 below.

## **2. Scope of our work**

2.1 You have requested us to act as scrutineer for any vote-taking to be taken place during the Company's general meeting to be held on [date]. The scope of our work as scrutineer will be limited to the procedures agreed with you as set out in this section below. 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.

2.2 We have agreed to perform the following procedures and report to you the findings resulting from our work:

(a) Obtain the results of the votes cast (for example, the total of votes cast for and against each motion) included in the poll results summary prepared by the Company and check the additions of the totals included in the summary.

(b) Compare the individual details of votes cast included in the summary to the poll voting forms collected and provided to us by the Company.

The procedures are to be performed between [date] and [date].

2.3 Our engagement cannot be relied upon to identify or disclose whether fraud or errors, or illegal acts exist or have been undertaken. However, we will inform you of any such matters which come to our attention.

## **3. Our Agreed-Upon Procedures Report**

3.1 As part of our engagement, we will issue our report, which will describe the agreed-upon procedures and the findings of the procedures performed. [Insert appropriate reference to the expected form and content of the agreed-upon procedures report in accordance with PN 720.]

3.2 Our report will be addressed to the Board of Directors of the Company and will state our findings of agreed-upon procedures performed in respect of the poll results summary, including details of errors or exceptions found, in accordance with HKSRS 4400 (Revised) and with reference to PN 720. It will also state that we have not performed an assurance engagement on the poll results summary and accordingly express no assurance thereon. In addition, if when carrying out our work we are of the view that irregularities or differences of view occur on the poll, such irregularities and differences of view will be included in the agreed-upon procedures report.

3.3 In accordance with HKSRS 4400 (Revised), our report should include the identification of the purpose of the report and a statement that the report may not be suitable for another purpose. Accordingly, our report will state this. Our report will be for the information of the Board of Directors of the Company only and it should not be copied, referred to or disclosed in whole or in part to any other persons and we expressly disclaim any liability to any such party in this respect. However, we will allow you to disclose the contents and/or send a copy of the report to the SEHK and Securities and Futures Commission upon their request.

3.4 We understand that our name, as scrutineer, will be identified in the Company's public announcement of the poll results to be issued on the business day following the general meeting. We will agree to this provided that the following in respect of our scope of work is included in the announcement.

"Scope of work of ABC & Co.

The poll results were subject to scrutiny by ABC & Co., Certified Public Accountants (Practising), whose work was limited to certain procedures requested by the Company to agree the poll results summary prepared by the Company to poll forms collected and provided by the Company to ABC & Co. 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 nor did it include provision of any assurance or advice on matters of legal interpretation or entitlement to vote."

3.5 We will be entitled to review, comment on the appropriateness of, and object to, the contents of any announcement by the Company containing references to ABC & Co. prior to its issuance. The Company will take account of our comments and objections and the Company agrees that the announcement by the Company will not be finalised or published without having obtained our prior written consent. If a situation arises where the announcement by the Company 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 SEHK of such matter.

**[4. Fee]<sup>3</sup>**

[Insert other information, such as billings and other specific terms, as appropriate.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement, including the specific procedures which we have agreed will be performed and that they are appropriate for the purpose of the engagement.

Yours faithfully,

ABC & Co.  
Certified Public Accountants (Practising) [or Certified Public Accountants]

---

Acknowledged and agreed on behalf of the Board of Directors of [XYZ Company] by:

[Signature]  
[Name and Title]  
[Date]

---

<sup>3</sup> Delete where not applicable.

## APPENDIX 2

### Example Letter of Representations

(To auditors)

(Date)

Dear Sirs

We refer to your report dated [date] on the results of the agreed-upon procedures on the poll undertaken in the general meeting of [XYZ Company] (the "Company") held on [date] (the "poll").

We confirm to the best of our knowledge and belief the following representations given to you in connection with your above report:

- 1 We are responsible for establishing and maintaining adequate systems of internal control to ensure that the poll is carried out properly and to ensure the completeness, authenticity and accuracy of the votes cast and the results of the poll.
- 2 We are also responsible to ensure the completeness and accuracy of the information included in the summary of the poll results and in any announcement of the results of the poll, and ensure each voter's entitlement to vote.
- 3 We confirm that all proxy forms have been properly received and all votes cast are legally valid, and that the poll results are complete and accurate.
- 4 We have made available to you
  - (a) all written policies, internal memoranda, correspondences and working papers relating to the vote-taking; and
  - (b) other information necessary for you to perform the agreed-upon procedures as stated in the engagement letter dated [date].
- 5 We confirm the poll outcome as [included in the attached summary][follows]<sup>1</sup>:

	For	Against	Spoilt votes/abstention
Motion 1			
Motion 2			
etc.			

Yours faithfully,

By Order of the Board

\_\_\_\_\_  
Name:

\_\_\_\_\_  
Name:

\_\_\_\_\_  
Position:

\_\_\_\_\_  
Position:

<sup>1</sup> If the engagement-agreed-upon procedures report is issued on the same day as the poll is taken, the details of votes cast may need to be manually included on the representation letter.

### APPENDIX 3

#### Example Report of Factual Findings

##### Report of Factual Findings

To: ~~Board of Directors~~  
~~[XYZ Company]~~

~~We have performed the procedures agreed with you in our engagement letter dated [date] and enumerated below with respect to the poll undertaken in the general meeting of [XYZ Company] (the "Company") on [date] (the "poll"). Our engagement was conducted in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" and with reference to Practice Note 720 "Acting as Scrutineer at a General Meeting of a Listed Issuer" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The procedures were performed solely to assist you in satisfying the requirement of the [Main Board Listing Rule 13.39(5)/GEM Listing Rule 17.47(5)]\* issued by the Stock Exchange of Hong Kong Limited and are summarised as follows:~~

- ~~1) We obtained the results of the votes cast included in the poll results summary prepared by the Company attached to this report and checked the additions of the totals included in the summary.~~
- ~~2) We compared the individual details of votes cast included in the summary to the poll voting forms collected and provided to us by the Company.~~

~~Based on the information and documents made available to us, we report our findings as follows:~~

- ~~a) With respect to item 1, we found the additions of the totals to be [correct][correct except for the following errors set out below (such errors to be set out)]\*.~~
- ~~b) With respect to item 2, we found the individual details of votes cast included in the summary agreed to the poll forms collected and provided to us by the Company.~~

~~For the purpose of this report, the following convention has been adopted in presenting our procedures and findings:~~

- ~~• The phrase "compared" means agreed to and found to be in agreement unless otherwise noted. Such agreed amounts and percentages are deemed to be in agreement if differences are attributable to rounding.~~

~~Because the above procedures do 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 HKICPA, we do not express any assurance on the results of the poll.~~

~~[In relation to the poll in respect of the reappointment of auditors, we declare that we are the auditors of the Company seeking reappointment.]<sup>2</sup>~~

~~As agreed with you, the Company is responsible for ensuring the completeness and authenticity of all votes cast and proxy forms and for ensuring each voter's entitlement to vote. Our work and this report do not constitute confirmation of such nor confirmation of, or advice on, any legal matters or matters subject to legal interpretation.~~

<sup>2</sup> - Delete where not applicable.

ACTING AS SCRUTINEER AT A GENERAL MEETING OF A LISTED ISSUER

~~Had we performed additional procedures or had we performed 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 HKICPA, other matters might have come to our attention that would have been reported to you.~~

~~This report is solely for the purpose set forth in the first paragraph above and for your information only and is not to be used for any other purpose or to be distributed to any other parties. We expressly disclaim any liability to any such party in this respect.~~

~~ABC & Co.~~

~~Certified Public Accountants (Practising) [or Certified Public Accountants]~~

~~Date~~

### **APPENDIX 3**

#### **Example Agreed-Upon Procedures Report**

(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 Company is the engaging party, the responsible party and the intended user.
- No exceptions were found.
- The practitioner did not engage a practitioner's expert to perform any of the agreed-upon procedures.
- There is a restriction on the use and distribution of the report.
- The practitioner is the auditor of the financial statements of the Company. The practitioner has agreed with the directors of the Company that the practitioner's compliance with the independence requirements applicable to audits of financial statements is appropriate for the purpose of the agreed-upon procedures engagement. The practitioner 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 practitioner included a reference to the date when the agreed-upon procedures were agreed in the terms of the engagement.

AGREED-UPON PROCEDURES REPORT ON ACTING AS SCRUTINEER OF THE COMPANY WITH RESPECT TO THE POLL UNDERTAKEN IN THE GENERAL MEETING ON [DATE]

To: Board of Directors of [XYZ Company]

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

Our report is solely for the purpose of assisting [XYZ Company] (the "Company") in satisfying the requirement of the [Main Board Listing Rule 13.39(5)/GEM Listing Rule 17.47(5)]<sup>1</sup> issued by The Stock Exchange of Hong Kong Limited and may not be suitable for another purpose. This report is intended solely for the Company, and should not be used by, or distributed to, any other parties.

#### **Directors' Responsibilities**

The directors of the Company have acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The directors of the Company are responsible for ensuring (a) completeness, authenticity and accuracy of all votes cast and the results of the poll; (b) completeness and accuracy of the information in the summary of the poll results in any announcement of the results of the poll; (c) each voter's entitlement to vote and (d) all proxy forms have been properly received and all votes cast are legally valid, and that the poll results are complete and accurate (collectively the "votes cast, proxy forms and voter's entitlement to vote"), on which the agreed-upon procedures are performed.

---

<sup>1</sup> Delete where not applicable.

**Practitioner’s Responsibilities**

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* and with reference to Practice Note 720, *Acting as Scrutineer at a General Meeting of a Listed Issuer* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the directors of the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. Our work and this report do not constitute confirmation of votes cast, proxy forms and voter’s entitlement to vote nor confirmation of, or advice on, any legal matters or matters subject to legal interpretation. We make no representation regarding the appropriateness of the agreed-upon procedures. We expressly disclaim any liability or duty to any other party for the content in this report.

As agreed with you, the Company is responsible for ensuring the completeness and authenticity of all votes cast and proxy forms and for ensuring each voter’s entitlement to vote.

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**

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.

[In relation to the poll in respect of the reappointment of auditors, we declare that we are the auditors of the Company seeking reappointment.]<sup>1</sup>

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*<sup>2</sup>, 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.

**Procedures and Findings**

We have performed the procedures described below, which were agreed upon with the directors of the Company in the terms of engagement dated [date], on acting as scrutineer of the Company with respect to the poll undertaken in the general meeting on [date].

<b><u>Procedures</u></b>	<b><u>Findings</u></b>
<u>1. We obtained the results of the votes cast included in the poll results summary prepared by the Company attached to this report and checked the additions of the totals included in the summary.</u>	<u>1. We found the additions of the totals to be correct.</u>

<sup>1</sup> Delete where not applicable.

<sup>2</sup> Hong Kong Standard on Quality Management (“HKSQM”) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* replaces HKSQC 1. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.



ACTING AS SCRUTINEER AT A GENERAL MEETING OF A LISTED ISSUER

<u>2. We compared the individual details of votes cast included in the summary to the poll voting forms collected and provided to us by the Company.</u>	<u>2. We found the individual details of votes cast included in the summary agreed to the poll forms collected and provided to us by the Company.</u>
--	---

For the purpose of this report, the following convention has been adopted in presenting our procedures and findings:

- The phrase “compared” means agreed to and found to be in agreement unless otherwise noted. Such agreed amounts and percentages are deemed to be in agreement if differences are attributable to rounding.

ABC & Co.  
Certified Public Accountants (Practising) [or Certified Public Accountants]  
[Date]  
[Address]

PN 730 (Revised)  
Issued September 2015,  
revised March 2017, December 2020, [Month] 2021\*

---

Effective ~~upon issue~~ for engagements for which the  
terms of engagement are agreed  
on or after 1 January 2022

Practice Note 730 (Revised)

# Guidance for Auditors Regarding Preliminary Announcements of Annual Results

\* PN 730 (Revised) has been updated for conforming changes to Hong Kong Standard on Related Services (HKSRS) 4400 (Revised), *Agreed-Upon Procedures Engagements* which will be effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after 1 January 2022. ~~amendments to the Main Board Listing Rules and GEM Listing Rules issued by The Stock Exchange of Hong Kong Limited following the “Consultation Conclusions on Proposed Changes to Documentary Requirements relating to Listed Issuers and Other Minor Rule Amendments” which came into effect on 1 March 2019.~~



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, December 2020 and [Month] 2021\*; Effective for engagements for which the terms of engagement are agreed on or after 1 January 2022)

#### CONTENTS

---

	Paragraphs
Introduction	1 – 1011
Main Board and GEM Listing Rule requirements.....	11-12 – 4415
Terms of engagement .....	15-16 – 1820
Procedures .....	19-21 – 3840
Communication of agreement.....	39-41 – 4749
Appendix 1 Example <u>Agreed-Upon Procedures</u> Report on Agreement with Preliminary Announcement of Results	
Appendix 2 Example Engagement Letter	
Appendix 3 Extract of Main Board Listing Rules	
Appendix 4 Extract of GEM Listing Rules	

---

Practice Note (PN) 730 (Revised), "*Guidance for Auditors Regarding Preliminary Announcements of Annual Results*" should be read in the context of the "*Amended Preface to the Hong Kong Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*" 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.
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 ("HKRSR") 4400 (Revised), ~~"Engagements to Perform Agreed-upon Procedures Engagements Regarding Financial Information".~~
6. HKRSR 4400 (Revised) introduced requirements and application material to provide more clarity in the agreed-upon procedures report. Auditors are reminded to read HKRSR 4400 (Revised) for the requirements.
7. 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.
8. 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

*Frequently Asked Questions*

143. The SEHK and SFC update their frequently asked questions ("FAQ") from time to time and they are designed to help issuers to 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. The issuers should apply the latest guidance in the FAQ in preparing the preliminary announcement of results.
154. FAQ 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**

165. 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.
176. 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.
18. The auditors should refer to paragraphs 21 – 23 and A28 – A38 of HKSRS 4400 (Revised) for the engagement acceptance and continuance conditions. The auditors shall include the terms as set out in paragraph 24 of HKSRS 4400 (Revised) in the engagement letter. Among the terms, the engagement letter shall include the purpose of the engagement and the intended users of the agreed-upon procedures report as identified by the engaging party.
1719. \_\_\_\_\_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 (Revised) 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 (Revised) and with reference to this Practice Note); and
  - (e) a statement explaining the inherent limitations of the auditors' work.
1820. 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~~21. 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 26~~4~~ 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 the evidence of approval from the Board/ Committee of the Board is not available, auditors would 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 evidence, auditors would refrain from issuing their agreement to the preliminary announcement of results.

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

22~~0~~. Arising from the requirements of the Listing Rules, there is an expectation on the part of the 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 on or before the date of the preliminary announcement of results.

23~~1~~. Where the announcement of results is based on audited financial statements, it is acceptable for the listed issuer not to mention "preliminary" in the headline of the announcement and when describing the results of the financial year. For purposes of this Practice Note, the term "preliminary announcement of results" refers to both the situations where the financial results are based on audited financial statements (as set out in paragraph 22~~0~~ above) or draft financial statements (as set out in paragraph 24~~2~~ below).

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

24~~2~~. 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.

25~~3~~. 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.

26~~4~~. This means that the audit, including an Engagement Quality Control Review as described in HKSA 220, *Quality Control for an Audit of Financial Statements*<sup>2</sup>, is completed subject only to the following:

<sup>2</sup> HKSA 220 (Revised), *Quality Management for an Audit of Financial Statements* replaces HKSA 220 and will be effective for audits of financial statements for the periods beginning on or after 15 December 2022.

*Modifications to the audit report*

- ~~35~~37. The Main Board and GEM Listing Rules require that, if the auditors are likely to issue a modified report on the listed issuer's annual financial statements, the preliminary announcement of results gives details of the modification.
- ~~36~~38. In FAQ 002-2017 and 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.
- ~~37~~39. 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.
- ~~38~~40. If the precise details of the matters giving rise to a modified opinion, an emphasis of matter paragraph or a material uncertainty related to going concern are critical to a full appreciation of the financial position/auditors' report, it is strongly recommended that auditors do not 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, an emphasis of matter paragraph or a material uncertainty related to going concern, 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**

- ~~39~~41. 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 HKSRS 4400 (Revised). It will also state that no assurance engagement has been performed and accordingly, no assurance is expressed thereon by auditors.
- ~~42~~0. 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.
- ~~43~~1. 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.
- ~~44~~2. 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.

**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 [GEM 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.~~

<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.~~



~~[Events or issues may arise during the course of finalising and issuing the audited consolidated financial statements of the Group that might result in the need to revise an amount[s] in the Group's consolidated financial statements or to [modify the draft auditors' report] / [further modify the auditors' report]<sup>4</sup>.~~

~~Our report is solely for the purpose set forth in the second paragraph of this report and is for your information only, and is not to be used for any other purpose or to be distributed to any other parties and we expressly disclaim any liability or duty to any other party in this respect. We agree that a copy of this report will be provided to the SEHK and Securities and Futures Commission upon their request without further comment from us. This report relates only to the items specified above and does not extend to the Preliminary Announcement [or the audited consolidated financial statements] taken as a whole.~~

~~ABC & Co.  
Certified Public Accountants (Practising) [or Certified Public Accountants]  
Date~~

---

<sup>4</sup> To include if the auditors' report has not been issued as of the date of issuance of this report. Furthermore, if modification of the auditors' report is already anticipated, the auditors should have previously notified the listed issuer as paragraph 45(7) of Appendix 16 to the Main Board Listing Rules and GEM Listing Rule 18.50(8) require that where the auditors are likely to issue a modified report on the listed issuer's annual financial statements, details of the modification should be set out in the preliminary announcement.

**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 [GEM 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.

~~2.2~~ As agreed with you, we will perform the following procedures:

~~We will obtain 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] and will compare 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. We will report to you our agreement with the Preliminary Announcement.~~

~~2.3~~ Our work will be carried out 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" ("PN 730") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").~~2.4~~ The procedures that we will perform will 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 HKICPA and, consequently, no assurance will be expressed on the Preliminary Announcement.~~2.5~~ Our engagement cannot be relied upon to identify or disclose whether fraud or errors, or illegal acts exist or have been undertaken. However, we will inform you of any such matters which come to our attention.**3 Reporting**~~3.1~~ Our report will be addressed to the Board of Directors of the Company and will state our factual findings in respect of obtaining 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] and comparing 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, in accordance with HKSRs 4400 and with reference to PN 730. It will also state that we have not performed an assurance engagement on the Preliminary Announcement and accordingly express no assurance thereon. In addition, if when carrying out our work we are of the view that irregularities or differences of view arise in respect of the Preliminary Announcement, we will not issue our agreement in respect of the Preliminary Announcement and will send a letter to the Board of Directors of the Company setting out such irregularities and differences of view.~~3.2~~ In accordance with HKSRs 4400, our report should not be distributed to any parties who have not agreed to the procedures to be performed. Accordingly, our report will state this. Consequently, our report will be for the information of the Board of Directors of the Company only and it should not be copied, referred to or disclosed in whole or in part to any other persons and we expressly disclaim any liability to any such party in this respect. However, we will allow you to disclose the contents and/or send a copy of the report to the SEHK and Securities and Futures Commission upon their request.~~3.3~~ We understand that our name may be identified in the Company's public announcement in respect of our report on our agreement with the Preliminary Announcement. We will agree to this provided that our scope of work is made clear in the Preliminary Announcement. An example disclosure in this respect is as follows:

~~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.]~~

~~3.6 In the event that we disagree with the content of the Preliminary Announcement we will send you a letter setting out the reasons.~~

~~Yours faithfully,~~

~~ABC & Co.  
Certified Public Accountants (Practising) [or Certified Public Accountants]  
Date~~

---

~~We agree to the terms of this letter.~~

---

~~(Signed)~~

~~Director, for and on behalf of the Board of [XYZ Company Limited]~~

---

## **APPENDIX 1**

### **EXAMPLE AGREED-UPON PROCEDURES REPORT ON AGREEMENT WITH PRELIMINARY ANNOUNCEMENT OF RESULTS**

(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 Company is the engaging party, the responsible party and the intended user. The report is also intended to be provided to The Stock Exchange of Hong Kong Limited.
- No exceptions were found.
- The practitioner did not engage a practitioner's expert to perform any of the agreed-upon procedures.
- There is a restriction on the use and distribution of the report.
- The practitioner is the auditor of the financial statements of the Company. The practitioner has agreed with the directors of the Company that the practitioner's compliance with the independence requirements applicable to audits of financial statements is appropriate for the purpose of the agreed-upon procedures engagement. The practitioner 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 practitioner included a reference to the date when the agreed-upon procedures were agreed in the terms of the engagement.

#### **AGREED-UPON PROCEDURES REPORT ON AGREEMENT WITH PRELIMINARY ANNOUNCEMENT OF RESULTS**

To: Board of Directors of [XYZ Company Limited]

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

Our report is solely for the purpose of assisting XYZ Company Limited (the "Company") 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 [GEM of]<sup>2</sup> The Stock Exchange of Hong Kong Limited (the "SEHK") and may not be suitable for another purpose. This report is intended solely for the Company, 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 SEHK and Securities and Futures Commission upon their request without further comment from us. This report relates only to the items specified below and does not extend to the preliminary announcement of results of the Company and its subsidiaries (the "Group") for the year ended [date] (the "Preliminary Announcement") [or the audited consolidated financial statements] taken as a whole.

#### **Directors' Responsibilities**

The directors of the Company have acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

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

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

The directors of the Company are responsible for the Preliminary Announcement on which the agreed-upon procedures are performed.

### **Practitioner's Responsibilities**

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* 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"). An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the directors of the Company, 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 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

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*<sup>3</sup>, 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.

### **Procedures and Findings**

We have performed the procedures described below, which were agreed upon with the directors of the Company in the terms of engagement dated [date], on our agreement with the Preliminary Announcement.

<b><u>Procedures</u></b>	<b><u>Findings</u></b>
<u>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.</u>	<u>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]].</u>

<sup>3</sup> Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* replaces HKSQC 1. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.

[Events or issues may arise during the course of finalising and issuing the audited consolidated financial statements of the Group that might result in the need to revise an amount[s] in the Group's consolidated financial statements or to [modify the draft auditors' report] / [further modify the auditors' report]<sup>4</sup>.

ABC & Co.

Certified Public Accountants (Practising) [or Certified Public Accountants]

[Date]

[Address]

---

<sup>4</sup> To include if the auditors' report has not been issued as of the date of issuance of this report. Furthermore, if modification of the auditors' report is already anticipated, the auditors should have previously notified the listed issuer as paragraph 45(7) of Appendix 16 to the Main Board Listing Rules and GEM Listing Rule 18.50(8) require that where the auditors are likely to issue a modified report on the listed issuer's annual financial statements, details of the modification should be set out in the preliminary announcement.



## APPENDIX 2

### EXAMPLE ENGAGEMENT LETTER

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

*The following is an example of an engagement letter for an agreed-upon procedures engagement that illustrates the relevant requirements and guidance contained in this Practice Note. This letter is not authoritative and is intended only to be a guide that may be used in conjunction with the considerations outlined in this Practice Note. It will need to be adapted according to the requirements and circumstances of individual agreed-upon procedures engagements. It is drafted to refer to an agreed-upon procedures engagement for a single reporting period and would require adaptation if intended or expected to apply to a recurring engagement. It may be appropriate to seek legal advice that any proposed letter is suitable<sup>1</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]:

You have requested that we perform an agreed-upon procedures engagement on assisting XYZ Company Limited (the "Company") in satisfying the requirement of Rule [13.49(2)]<sup>2</sup>[18.49]<sup>3</sup> of the Rules Governing the Listing of Securities on [GEM of]<sup>3</sup> The Stock Exchange of Hong Kong Limited ("SEHK"). This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services that we will provide. Our engagement will be conducted in accordance with the Hong Kong Standard on Related Services ("HKSRS") 4400 (Revised), *Agreed-Up on Procedures Engagements* and with reference to Practice Note ("PN") 730 (Revised), *Guidance for Auditors Regarding Preliminary Announcement of Annual Results* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In performing the agreed-upon procedures engagement, we will comply with the ethical requirements of the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") and we agree to comply with the independence requirements applicable to audits of financial statements as set out in the Code.

An agreed-upon procedures engagement performed under HKSRS 4400 (Revised) involves our performing the procedures agreed with you, and communicating the findings in the agreed-upon procedures report. Findings are the factual results of the agreed-upon procedures performed. You acknowledge that the procedures are appropriate for the purpose of the engagement. We make no representation regarding the appropriateness of the procedures. This agreed-upon procedures engagement will be conducted on the basis that the directors of the Company are responsible for the preliminary announcement of results of the Company and its subsidiaries (the "Group") for the year ended [date] (the "Preliminary Announcement") on which the agreed-upon procedures are performed. Further, this agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

The procedures that we will perform are solely for the purpose of providing you with a report on our agreement with Preliminary Announcement. Accordingly, our report will be addressed to you and our report may not be suitable for another purpose.

#### **1. Responsibilities of directors**

1.1 As directors of the Company, you are solely responsible for the 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].

<sup>1</sup> The auditor may consider it appropriate to include a limitation of liability clause with his firm's risk management policies.

<sup>2</sup> Applicable for Main Board listed issuers.

<sup>3</sup> Applicable for GEM listed issuers.

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/audited] 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/audited] 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/audited] 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.

2.2 We have agreed to perform the following procedures and report to you the findings resulting from our work:

- Obtain 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] and compare 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.

The procedures are to be performed between [date] and [date].

2.3 Our engagement cannot be relied upon to identify or disclose whether fraud or errors, or illegal acts exist or have been undertaken. However, we will inform you of any such matters which come to our attention.

## **3. Our agreed-upon procedures report**

3.1 As part of our engagement, we will issue our report, which will describe the agreed-upon procedures and the findings of the procedures performed. [Insert appropriate reference to the expected form and content of the agreed-upon procedures report in accordance with PN 730 (Revised).]

3.2 Our report will be addressed to the Board of Directors of the Company and will state our findings of agreed-upon procedures performed in respect of obtaining 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] and comparing 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, in accordance with HKSRS 4400 (Revised) and with reference to PN 730 (Revised). It will also state that this agreed-upon procedures engagement is not an assurance engagement and accordingly we do not express an opinion or assurance conclusion. In addition, if when carrying out our work we are of the view that irregularities or differences of view arise in respect of the Preliminary Announcement, we will not issue our agreement in respect of the Preliminary Announcement and will send a letter to the Board of Directors of the Company setting out such irregularities and differences of view.

3.3 In accordance with HKSRS 4400 (Revised), our report should include the identification of the purpose of the report and a statement that the report may not be suitable for another purpose. Accordingly, our report will state that the report is solely for the purpose of the Company in satisfying the requirement of Rule [13.49(2)]<sup>2</sup>[18.49]<sup>3</sup> of the Rules Governing the Listing of Securities on [GEM of] the SEHK and may not be suitable for another purpose. Our report will be for the information of the Board of Directors of the Company only and it should not be copied, referred to or disclosed in whole or in part to any other persons and we expressly disclaim any liability to any such party in this respect. However, we will allow you to disclose the contents and/or send a copy of the report to the SEHK and Securities and Futures Commission upon their request.

3.4 We understand that our name may be identified in the Company's public announcement in respect of our report on our agreement with the Preliminary Announcement. We will agree to this provided that our scope of work is made clear in the Preliminary Announcement. An example disclosure in this respect is as follows:

*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 and consequently no opinion or assurance conclusion has been expressed by ABC & Co. on the preliminary announcement.*

3.5 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.

[3.6 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.

3.7 In the event that we disagree with the content of the Preliminary Announcement we will send you a letter setting out the reasons.

**[4. Fee]**<sup>4</sup>

[Insert other information, such as billings and other specific terms, as appropriate.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement, including the specific procedures which we have agreed will be performed and that they are appropriate for the purpose of the engagement.

Yours faithfully,

ABC & Co.  
Certified Public Accountants (Practising) [or Certified Public Accountants]

---

Acknowledged and agreed on behalf of the Board of Directors of [XYZ Company] by:

[Signature]  
[Name and Title]  
[Date]

---

<sup>4</sup> Delete where not applicable.

PN 810.2 (Revised)  
Issued February 2015; revised February 2016,  
October 2016, September 2017, January 2018,  
September 2019, August 2020, [Month] 2021\*

---

Effective upon issue

*Practice Note 810.2 (Revised)*

---

# The Duties of the Auditor of an Insurer authorized under the Insurance Ordinance

\* PN 810.2 (Revised) has been updated for conforming changes to Hong Kong Standard on Related Services (HKSRs) 4400 (Revised), *Agreed-Upon Procedures Engagements* which will be effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after 1 January 2022.



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

**PRACTICE NOTE  
810.2 (REVISED)  
THE DUTIES OF THE AUDITOR OF AN INSURER AUTHORIZED UNDER  
THE INSURANCE ORDINANCE**

*(Issued February 2015; revised February 2016, October 2016, January 2018, September 2019,  
August 2020, [Month] 2021\*; Effective upon issue)*

<i>Contents</i>	<i>Paragraphs</i>
<b>PART I - GENERAL</b>	
Introduction	1 - 4
<b>PART II – THE DUTIES OF THE AUDITOR UNDER THE INSURANCE ORDINANCE</b>	
Scope of the Ordinance	5 - 9
Financial information to be submitted by authorized insurers	10 - 16
Requirement for assets in Hong Kong	17 - 20
Appointment of the auditor	21 - 25
The auditor's reports	26 - 31
Definitions of "relevant premium income" and "relevant claims outstanding"	32 - 37
Solvency requirements	38
Value of assets and liabilities	39 - 51
Proper records	52 - 55
Identification of Long Term Assets and Liabilities	56 - 60
Licensed insurance broker companies	61 - 63
Communications between the auditor and the IA	64
<b>PART III – OTHER REPORTING</b>	
Annual return on employees' compensation gross premium	65
<u>Agreed-upon procedures Report on levies paid to the First Fund Scheme and the Insolvency Fund Scheme for motor compensation insurance</u>	<u>66 - 68</u>
<u>Agreed-upon procedures Report on levies paid to the insolvency scheme for employees compensation insurance</u>	<u>67-69</u>
Annual remittance report on levy to the IA	<u>68-70 - 6971</u>

63. The auditor of a licensed insurance broker company is required to report on the company's financial statements to its shareholders. The auditor is also required to report on a licensed insurance broker company's compliance with the requirements stipulated by the Insurance Authority. For further guidance on this area, members may refer to PN 810.1 (Revised), *Licensed Insurance Broker Companies - Compliance with the Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules* issued by the HKICPA.

### **Communications between the auditor and the IA**

64. Section 53D introduces statutory protection for an auditor from liability to the client for breach of confidentiality when he/ she communicates directly with the IA in good faith on matters relevant to any functions of the IA under the Ordinance. Sections 15A(2) (see paragraph 25) and 53E impose a statutory obligation on the auditor to report certain matters directly to the IA. Members may refer to PN 620.2 for further guidance in this area.

## **PART III – OTHER REPORTING**

### **Annual return on employees' compensation gross premium**

65. The Hong Kong Government (the "Government") has entered into an agreement with some authorized insurers for the provision of a facility covering terrorism risk in respect of employees' compensation insurance business. Under the agreement, the insurer is required to pay a monthly charge to the Government based on the gross premium in respect of the employees' compensation business written. An annual return together with a report by the auditor are required to be submitted to the IA within four months after the end of each financial year on the amounts of gross premium for the financial year and the charge payable thereon to the Government. For the IA's easy identification of the annual return which is reported on by the auditor, the auditor should bind the annual return together with the report thereon and stamp the identification chop on each page of the annual return. An auditor should conduct such an engagement in accordance with HKSAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. An example auditor's report is set out in Example 1 in Appendix 4.

### **Agreed-upon procedures Report on levies paid to the First Fund Scheme and the Insolvency Fund sScheme for motor compensation insurance**

66. All insurance companies in Hong Kong that are authorized by the Government to write motor vehicle insurance are required to be members of the Motor Insurers' Bureau of Hong Kong ("MIB"). Each member has entered into an agreement with the MIB to contribute such funds as may be required by the MIB to meet its objectives, and furnish particulars of motor premium income and submit such report as the MIB may from time to time deem necessary. A practitioner should conduct such an engagement in accordance with HKSRS 4400 (Revised), "Engagements to Perform Agreed-Upon Procedures Engagements" ("HKSRS 4400 (Revised)) - Regarding Financial Information". An example report is set out in Example 2 in Appendix 4.
67. HKSRS 4400 (Revised) introduced requirements and application material to provide more clarity in the agreed-upon procedures report. The practitioner is reminded to read HKSRS 4400 (Revised) for the requirements.
68. In particular, the practitioner should refer to paragraphs 21 – 23 and A28 – A38 of HKSRS 4400 (Revised) for the engagement acceptance and continuance conditions. The practitioner shall include the terms as set out in paragraph 24 of HKSRS 4400 (Revised) in the engagement letter. Among the terms, the engagement letter shall include the purpose of the engagement and the intended users of the agreed-upon procedures report as identified by the engaging party. An illustrative engagement letter for an agreed-upon procedures engagement can be found in Appendix 1 to HKSRS 4400 (Revised).

### **Agreed-upon procedures Report on levies paid to the insolvency scheme for employees' compensation insurance**

~~67~~69. All insurance companies in Hong Kong who are authorized by the Government to write direct employees compensation insurance business are required to be members of the Employees Compensation Insurer Insolvency Bureau ("ECIIB"). Each member has entered into an agreement with the ECIIB to contribute such funds as may be required by the ECIIB to meet its objectives, and furnish particulars of employees' compensation premium income and submit such report as the ECIIB may from time to time deem necessary. A practitioner should conduct such an engagement in accordance with HKSRS 4400 (Revised). An example report is set out in Example 3 in Appendix 4. The practitioner shall also refer to paragraphs 67 – 68 when conducting the agreed-upon procedures engagement.

### **Annual remittance report on levy to the IA**

~~68~~70. On 6 June 2017, the Insurance (Levy) Order ("Order") and the Insurance (Levy) Regulation ("Regulation") were issued. The Order specifies the prescribed classes of insurance business and types of insurance contract that a levy is payable by policy holders and the rates of such levy. The Regulation sets out the manner in which the payment of levies must be made. The Order and the Regulation come into operation on 1 January 2018. According to the Regulation, an authorized insurer must lodge with the IA an annual remittance report. The annual remittance report must cover the remittances made in respect of the two remittance periods immediately preceding the date of the report unless otherwise approved by the IA. The annual remittance report is subject to examination by an auditor appointed by the insurer at its expense.

~~69~~71. The auditor is required to opine on whether the insurer has maintained proper records in accordance with section 16 of the Ordinance for the purpose of preparing the annual remittance report and whether such report has been properly prepared, in all material respects, from the records of the insurer. A practitioner should conduct such an engagement in accordance with HKSAR 3000 (Revised). An example report is set out in Example 4 in Appendix 4.



**Example 4(a) - General insurer/ Composite insurer: an auditor's report  
on forms (except Form HKL1)  
to be submitted to the Insurance Authority  
under Part 8 of Schedule 3**

**INDEPENDENT AUDITOR'S ASSURANCE REPORT**

To the Directors of XYZ Insurance Company Limited

Pursuant to paragraph 4(1A)(a) of Part 1 of Schedule 3 to the Hong Kong Insurance Ordinance<sup>32</sup> ("the Ordinance"), we have been requested to issue this report for submission by XYZ Insurance Company Limited ("the Company") to the Insurance Authority ("the IA").

*Directors' Responsibilities*

The directors are responsible for the preparation of forms in accordance with the provisions of Part 8 of Schedule 3 to the Ordinance ("the Forms") set out on pages ..... to ..... This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the Forms and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances. In addition, the directors are also responsible for ensuring that the Company maintains proper records at all times in accordance with section 16 of the Ordinance.

*Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1<sup>33</sup> 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.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the matters referred to in paragraph 4(1A)(a) of Part 1 of Schedule 3 to the Ordinance, based on our work performed and to report our opinion.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 810.2 (Revised), *The Duties of the Auditor of an Insurer authorized under the Insurance Ordinance* issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance for giving our opinion below.

Our engagement includes examining, on a test basis, evidence supporting that proper records have been maintained by the Company in accordance with section 16 of the Ordinance for the purpose of preparing the Forms, and that the Forms have been properly compiled from those records.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

<sup>32</sup> Transitional guidance covering the intervening period for a financial period ended on or after 26 June 2017 but before 26 June 2018 (e.g. financial period from 1 January 2017 to 31 December 2017; 1 April 2017 to 31 March 2018): the reference to "Hong Kong Insurance Ordinance" in the report should be amended to "Hong Kong Insurance Ordinance (formerly known as the Hong Kong Insurance Companies Ordinance before being renamed on 26 June 2017)".

<sup>33</sup> HKISQC 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements is replaced by Hong Kong Standard on Quality Management ("HKSQM") 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.

**Example 4(b) - General insurer/ Composite insurer (Hong Kong Branch of an overseas insurance company which has obtained an Accounting Concession under Section 17(2) of the Insurance Ordinance): an auditor's report on forms (except Form HKL1) to be submitted to the Insurance Authority under Part 8 of Schedule 3**

**INDEPENDENT AUDITOR'S ASSURANCE REPORT**

To the Directors of XYZ Insurance Company Limited

Pursuant to paragraph 4(1A)(a) of Part 1 of Schedule 3 to the Hong Kong Insurance Ordinance<sup>35</sup> ("the Ordinance"), we have been requested to issue this report for submission by XYZ Insurance Company Limited ("the Company") to the Insurance Authority ("the IA").

*Directors' Responsibilities*

The directors are responsible for the preparation of forms in accordance with the provisions of Part 8 of Schedule 3 to the Ordinance ("the Forms") set out on pages ..... to ..... This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the Forms and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances. In addition, the directors are also responsible for ensuring that the Company maintains proper records at all times in accordance with section 16 of the Ordinance.

*Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1<sup>36</sup> 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.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the matters referred to in paragraph 4(1A)(a) of Part 1 of Schedule 3 to the Ordinance, based on our work performed and to report our opinion.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 810.2 (Revised), *The Duties of the Auditor of an Insurer authorized under the Insurance Ordinance* issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance for giving our opinion below.

Our engagement includes examining, on a test basis, evidence supporting that proper records have been maintained by the Company in accordance with section 16 of the Ordinance for the purpose of preparing the Forms, and that the Forms have been properly compiled from those records.

<sup>35</sup> Transitional guidance covering the intervening period for a financial period ended on or after 26 June 2017 but before 26 June 2018 (e.g. financial period from 1 January 2017 to 31 December 2017; 1 April 2017 to 31 March 2018): the reference to "Hong Kong Insurance Ordinance" in the report should be amended to "Hong Kong Insurance Ordinance (formerly known as the Hong Kong Insurance Companies Ordinance before being renamed on 26 June 2017)".

<sup>36</sup> HKSQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* is replaced by Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.

**Example 4(c) - General insurer/ Composite insurer: an auditor's report  
on statement to be submitted to the Insurance Authority  
under Part 9 of Schedule 3**

**INDEPENDENT AUDITOR'S ASSURANCE REPORT**

To the Directors of XYZ Insurance Company Limited

Pursuant to paragraph 4(1A)(b) of Part 1 of Schedule 3 to the Hong Kong Insurance Ordinance<sup>38</sup> ("the Ordinance"), we have been requested to issue this report for submission by XYZ Insurance Company Limited ("the Company") to the Insurance Authority ("the IA").

*Directors' Responsibilities*

The directors are responsible for the preparation of a statement in accordance with the provisions of Part 9 of Schedule 3 to the Ordinance ("the Statement") set out on pages ..... to .....<sup>39</sup> and to maintain at all times assets in Hong Kong which enable the Company to comply with the requirement of section 25A of the Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the Statement and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances. In addition, the directors are also responsible for ensuring that the Company maintains proper records at all times in accordance with section 16 of the Ordinance.

*Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1<sup>40</sup> 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.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the matters referred to in paragraph 4(1A)(b) of Part 1 of Schedule 3 to the Ordinance, based on our work performed and to report our opinion.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 810.2 (Revised), *The Duties of the Auditor of an Insurer authorized under the Insurance Ordinance* issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance for giving our opinion below.

We have performed such procedures as we consider are necessary for the purpose of our report, which include:

- (i) on the basis of the work we performed in connection with the audit of the Company's financial information prepared under Parts 4 and 5 of Schedule 3 for the year ended 31 December 20X1,

<sup>38</sup> Transitional guidance covering the intervening period for a financial period ended on or after 26 June 2017 but before 26 June 2018 (e.g. financial period from 1 January 2017 to 31 December 2017; 1 April 2017 to 31 March 2018): the reference to "Hong Kong Insurance Ordinance" in the report should be amended to "Hong Kong Insurance Ordinance (formerly known as the Hong Kong Insurance Companies Ordinance before being renamed on 26 June 2017)".

<sup>39</sup> The page numbers here should refer to the Statement and the accompanying supplementary information.

<sup>40</sup> HKSQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* is replaced by Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.

**Example 4(d) - General insurer / Composite insurer (Hong Kong Branch of an overseas insurance company which has obtained an Accounting Concession under Section 17(2) of the Insurance Ordinance): an auditor's report on statement to be submitted to the Insurance Authority under Part 9 of Schedule 3**

**INDEPENDENT AUDITOR'S ASSURANCE REPORT**

To the Directors of XYZ Insurance Company Limited

Pursuant to paragraph 4(1A)(b) of Part 1 of Schedule 3 to the Hong Kong Insurance Ordinance<sup>43</sup> ("the Ordinance"), we have been requested to issue this report for submission by XYZ Insurance Company Limited ("the Company") to the Insurance Authority ("the IA").

*Directors' Responsibilities*

The directors are responsible for the preparation of a statement in accordance with the provisions of Part 9 of Schedule 3 to the Ordinance ("the Statement") set out on pages ..... to .....<sup>44</sup> and to maintain at all times assets in Hong Kong which enable the Company to comply with the requirement of section 25A of the Ordinance [and the additional requirements pursuant to item [x] of the letter issued by the IA dated [date of concession letter] regarding the relaxation of the Insurance (General Business) (Valuation) Rules<sup>45,46</sup> (the "additional requirements regarding the Relaxation of Valuation Rules")]. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the Statement and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances. In addition, the directors are also responsible for ensuring that the Company maintains proper records at all times in accordance with section 16 of the Ordinance.

*Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1<sup>47</sup> 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.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the matters referred to in paragraph 4(1A)(b) of Part 1 of Schedule 3 to the Ordinance, based on our work performed and to report our opinion.

<sup>43</sup> Transitional guidance covering the intervening period for a financial period ended on or after 26 June 2017 but before 26 June 2018 (e.g. financial period from 1 January 2017 to 31 December 2017; 1 April 2017 to 31 March 2018): the reference to "Hong Kong Insurance Ordinance" in the report should be amended to "Hong Kong Insurance Ordinance (formerly known as the Hong Kong Insurance Companies Ordinance before being renamed on 26 June 2017)".

<sup>44</sup> The page numbers here should refer to the Statement and the accompanying supplementary information.

<sup>45</sup> Transitional guidance covering the intervening period for a financial period ended on or after 26 June 2017 but before 26 June 2018 (e.g. financial period from 1 January 2017 to 31 December 2017; 1 April 2017 to 31 March 2018): the reference to "Insurance (General Business) (Valuation) Rules" in the report should be amended to "Insurance (General Business) (Valuation) Rules (formerly known as the Insurance Companies (General Business) (Valuation) Regulation before being renamed on 26 June 2017)".

<sup>46</sup> The Insurance Authority may impose additional requirements in the concession letter on the application of the Relaxation of Valuation Rules. Refer to paragraph 30 for details.

<sup>47</sup> HKSQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* is replaced by Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.*

**Example 5 - Long term insurer/ Composite insurer: an auditor's report  
on Form HKL1 to be submitted to the Insurance Authority  
under Part 8 of Schedule 3**

**INDEPENDENT AUDITOR'S ASSURANCE REPORT**

To the Directors of XYZ Insurance Company Limited

Pursuant to paragraph 4(1A)(aa) of Part 1 of Schedule 3 to the Hong Kong Insurance Ordinance<sup>49</sup> (the "Ordinance"), we have been requested to issue this report for submission by XYZ Insurance Company Limited (the "Company") to the Insurance Authority ("the IA").

*Directors' Responsibilities*

Pursuant to the provisions of Part 8 of Schedule 3 to the Ordinance, the directors have a responsibility for ensuring that Form HKL1 set out on pages ..... to .....has been properly compiled from the records of the Company in accordance with the Guide to Forms HKL1, HKL2 and HKL3 issued by the IA on 26 February 2004, as further updated on 7 April 2004. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of Form HKL1 and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances. In addition, the directors are also responsible for ensuring that the Company maintains proper records at all times in accordance with section 16 of the Ordinance.

*Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1<sup>50</sup> 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.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the matters referred to in paragraph 4(1A)(aa) of Part 1 of Schedule 3 to the Ordinance, based on our work performed and to report our opinion.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 810.2 (Revised), *The Duties of the Auditor of an Insurer authorized under the Insurance Ordinance* issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance for giving our opinion below.

Our engagement includes examining, on a test basis, evidence supporting that proper records have been maintained by the Company in accordance with section 16 of the Ordinance for the purpose of preparing the attached Form HKL1, and that the attached Form HKL1 has been properly compiled from the records of the Company in accordance with the Guide to Forms HKL1, HKL2 and HKL3 issued by the IA on 26 February 2004, as further updated on 7 April 2004.

<sup>49</sup> Transitional guidance covering the intervening period for a financial period ended on or after 26 June 2017 but before 26 June 2018 (e.g. financial period from 1 January 2017 to 31 December 2017; 1 April 2017 to 31 March 2018): the reference to "Hong Kong Insurance Ordinance" in the report should be amended to "Hong Kong Insurance Ordinance (formerly known as the Hong Kong Insurance Companies Ordinance before being renamed on 26 June 2017)".

<sup>50</sup> HKSQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* is replaced by Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.*

## Example 6 - Long term insurer/ Composite insurer: an auditor's report to be submitted to the Insurance Authority under Part 6 of Schedule 3

### INDEPENDENT AUDITOR'S ASSURANCE REPORT

To the Directors of XYZ Insurance Company Limited

Pursuant to paragraph 36(2) of Part 6 of Schedule 3 to the Hong Kong Insurance Ordinance (the "Ordinance"), we have been requested to issue this report for submission by XYZ Insurance Company Limited (the "Company") to the Insurance Authority ("the IA").

#### *Directors' Responsibilities*

In relation to this report, the directors have a responsibility to ensure compliance with the requirements set out in section 22 of the Ordinance and Part 6 of Schedule 3 to the Ordinance [, as modified by the IA under section 22A of the Ordinance, in respect of the long term business carried on in or from Hong Kong by the Company]<sup>52</sup>.

Pursuant to paragraph 36(1) of Part 6 of Schedule 3 to the Ordinance, [as modified by the IA under section 22A of the Ordinance, in respect of the long term business carried on in or from Hong Kong by the Company,]<sup>52</sup> the Company is required to deposit with the IA a certificate that the insurer has in accordance with Part 6 of Schedule 3 to the Ordinance:

- 36(1)(a) identified in accordance with the provisions of paragraphs 30 and 31 any assets and liabilities which were not already identified on the base date as at [Date] as attributable to the Company's long term business;
- 36(1)(b) identified as assets attributable to the Company's long term business all those assets which are required to be so identified in accordance with paragraph 32; and
- 36(1)(c) established and maintained those books of account and other records which are required to be established and maintained by section 22 of the Ordinance.

#### *Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1<sup>53</sup> 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the Company's compliance with the requirements set out in paragraph 36(1)(a) – (c) of Part 6 of Schedule 3 to the Ordinance, [as modified by the IA under section 22A of the Ordinance, in respect of the long term business carried on in or from Hong Kong by the Company,]<sup>52</sup> based on our work performed and to report our opinion.

<sup>52</sup> Applicable to authorized insurer which carries on long term business is incorporated or formed outside Hong Kong and obtained IA's authorization under section 22A.

<sup>53</sup> HKSQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* is replaced by Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.*

## Appendix 4

### Example reports for other reporting

- Example 1 – Report by the auditor on annual return on employees' compensation gross premium
- Example 2 – Agreed-upon procedures Report on levies paid to the First Fund Scheme and the Insolvency Fund Scheme for motor compensation insurance
- Example 3 – Agreed-upon procedures Report on levies paid to the insolvency scheme for employees' compensation insurance
- Example 4 – Report by the auditor on annual remittance report on levy to the Insurance Authority

## Example 1 – Report by the auditor on annual return on employees' compensation gross premium

### INDEPENDENT AUDITOR'S ASSURANCE REPORT ON ANNUAL RETURN ON EMPLOYEES' COMPENSATION GROSS PREMIUM

To the Directors of XYZ Insurance Company Limited

Pursuant to the Agreement for Provision of Facility covering Terrorism Risks in respect of Employees' Compensation Insurance Business entered into between XYZ Insurance Company Limited ("the Company") and the Government of the Hong Kong Special Administrative Region ("HKSAR") dated [date] ("Agreement"), we have been requested to report on the attached Annual Return on Employees' Compensation Gross Premium for the [\*year ended [date]/period from [date] to [date]] ("Annual Return").

#### *Directors' Responsibilities*

Pursuant to the Agreement, the directors are responsible for preparing the Annual Return. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the Annual Return. In addition, the directors are responsible for ensuring that the Company maintains proper records at all times in accordance with section 16 of the Hong Kong Insurance Ordinance<sup>55</sup> ("the Ordinance").

#### *Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1<sup>56</sup> 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the Annual Return, based on our work performed and to report our opinion.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 810.2 (Revised), *The Duties of the Auditor of an Insurer authorized under the Insurance Ordinance* issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance for giving our opinion below.

Our engagement includes examining evidence supporting that proper records have been maintained in accordance with section 16 of the Ordinance and the amounts in the Annual Return, and performing such other procedures as we considered necessary in the circumstances.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

<sup>55</sup> Transitional guidance covering the intervening period for a financial period ended on or after 26 June 2017 but before 26 June 2018 (e.g. financial period from 1 January 2017 to 31 December 2017; 1 April 2017 to 31 March 2018): the reference to "Hong Kong Insurance Ordinance" in the report should be amended to "Hong Kong Insurance Ordinance (formerly known as the Hong Kong Insurance Companies Ordinance before being renamed on 26 June 2017)".

<sup>56</sup> HKSQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* is replaced by Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.*



## **Example 2—Report on levies paid to the insolvency scheme for motor compensation insurance**

### **REPORT OF FACTUAL FINDINGS**

To the Directors of XYZ Insurance Company Limited

We have performed the procedures agreed with you and enumerated below with respect to the premium surcharges ("the Surcharges") for motor insurance business of XYZ Insurance Company Limited ("the Company") for the year ended 31 December 20X1 as set forth in the accompanying schedules. The procedures were performed solely to assist you in connection with the requirements of the Motor Insurers' Bureau of Hong Kong as to annual reporting of the Surcharges payable according to the books and records of the Company.

Our engagement was undertaken in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The procedures performed are summarised as follows:

1. We obtained and checked the summation of the 20X1 quarterly returns prepared by the Company regarding the determination of Surcharges due in respect of the First Fund and the Insolvency Fund Scheme ("the Quarterly Returns").
2. We compared the Surcharges as stated in the Quarterly Returns to the books and records of the Company.

We report our findings below:

- (a) With respect to item 1, we found the summation of the Surcharges payable for motor insurance business of the Company for the year ended 31 December 20X1 to be correct.
- (b) With respect to item 2, we found the amounts to be in agreement.

Because the above procedures do not constitute an assurance engagement made in accordance with Hong Kong Standards on Auditing ("HKSAs"), Hong Kong Standards on Review Engagements ("HKSREs") or Hong Kong Standards on Assurance Engagements ("HKSAEs"), we do not express any assurance on the figures as set forth in the accompanying schedules.

Had we performed additional procedures or had we performed an assurance engagement on the information provided in accordance with HKSAs, HKSREs or HKSAEs issued by the HKICPA, other matters might have come to our attention that would have been reported to you.

Our report is prepared solely for the purpose set forth in the first paragraph of this report and for your information and use of the Company for submission to the Motor Insurers' Bureau of Hong Kong and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to items specified above and does not extend to any financial statements of the Company, taken as a whole.

ABC & Co.  
Certified Public Accountants (Practising) [or Certified Public Accountants]  
[Auditor's Address]  
Date

## **Example 2 – Agreed-upon procedures report on levies paid to the First Fund Scheme and the Insolvency Fund Scheme for motor compensation insurance**

(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 Company is the engaging party, the responsible party and the intended user. The report is also intended to be provided to the Motor Insurers' Bureau of Hong Kong.
- No exceptions were found.
- The practitioner did not engage a practitioner's expert to perform any of the agreed-upon procedures.
- There is a restriction on the use and distribution of the report.
- The practitioner is the auditor of the financial statements of the Company. The practitioner has agreed with the directors of the Company that the practitioner's compliance with the independence requirements applicable to audits of financial statements is appropriate for the purpose of the agreed-upon procedures engagement. The practitioner 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 practitioner included a reference to the date when the agreed-upon procedures were agreed in the terms of the engagement.

### **AGREED-UPON PROCEDURES REPORT ON LEVIES PAID TO THE FIRST FUND SCHEME AND THE INSOLVENCY FUND SCHEME FOR MOTOR COMPENSATION INSURANCE**

To: Directors of XYZ Insurance Company Limited

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

Our report is solely for the purpose of assisting XYZ Insurance Company Limited (the "Company") in connection with the requirements of the Motor Insurers' Bureau of Hong Kong as to annual reporting of the premium surcharges in respect of the First Fund Scheme and the Insolvency Fund for the Company's motor insurance business payable (the "Surcharges") according to the books and records of the Company for the year ended 31 December 20X1 and may not be suitable for another purpose. This report is intended solely for the Company, 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 Motor Insurers' Bureau of Hong Kong.

#### **Directors' Responsibilities**

The directors of the Company have acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The directors of the Company are responsible for the Surcharges and the figures as set forth in the accompanying schedules on which the agreed-upon procedures are performed.

#### **Practitioner's Responsibilities**

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* and with reference to Practice Note 810.2 (Revised), *The Duties of the Auditor of an Insurer authorized under the Insurance Ordinance* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the directors of the Company, and reporting the findings, which are the factual results

THE DUTIES OF THE AUDITOR OF AN INSURER AUTHORIZED  
UNDER THE INSURANCE ORDINANCE

of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures. 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*

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.

**Procedures and Findings**

We have performed the procedures described below, which were agreed upon with the directors of the Company in the terms of engagement dated [date], on the Company's submission to the Motor Insurers' Bureau of Hong Kong.

<b><u>Procedures</u></b>	<b><u>Findings</u></b>
<u>1. We obtained and checked the summation of the 20X1 quarterly returns prepared by the Company regarding the determination of Surcharges ("the Quarterly Returns").</u>	<u>1. We found the summation of the Surcharges for the year ended 31 December 20X1 to be correct.</u>
<u>2. We compared the Surcharges as stated in the Quarterly Returns to the books and records of the Company.</u>	<u>2. We found the Surcharges as stated in the Quarterly Returns to be in agreement with the books and records of the Company.</u>

ABC & Co.  
Certified Public Accountants (Practising) [or Certified Public Accountants]  
[Date]  
[Address]

\* Hong Kong Standard on Quality Management ("HKSQM") 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements replaces HKSQC 1. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.

**Example 3—Report on levies paid to the insolvency scheme  
for employees' compensation insurance**

**REPORT OF FACTUAL FINDINGS**

To the Directors of XYZ Insurance Company Limited

We have performed the procedures agreed with you and enumerated below with respect to the Gross Premium Income as defined under Clause 1.01 of the Insolvency Fund Agreement and the amount of contributions payable ("the Contributions") for employees' compensation business of XYZ Insurance Company Limited ("the Company") for the year ended 31 December 20X1 as set forth in the accompanying schedules. The procedures were performed solely to assist you in connection with the requirements of the Employees Compensation Insurer Insolvency Bureau as to annual reporting of the Gross Premium Income and the Contributions according to the books and records of the Company.

Our engagement was undertaken in accordance with Hong Kong Standard on Related Services 4400 "Engagements to perform agreed-upon procedures regarding financial information" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The procedures performed are summarised as follows:

1. We obtained and checked the summation of the 20X1 quarterly returns prepared by the Company regarding the Gross Premium Income and the determination of Contributions due in respect of the Insolvency Fund Scheme ("the Quarterly Returns").
2. We compared the Gross Premium Income and the Contributions as stated in the Quarterly Returns to the books and records of the Company.

We report our findings below:

- (c) With respect to item 1, we found the summation of the Gross Premium Income and the amount of the Contributions payable for employees' compensation business of the Company for the year ended 31 December 20X1 to be correct.
- (d) With respect to item 2, we found the amounts to be in agreement.

Because the above procedures do not constitute an assurance engagement made in accordance with Hong Kong Standards on Auditing ("HKSA"), Hong Kong Standards on Review Engagements ("HKSREs") or Hong Kong Standards on Assurance Engagements ("HKSAEs"), we do not express any assurance on the figures as set forth in the accompanying schedules.

Had we performed additional procedures or had we performed an assurance engagement on the information provided in accordance with HKSA, HKSREs or HKSAEs issued by the HKICPA, other matters might have come to our attention that would have been reported to you.

Our report is prepared solely for the purpose set forth in the first paragraph of this report and for your information and use of the Company for the submission to the Employees Compensation Insurer Insolvency Bureau and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to items specified above and does not extend to any financial statements of the Company, taken as a whole.

ABC & Co.  
Certified Public Accountants (Practising) [or Certified Public Accountants]  
[Auditor's Address]  
Date

### **Example 3 – Agreed-upon procedures report on levies paid to insolvency scheme for employees' compensation insurance**

(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 Company is the engaging party, the responsible party and the intended user. The report is also intended to be provided to the Employees Compensation Insurer Insolvency Bureau.
- No exceptions were found.
- The practitioner did not engage an auditor's expert to perform any of the agreed-upon procedures.
- There is a restriction on the use and distribution of the report.
- The practitioner is the auditor of the financial statements of the Company. The practitioner has agreed with the directors of the Company that the practitioner's compliance with the independence requirements applicable to audits of financial statements is appropriate for the purpose of the agreed-upon procedures engagement. The practitioner 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 practitioner included a reference to the date when the agreed-upon procedures were agreed in the terms of the engagement.

### **AGREED-UPON PROCEDURES REPORT ON LEVIES PAID TO THE INSOLVENCY SCHEME FOR EMPLOYEES' COMPENSATION INSURANCE**

To: Directors of XYZ Insurance Company Limited

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

Our report is solely for the purpose of assisting XYZ Insurance Company Limited (the "Company") in connection with the requirements of the Employees Compensation Insurer Insolvency Bureau as to annual reporting of the Gross Premium Income as defined under Clause 1.01 of the Insolvency Fund Agreement (the "Gross Premium Income") and the amount of contributions in respect of the Insolvency Fund Scheme payable for employees' compensation business of the Company (the "Contributions") according to the books and records of the Company for the year ended 31 December 20X1 and may not be suitable for another purpose. This report is intended solely for the Company, 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 Employees Compensation Insurer Insolvency Bureau.

#### **Directors' Responsibilities**

The directors of the Company have acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The directors of the Company are responsible for the Gross Premium Income, the Contributions and the figures as set forth in the accompanying schedules on which the agreed-upon procedures are performed.

#### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Hong Kong Standard on Related Services (HKSRS) 4400 (Revised), *Agreed-Upon Procedures Engagements* and with reference to Practice Note 810.2 (Revised), *The Duties of the Auditor of an Insurer authorized under the Insurance Ordinance* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). An agreed-upon procedures engagement involves our performing the procedures that have been agreed

THE DUTIES OF THE AUDITOR OF AN INSURER AUTHORIZED  
UNDER THE INSURANCE ORDINANCE

with the directors of the Company, 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 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*

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.

**Procedures and Findings**

We have performed the procedures described below, which were agreed upon with the directors of the Company in the terms of engagement dated [date], on the Company's submission to the Employees Compensation Issuer Insolvency Bureau.

<b><u>Procedures</u></b>	<b><u>Findings</u></b>
<u>1. We obtained and checked the summation of the 20X1 quarterly returns prepared by the Company regarding the Gross Premium Income and the determination of the Contributions ("the Quarterly Returns").</u>	<u>1. We found the summation of the Gross Premium Income and the amount of the Contributions for the year ended 31 December 20X1 to be correct.</u>
<u>2. We compared the Gross Premium Income and the Contributions as stated in the Quarterly Returns to the books and records of the Company.</u>	<u>2. We found the amounts of the Gross Premium Income and the Contributions as stated in the Quarterly Returns to be in agreement with the books and records of the Company.</u>

ABC & Co.

Certified Public Accountants (Practising) [or Certified Public Accountants]

[Date of auditor's report]

[Auditor's address]

\* Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* replaces HKSQC 1. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.

## Example 4 – Report by the auditor on annual remittance report on levy to the Insurance Authority

### INDEPENDENT AUDITOR'S ASSURANCE REPORT ON ANNUAL REMITTANCE REPORT

To the Directors of XYZ Insurance Company Limited ("the Company")

Pursuant to section 7 of the Insurance (Levy) Regulation ("Regulation"), we have been requested to report on the attached Annual Remittance Report on Levy for the [\*year ended [date]/period from [date] to [date]] ("Remittance Report").

#### *Directors' Responsibility*

Pursuant to the Regulation, the directors are responsible for preparing the Remittance Report. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the Remittance Report. In addition, the directors are responsible for ensuring that the Company maintains proper records at all times in accordance with section 16 of the Hong Kong Insurance Ordinance<sup>58</sup> ("the Ordinance").

#### *Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1<sup>59</sup> 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the matters referred to in section 7 of the Regulation, based on our work performed and to report our opinion.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 810.2 (Revised), *The Duties of the Auditor of an Insurer authorized under the Insurance Ordinance* issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance for giving our opinion below.

Our engagement includes examining, on a test basis, evidence supporting that proper records have been maintained in accordance with section 16 of the Ordinance for the purpose of preparing the Remittance Report, and that the Remittance Report has been properly compiled from those records.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

---

<sup>58</sup> Transitional guidance covering the intervening period for a financial period ended on or after 26 June 2017 but before 26 June 2018 (e.g. financial period from 1 January 2017 to 31 December 2017; 1 April 2017 to 31 March 2018): the reference to "Hong Kong Insurance Ordinance" in the report should be amended to "Hong Kong Insurance Ordinance (formerly known as the Hong Kong Insurance Companies Ordinance before being renamed on 26 June 2017)".

<sup>59</sup> HKISQC 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements is replaced by Hong Kong Standard on Quality Management ("HKSQM") 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.

PN 830 (Revised)  
Issued December 2014; revised April 2016,  
December 2018, March 2020, [Month] 2021\*

---

Effective for reporting periods ending  
on or after 1 January 2020

*Practice Note 830 (Revised)*

---

# Reports by the Auditor under the Banking Ordinance

\* PN 830 (Revised) has been updated for conforming changes to Hong Kong Standard on Related Services (HKSRs) 4400 (Revised), *Agreed-Upon Procedures Engagements* which will be effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after 1 January 2022.



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



**PRACTICE NOTE 830 (REVISED)**

**REPORTS BY THE AUDITOR UNDER THE BANKING ORDINANCE**

(Issued December 2014; revised April 2016, December 2018, ~~and~~ March 2020 and [Month] 2021\*;  
Effective for reporting periods ending on or after 1 January 2020)

**CONTENTS**

	Paragraphs
<b>PART I – INTRODUCTION</b> .....	<b>1 – 10</b>
<b>PART II – AUDITOR'S REPORTING RESPONSIBILITIES UNDER THE ORDINANCE</b> .....	<b>11 – <del>1486</del></b>
Introduction.....	11 – 14
General guidance.....	15 – 37
Auditor's report under section 63(3) .....	38 – 67
Auditor's report under section 63(3A) .....	68 – 104
Ad hoc reports under section 59(2).....	105 – 127
Notification of audit qualifications or adverse statements under section 59A(2)(c) .....	128 – 130
Reporting of significant adverse matters and non-compliances under sections 63A and 63B	131 – 139
Notification of resignation of the auditor under section 59A(2) .....	140
<del>Agreed-upon procedures Report of factual findings</del> in relation to voluntary revocation of authorization .....	<del>141 – 1486</del>
<b>PART III – PROTECTION FOR THE AUDITOR ON COMMUNICATIONS WITH THE</b> .....	
<b>HKMA</b> .....	<b><del>1479</del> – 1513</b>
<b>EFFECTIVE DATE AND TRANSITION</b> .....	<b><del>1524</del> – 1535</b>
<b>APPENDICES</b>	
<u>Appendix 1 – Examples of reports by the auditor</u>	
Example 1 – Section 63(3) report for locally incorporated AIs	
Example 2 – Section 63(3) report for local branch(es) of overseas incorporated AIs	
Example 3 – Section 63(3A) report for locally incorporated AIs	
Example 4 – Section 63(3A) report for local branch(es) of overseas incorporated AIs	
Example 5 – Section 59(2) report	
Example 6 – <u>Agreed-upon procedures Report of factual findings</u> in relation to voluntary revocation of authorization	

Appendix 2 – Examples of management representation letters

Example 1 – Management representation letter for reporting under section 63(3)

Example 2 – Management representation letter for reporting under section 63(3A)

Example 3 – Management representation letter for agreed-upon procedures report of ~~factual findings~~ in relation to voluntary revocation of authorization

Appendix 3 – Examples of engagement letters

Example 1 – Engagement letter for reporting under section 63(3) and (3A) for locally incorporated AIs

Example 2 – Engagement letter for reporting under section 63(3) and (3A) for local branch(es) of overseas incorporated AIs

Example 3 – Engagement letter for agreed-upon procedures report of ~~factual findings~~ in relation to voluntary revocation of authorization

Appendix 4 – Guidance on ad hoc reports under section 61

Appendix 5 – The Banking Ordinance – Important provisions for the auditor

Appendix 6 – Summary of relevant regulations and requirements issued by the SFC for the auditor to fulfil the duties under section 63B

Appendix 7 – Checklist for the auditor

Appendix 8 – Examples of Modified Auditor's Assurance Reports

Appendix 9 – Part A: Information maintained by management as an audit trail for adjustments made after a return is first submitted  
Part B: Summary of material errors identified by auditor in the Relevant Returns

Appendix 10 – Guidance on “Two-tier” materiality approach

Appendix 11 – Suggested procedures pertaining to specific returns

---

Practice Note (PN) 830 (Revised), <i>Reports by the Auditor under the Banking Ordinance</i> should be read in the context of the "Amended Preface to the Hong Kong Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements" which sets out the application and authority of PNs.
--

**PRACTICE NOTE  
830 (REVISED)  
REPORTS BY THE AUDITOR UNDER THE BANKING ORDINANCE**

*The purpose of Practice Notes issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) is to assist the auditor in applying Hong Kong Engagement Standards of general application to particular circumstances and industries.*

*Practice Notes are persuasive rather than prescriptive. However they are indicative of good practice and have similar status to the explanatory material in Hong Kong Engagement Standards. This Practice Note provides guidance to assist the auditor to fulfill the objectives of the engagement. The auditor should be prepared to explain departures when called upon to do so.*

**PART I – INTRODUCTION**

1. In this Practice Note ("PN") all the sections mentioned below are in respect of the Banking Ordinance ("Ordinance") unless otherwise stated.
2. The purpose of this PN is to assist the auditor of authorized institutions ("AIs") in reporting under the Ordinance.
3. This PN provides guidance to members on the reporting responsibilities of the auditor appointed for the purposes of sections 50(1)(c), 59(2), 63(3) and 63(3A). Guidance is also provided on other reports and notifications issued by the auditor, including notification of audit qualifications or adverse statements under section 59A(2)(c), reporting of significant adverse matters and non-compliances under sections 63A and 63B, notification of resignation of the auditor under section 59A(2) and agreed-upon procedures report of actual findings in relation to voluntary revocation of authorization of an AI. These are dealt with in Part II.
4. Guidance on auditor's ad hoc communications with the Hong Kong Monetary Authority ("HKMA") under the protection of section 61 is set out in Part III.
5. This PN is not intended to provide detailed guidance on the general audit procedures to be adopted in respect of the audit of the financial statements of an AI and does not apply to other reports provided by the auditor, such as those provided under the Companies Ordinance on financial statements. Guidance on auditor's report on financial statements is set out in HKSA 700, "Forming an Opinion and Reporting on Financial Statements" and Practice Note 600.1 (Revised) "Reports by the Auditor under the Hong Kong Companies Ordinance (Cap. 622)".
6. In addition to the reporting responsibilities under the Ordinance, the auditor is required to report to the relevant authorities in accordance with the Drug Trafficking (Recovery of Proceeds) Ordinance, the Organized and Serious Crimes Ordinance and the United Nations (Anti-Terrorism Measures) Ordinance for the purpose of combating money laundering and terrorism. The auditor may also be required by the Deposit Protection Board to report on the Return of Relevant Deposits for the purpose of the Deposit Protection Board. This PN does not provide guidance with respect to these responsibilities.
7. This PN also contains in Appendix 5 a guide to the relevant provisions for the auditor in the Ordinance which were effective as at 1 July 2019. Every care has been taken in its preparation. However, the legislation itself is the sole authority of the law and this PN should be used in conjunction with the legislation.

- c. Under section 50(1)(c), locally incorporated AIs which maintain an overseas branch may need to appoint an auditor, if the HKMA so requires, to report on whether a return or information submitted by them in respect of their overseas branch(es) is correctly compiled, in all material respects, from the books and records of the branch(es).
- 13. The auditor is also normally requested to furnish a report on voluntary revocation of an AI's authorization to the HKMA in respect of the balance sheet<sup>1</sup>, third party deposit liabilities, contingent liabilities and outstanding commitments (see paragraphs 141 to 148~~6~~ below).
- 14. The HKMA issues specific completion instructions and guidelines to AIs on the compilation of banking returns and on meeting the provisions of the Ordinance. In its Supervisory Policy Manual IC-3 "Reporting Requirements Relating to Authorized Institutions' External Auditors under the Banking Ordinance"<sup>2</sup>, the HKMA also provides a description of the nature of some of the controls and procedures it expects AIs to have in place to demonstrate adequate controls over compilation of banking returns and compliance with the provisions in the Ordinance. The auditor would have regard to the requirements set out in Supervisory Policy Manual IC-3 in fulfilling the reporting responsibilities under the Ordinance.

## General guidance

### Types of engagements under the Ordinance

- 15. The auditor's reporting responsibilities under the Ordinance can generally be categorized as either reasonable assurance engagements, limited assurance engagements, or agreed-upon procedures engagements. The auditor may also provide other forms of reporting on specific subject matter (e.g. review and comment report for an investigation of particular subject matter under section 59(2) of the Ordinance) at the request of the HKMA. The form of such reporting will be determined on a case-by-case basis after taking into account the scope of work required and level of assurance expected by the HKMA.
- 16. As defined in Hong Kong Standard on Assurance Engagements (HKSAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, a reasonable assurance engagement is an assurance engagement in which the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner's conclusion. The practitioner's conclusion is expressed in a form that conveys the practitioner's opinion on the outcome of the measurement or evaluation of the underlying subject matter against criteria.
- 17. As defined in HKSAE 3000 (Revised), a limited assurance engagement is an assurance engagement in which the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement as the basis for expressing a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner's attention to cause the practitioner to believe the subject matter information is materially misstated.
- 18. The objective of an agreed-upon procedures engagement is for the auditor to carry out procedures of an audit nature to which the auditor and the entity and any appropriate third parties have agreed, and to report on ~~actual~~ findings. As the auditor simply provides an report of the factual findings of agreed-upon procedures report, no assurance is expressed. Instead, users of the report would assess for themselves the procedures and findings reported by the auditor and draw their own conclusions from the auditor's work.

<sup>1</sup> Different term like statement of financial position may be used in the auditor's report as long as it is consistent with the title of the corresponding statement.

<sup>2</sup> As at the date of issuing this revised PN, the HKMA's Supervisory Policy Manual IC-3 is undergoing revision.

### Nature of work

117. The work that the auditor performs for the purpose of reporting under section 59(2) would vary depending on the circumstances surrounding the commissioning of such a report and the subject matter. As such, the engagement can be a reasonable or limited assurance engagement or an engagement to perform agreed-upon procedures or others (e.g. review and comment engagement).
118. For reasonable or limited assurance engagement, the auditor should consider to conduct the work in accordance with HKSAE 3000 (Revised). The auditor would seek to develop and establish suitable criteria for the engagement based on specified modules of Supervisory Policy Manual or guidelines issued by the HKMA. The modules of Supervisory Policy Manual or guidelines issued by the HKMA used would be agreed in advance. The determination of whether the engagement provides reasonable assurance or limited assurance would depend on the level of assurance required in the circumstances of the engagement. For agreed-upon procedures engagement, the auditor should perform the engagement under HKSRS 4400 (Revised), "~~Engagements to Perform Agreed-Upon Procedures~~ Engagements Regarding Financial Information".
119. Paragraph 118 only provides reference for the auditor and it is not served to limit the appointed auditor's professional judgment and initiative, or limits the application of relevant standards. The work of each engagement is to be designed to meet the requirements of the Monetary Authority and particular situation.

### Materiality

120. Given the varying nature of ad hoc reviews under section 59(2), the auditor would ensure that clear reference points have been agreed with both the AI and the HKMA to determine the level of assurance that can be provided under given terms of reference. For some engagements, the terms of reference can be expressed in terms of one or more HKMA's and/or other requirements. Some terms of reference are highly specific, quantitative and objective and therefore readily capable of reliable and consistent measurement and interpretation. Some terms of reference are general, qualitative and highly subjective. Others may fall between these two extremes.
121. In order to assess fully the level of assurance that is appropriate concerning general, qualitative, subjective terms of reference, the auditor, where necessary, would assist the HKMA and the AI to prepare, a set of specifically developed criteria which are more capable of reliable and consistent measurement and interpretation in light of the requirements of the HKMA. In many cases, reference can be made to Supervisory Policy Manual and guidelines issued by the HKMA and other pronouncements which set out in sufficient detail the assessment criteria to support an assurance engagement. However, the HKMA remains responsible for determining whether the specifically developed criteria meet its purposes for commissioning a report.

### Reporting

122. The auditor would consider whether it is necessary to provide in the report an introductory or background section to set in context the conclusion (or overall findings otherwise reported).
123. Such background information is relevant to the area examined in the report and can include, for example, a description of the organization in that area, the main business lines, the profile of the business and the market significance in the sector and the description of the procedures undertaken.
124. Detailed narrative reports are normally necessary in order to communicate properly the judgments made, the reasons underpinning those judgments and the context in which a conclusion is provided. The implications for the auditor are that a report covering internal controls includes, inter alia, comparatively detailed descriptions of:
- the elements of the design and operation (as applicable) of the internal control systems that are subject to evaluation; and

**Agreed-upon procedures Report of factual findings in relation to voluntary revocation of authorization**

141. In an application for voluntary revocation of the authorization of an AI, the HKMA would require the AI to furnish a report by its auditor in respect of the balance sheet, third party deposit liabilities, contingent liabilities and outstanding commitments. This report would help satisfy the HKMA that the interests of the AI's depositors are or will be adequately safeguarded when the AI's authorization is revoked. The HKMA may provide a copy of the report to the Financial Secretary of the Hong Kong Special Administrative Region Government for the purpose of section 22(1).
142. A report by the auditor of ~~factual findings~~ in relation to a voluntary revocation of the authorization of an AI is an agreed-upon procedures engagement. As the auditor simply provides a report of the ~~factual findings~~ of agreed-upon procedures, no assurance is expressed. Instead, users of the report assess for themselves the procedures and ~~findings results~~ reported by the auditor and draw their own conclusions from the auditor's work. Reference would be made to HKSRS 4400 (Revised) for details on the standards and guidance in this regard. An example engagement letter for an agreed-upon procedures report of factual findings in relation to voluntary revocation of authorization is set out in Appendix 3 to this PN – Example 3.
143. The agreed-upon procedures report of factual findings by the auditor is prepared based on specified procedures which would include the following matters:
- a. Whether the AI had any outstanding third party deposit liabilities according to the general ledger and customer deposit records of the AI as at a specified date, and whether this is consistent with the information in the management representation letter;
  - b. Whether the balance sheet as at a specified date was in agreement with the AI's books and records, and whether it is consistent with the information in the management representation letter; and
  - c. Whether the summary of contingent liabilities and outstanding commitments as at a specified date was in agreement with the AI's books and records, and whether it is consistent with the information in the board minutes and the management representation letter.
144. The auditor would follow the guidance in HKSA 580, "Written Representations" and obtain a letter of representation from director (or management) confirming, inter alia, the following areas as at the specified date for the purpose of the report:
- a. the accuracy and completeness of third party deposit liabilities of the AI;
  - b. the balance sheet was in agreement with the AI's books and records; and
  - c. the accuracy and completeness of contingent liabilities and outstanding commitments.
145. An example management representation letter is set out in Appendix 2 to this PN – Example 3.
146. The agreed-upon procedures report of factual findings is prepared in accordance with HKSRS 4400 (Revised). A copy of the balance sheet of the AI and a summary of contingent liabilities and outstanding commitments (or a nil report if there are no contingent liabilities and outstanding commitments) as at the specified date would be attached to the report. An example of the report is set out in Appendix 1 to this PN – Example 6.
147. HKSRS 4400 (Revised) introduced requirements and application material to provide more clarity in the agreed-upon procedures report. The auditor is reminded to read HKSRS 4400 (Revised) for the requirements.
148. In particular, the auditor should refer to paragraphs 21 – 23 and A28 – A38 of HKSRS 4400 (Revised) for the engagement acceptance and continuance conditions. The auditor shall include the terms as set out in paragraph 24 of HKSRS 4400 (Revised) in the engagement letter. Among the terms, the engagement letter shall include the purpose of the engagement and the intended users of the agreed-upon procedures report as identified by the engaging party. An illustrative engagement letter for an agreed-upon procedures engagement can be found in Appendix 1 to HKSRS 4400 (Revised).

### **PART III – PROTECTION FOR THE AUDITOR ON COMMUNICATIONS WITH THE HKMA**

~~147-149.~~ Section 61 permits the auditor, notwithstanding any duty which the auditor may owe to the clients (e.g. confidentiality), to communicate to the HKMA, provided that:

- the communication, whether or not in response to a request by the HKMA, is in good faith; and
- the information so disclosed relates to information or opinion on a matter of which the auditor becomes aware in the capacity of the auditor and which is relevant to any function of the HKMA under the Ordinance.

~~148-150.~~ The protection covers not only the auditor appointed under section 395, 396, 397 or 398 of the Companies Ordinance but also the auditor appointed for the purpose of sections 50(1)(c), 59(2), 63(3) and 63(3A). It also covers the auditor who makes a report to the HKMA under sections 63A and 63B.

~~149-151.~~ The protection afforded by section 61 is general and not restricted by the circumstances in which the information is obtained or by its sources. Provided the information becomes known to the auditor in the capacity as the auditor of an AI, they may communicate that information to the HKMA notwithstanding that:

- the information does not relate to the auditing work undertaken by the auditor; or
- the source of the information was not the AI.

~~150-152.~~ Section 61 does not of itself require the auditor to change the scope, nature and depth of the audit work and the auditor is not required to actively seek out grounds for making a report under this section.

~~151-153.~~ Appendix 4 to this PN contains further guidance on ad hoc reports under section 61 that has been prepared to assist the auditor in understanding the circumstances in which the auditor would consider taking the initiative in bringing important matters to the attention of the HKMA with the protection of section 61. Section 61 does not lay down any rules nor specify the circumstances in which the auditor is to communicate any matter to the HKMA. It provides a statutory mechanism whereby the auditor may make matters known to the HKMA without breaching the auditor's duty of confidentiality.

### **EFFECTIVE DATE AND TRANSITION**

~~152-154.~~ Effective for reporting periods ending on or after 1 January 2020 and conforming changes to HKSRS 4400 (Revised) will be effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after 1 January 2022.

~~153-155.~~ Auditor's reports for reporting periods ending before the above-mentioned effective date should continue to be prepared with reference to the guidance set out in the previous version of this PN<sup>9</sup>.

---

<sup>9</sup> In the circumstances where the relevant rules of the BELR are applicable to the authorised institution for part of the reporting period (e.g. for a reporting period covering from 1 April 2019 to 31 March 2020 whereas the relevant rules of the BELR is effective from 1 July 2019; or for a reporting period covering from 1 July 2019 to 30 June 2020 whereas the authorised institution utilises a grace period allowed under Part 9 of the BELR), the section 63(3A) auditor's report should be prepared with reference to the guidance set out in both the previous version of the PN (for the period prior to the actual application of the relevant rules of the BELR by the authorised institution) and this PN.

The firm applies Hong Kong Standard on Quality Control 1<sup>11</sup> 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.

*Auditor's Responsibilities*

Our responsibility is to report on whether the Returns are correctly compiled, in all material respects, from the books and records of the Institution, and if not so correctly compiled, the nature and extent of the incorrectness, based on the results of the procedures performed by us.<sup>12</sup> These procedures do not represent an audit of the books and records of the Institution.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 830 (Revised), *Reports by the Auditor Under the Banking Ordinance* ("PN 830 (Revised)") issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance on whether the Returns have been correctly compiled, in all material respects, from the books and records of the Institution.

We have planned and performed such procedures as we considered necessary with reference to the procedures recommended in PN 830 (Revised), which included examining evidence obtained from the Institution regarding the Institution's compilation of banking returns and other information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Opinion*

Based on the foregoing, in our opinion, the Returns have been correctly compiled, in all material respects, from the books and records of the Institution.

*Intended Users and Purpose*

This report is solely prepared for you for onward submission to the Monetary Authority pursuant to Section 63(3) of the Ordinance and is not intended to be, and should not be, used by anyone else or for any other purpose and we expressly disclaim any liability or duty to any other party in this respect.

ABC & Co.

Certified Public Accountants (Practising) [or Certified Public Accountants]

[Auditor's Address]

[Date]

\* Delete where not applicable

---

<sup>11</sup> HKSQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* is replaced by Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.

<sup>12</sup> Auditors may consider it appropriate to clarify to whom they are responsible here or elsewhere in the letter in accordance with their risk management policies and with reference to Professional Risk Management Bulletin No. 2 "Auditors' Duty of Care To Third Parties and The Audit Report".



**Example 2 – Section 63(3) report for local branch(es) of overseas incorporated Als**

**INDEPENDENT AUDITOR'S ASSURANCE REPORT ON SECTION 63(3) OF THE BANKING ORDINANCE**

To the Chief Executive of the Hong Kong Branch(es) of XYZ Bank

Pursuant to section 63(3) of the Banking Ordinance (the "Ordinance"), we have been requested to report on whether certain returns of XYZ Bank's Hong Kong Branch(es) (the "Institution") as set out below are correctly compiled, in all material respects, from the books and records of the Institution in accordance with the completion instructions issued by the Monetary Authority.

*Scope*

This report covers the following attached returns (the "Returns") and does not extend to any other return or information submitted to the Monetary Authority by the Institution:

- i. Parts I – III and V, columns 2 – 9; Part IV, columns 3 – 9; memorandum items on Amount After CRM under Part III; and memorandum items on Amount Before CRM and Amount After CRM under Part V of the Return of Large Exposures of the Institution for the quarter ended [date] submitted on [date];
- ii. Return of Liquidity Position of the Institution for the month of [month/year] submitted on [date]; and
- iii. The Certificate of Compliance of the Institution for the quarter ended [date] submitted on [date].

*Chief Executive's Responsibilities*

As the chief executive of the Institution, you are responsible for ensuring the correct compilation of banking returns and other information, from the books and records of the Institution, for submission to the Monetary Authority.

*Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1<sup>13</sup> 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.

*Auditor's Responsibilities*

Our responsibility is to report on whether the Returns are correctly compiled, in all material respects, from the books and records of the Institution, and if not so correctly compiled, the nature and extent of the incorrectness, based on the results of the procedures performed by us.<sup>14</sup> These procedures do not represent an audit of the books and records of the Institution.

---

<sup>13</sup> HKSQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* is replaced by Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.*

<sup>14</sup> Auditors may consider it appropriate to clarify to whom they are responsible here or elsewhere in the letter in accordance with their risk management policies and with reference to Professional Risk Management Bulletin No. 2 "Auditors' Duty of Care To Third Parties and The Audit Report".

**Example 3 – Section 63(3A) report for locally incorporated AIs**

**INDEPENDENT AUDITOR'S ASSURANCE REPORT ON SECTION 63(3A) OF THE BANKING ORDINANCE**

To the Directors of XYZ Bank

Pursuant to section 63(3A) of the Banking Ordinance (the "Ordinance"), we have been requested to report on whether or not, during the period from [date] to [date] (the "relevant period") XYZ Bank (the "Institution") had in place systems of control which were adequate to enable, as much as is practicable:

- i. the Institution's returns or information submitted to the Monetary Authority to be correctly compiled, in all material respects, from the books and records of the Institution;
- ii. the Institution to comply with its duties under Parts XII, XV, XVIA and XVIB of the Ordinance;
- iii. the Institution to maintain adequate provision for depreciation or diminution in the value of its assets (including provision for bad and doubtful debts), for liabilities which will or may fall to be discharged by it and for losses which will or may occur

in accordance with the requirements specified in Supervisory Policy Manual IC-3 "Reporting Requirements Relating to Authorized Institutions' External Auditors under the Banking Ordinance" ("SPM IC-3") issued by the Monetary Authority.

In addition, we have been requested to report on whether or not, during the relevant period:

- i. there appears to be any material contravention by the Institution of any of its duties under Parts XII, XV, XVIA and XVIB of the Ordinance;
- ii. it appears that the Institution has failed to maintain adequate provision for depreciation or diminution in the value of its assets (including provision for bad and doubtful debts), for liabilities which will or may fall to be discharged by it and for losses which will or may occur.

*Directors' Responsibilities*

As the directors of the Institution you are responsible for establishing and maintaining adequate internal control systems to enable:

- i. the Institution's returns or information submitted to the Monetary Authority to be correctly compiled from the books and records of the Institution;
- ii. the Institution to comply with its duties under Parts XII, XV, XVIA and XVIB of the Ordinance;
- iii. the Institution to maintain adequate provision for depreciation or diminution in the value of its assets (including provision for bad and doubtful debts), for liabilities which will or may fall to be discharged by it and for losses which will or may occur.

*Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1<sup>15</sup> and accordingly maintains a comprehensive

---

<sup>15</sup> HKSQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* is replaced by Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.

**Example 4 – Section 63(3A) report for local branch(es) of overseas incorporated AIs**

**INDEPENDENT AUDITOR'S ASSURANCE REPORT ON SECTION 63(3A) OF THE BANKING ORDINANCE**

To the Chief Executive of the Hong Kong Branch(es) of XYZ Bank

Pursuant to section 63(3A) of the Banking Ordinance (the "Ordinance"), we have been requested to report on whether or not, during the period from [date] to [date] (the "relevant period") XYZ Bank's Hong Kong Branch(es) (the "Institution") had in place systems of control which were adequate to enable, as much as is practicable:

- i. the Institution's returns or information submitted to the Monetary Authority to be correctly compiled, in all material respects, from the books and records of the Institution;
- ii. the Institution to comply with its duties under Parts XII, XV and XVIB of the Ordinance

in accordance with the requirements specified in Supervisory Policy Manual IC-3 "Reporting Requirements Relating to Authorized Institutions' External Auditors under the Banking Ordinance" ("SPM IC-3") issued by the Monetary Authority.

In addition, we have been requested to report on whether or not, during the relevant period, there appears to be any material contravention by the Institution of any of its duties under Parts XII, XV and XVIB of the Ordinance.

*Chief Executive's Responsibilities*

As the chief executive of the Institution you are responsible for establishing and maintaining adequate internal control systems to enable:

- i. the Institution's returns or information submitted to the Monetary Authority to be correctly compiled from the books and records of the Institution;
- ii. the Institution to comply with its duties under Parts XII, XV and XVIB of the Ordinance.

*Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1<sup>17</sup> 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.

*Auditor's Responsibilities*

Our responsibility is to prepare a report on the matters referred to in section 63(3A)(a) and (b) of the Ordinance based on the results of the procedures performed by us.<sup>18</sup>

---

<sup>17</sup> HKSQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* is replaced by Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.*

<sup>18</sup> Auditors may consider it appropriate to clarify to whom they are responsible here or elsewhere in the letter in accordance with their risk management policies and with reference to Professional Risk Management Bulletin No. 2 "Auditors' Duty of Care To Third Parties and The Audit Report".

**Example 5 – Section 59(2) report**

*It should be noted that the scope and content of a report under section 59(2) would vary depending on the purpose and requirements of the HKMA in commissioning such a report. The example below focuses on a review of internal control systems and is only intended to provide an illustration of how such a review report could be structured and presented but other forms of presentation may be appropriate subject to discussion and agreement with the AI and the Monetary Authority. The precise details of the report should be suitably modified to suit individual circumstances.*

**INDEPENDENT AUDITOR'S ASSURANCE REPORT ON SECTION 59(2) OF THE BANKING ORDINANCE**

To ~~[Appropriate Addressee]~~the Directors of XYZ Bank

In accordance with our engagement letter dated [date] ("Engagement Letter"), a copy of which is attached as Appendix [ ] to this report, we have carried out an engagement under section 59(2) of the Banking Ordinance (the "Ordinance") in relation to matters specified in the Letter of Instruction issued by XYZ Bank (the "Institution") dated [date].

*Scope*

The scope of our engagement is set out in the Letter of Instruction which requires:

1. a review of the internal control systems of the Institution which were in existence during the period from [date] to [date] (the "review period") against the requirements set out in the following modules of Supervisory Policy Manual ("SPM"), guidelines and circulars issued by the Monetary Authority:

*[list of all relevant modules of SPM, guidelines and circulars issued by the Monetary Authority]*

2. *[set out other specified areas of review as appropriate]\**

*Directors' Responsibilities*

As the directors of the Institution you are responsible for establishing and maintaining adequate internal control systems which comply with the requirements of the Ordinance, and SPM, guidelines and circulars issued by the Monetary Authority. In fulfilling that responsibility, estimates and judgment must be made to assess the expected benefits and related costs of management information and of control procedures. The objective is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that banking risks are properly monitored and evaluated and that transactions are executed in accordance with established authorization procedures and are recorded properly, to enable you to conduct the business in a prudent manner.

*Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1<sup>19</sup> 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>19</sup> HKSQ 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* is replaced by Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.

*Auditor's Responsibilities*

Our responsibility is to perform an engagement in accordance with the Engagement Letter addressing the scope set out in the Letter of Instruction and report on:

- a. whether we are aware of any matters which may indicate that the Institution has not established and maintained controls in accordance with the requirements set out in the above modules of SPM, guidelines and circulars issued by the Monetary Authority; and
- b. *[set out responsibilities for other specified areas of review as appropriate]\*.*

based on the results of the procedures performed by us.<sup>20</sup>

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 830 (Revised), *Reports by the Auditor Under the Banking Ordinance* issued by the HKICPA for the purpose of reporting on whether relevant internal control systems of the Institution were established and maintained in accordance with the requirements set out in the above modules of SPM, guidelines and circulars issued by the Monetary Authority. We have planned and performed our work to obtain limited assurance for giving conclusion 1 below.

A limited assurance engagement undertaken in respect of our conclusion 1 below, in accordance with HKSAE 3000 (Revised) involves [level of detail about procedures to be determined by the auditor]. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

In respect of [*other specified areas of review*], [our engagement was conducted in accordance with [*Hong Kong Standard on Assurance Engagements 3000 (Revised)*]\* [*Hong Kong Standard on Related Services 4400 (Revised), Agreed-Upon Procedures Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*]\* and with reference to PN 830 (Revised) issued by the HKICPA.]<sup>21</sup>

We have performed such procedures [*as we considered necessary for the purpose of reporting in accordance with the above requirements*]\* [*as were agreed and set out in the Engagement Letter*]\*.

*Inherent Limitations*

Accounting and internal control systems designed to address specific control objectives are subject to inherent limitations of any internal control structure, and accordingly, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that management information and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

---

<sup>20</sup> Auditors may consider it appropriate to clarify to whom they are responsible here or elsewhere in the letter in accordance with their risk management policies and with reference to Professional Risk Management Bulletin No. 2 "Auditors' Duty of Care To Third Parties and The Audit Report".

<sup>21</sup> This is for reference only and is not served to limit the appointed auditor's professional judgement and initiative, or limits the application of relevant standards. The work of each engagement is to be designed to meet the requirements of the Monetary Authority and particular situation.

**Example 6 — Report of factual findings in relation to voluntary revocation of authorization**

**REPORT OF FACTUAL FINDINGS IN RELATION TO XYZ'S APPLICATION FOR VOLUNTARY REVOCATION OF ITS AUTHORIZATION AS A [~~DEPOSIT-TAKING COMPANY / RESTRICTED LICENCE BANK / BANK~~]\***

To [~~Appropriate Addressee~~] of XYZ Bank

In accordance with your Letter of Instruction dated [~~date~~], a copy of which is attached, we have performed the procedures below with respect to XYZ (the "Institution"). Our engagement was conducted in accordance with Hong Kong Standard on Related Services 4400, "Engagements to Perform Agreed Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The procedures were performed solely for the purpose of assisting you in satisfying the requirements of the Monetary Authority in relation to the Institution's application for voluntary revocation of authorization as a [~~deposit-taking company / restricted licence bank / bank~~]\*. The procedures are summarized as follows:

3. ~~We inspected the general ledger and customer deposit records of the Institution to ascertain whether there were any third party deposit liabilities recorded as at [date].~~
4. ~~We obtained from the management the balance sheet of the Institution as at [date] and agreed to the books and records of the Institution as at [date].~~
5. ~~We obtained from the management a summary of contingent liabilities and outstanding commitments of the Institution as at [date] and compared it to the books and records.~~
6. ~~For the contingent liabilities and outstanding commitments, we also obtained and reviewed the minutes of the Board of Directors ("Board Minutes") for the period from [date] to [date].~~
5. ~~We obtained a Representation Letter from the Board of Directors confirming the following:~~
  - a. ~~the accuracy and completeness of third party deposit liabilities of the Institution as at [date];~~
  - b. ~~the balance sheet as at [date] agreed with the books and records of the Institution;~~
  - d. ~~the accuracy and completeness of contingent liabilities and outstanding commitments of the Institution as at [date].~~

We report our findings as follows:

- a. ~~With respect to item 1, we found there were no third party customer deposit liabilities as attached as at [date], and this was consistent with the information in the Representation Letter.~~
- b. ~~With respect to item 2, we found the attached balance sheet as at [date] was in agreement with the books and records of the Institution as at [date], and was consistent with the information in the Representation Letter.~~
- c. ~~With respect to item 3, we found the attached summary of contingent liabilities and outstanding commitments as at [date] was in agreement with the Institution's books and records, and was consistent with the information in the Representation Letter.~~
- e. ~~With respect to item 4, we were not aware of any inconsistency of the information in the Board Minutes.~~

Because the above procedures do 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 HKICPA, we do not express any assurance on the Institution's balance sheet, third party deposit liabilities, contingent liabilities and commitments as at [date].~~

~~Had we performed additional procedures or had we performed 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 HKICPA, other matters might have come to our attention that would have been reported to you.~~

~~Our report is solely for the purpose set forth in the first paragraph of this report. It relates only to the items specified above and does not extend to any financial statements of the Institution, taken as a whole.~~

~~This report is intended for filing with the Monetary Authority. We have no objection that a copy of this report is given by the Monetary Authority to the Financial Secretary of the HKSAR Government for the purpose of section 22(1) of the Banking Ordinance. Except for the foregoing, this report should not be distributed to any other party or used by anyone else or for any other purpose and we expressly disclaim any liability or duty to any other party or for any other use in this respect.~~

ABC & Co.  
Certified Public Accountants (Practising) [or Certified Public Accountants]  
{Address}  
{Date}

*\*Delete where not appropriate*

**Example 6 – Agreed-upon procedures report  
in relation to voluntary revocation of authorization**

(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 Institution is the engaging party, the responsible party and the intended user. The report is also intended to be provided to the Monetary Authority.
- No exceptions were found.
- The practitioner did not engage a practitioner's expert to perform any of the agreed-upon procedures.
- There is a restriction on the use and distribution of the report.
- The practitioner is the auditor of the financial statements of the Institution. The practitioner has agreed with the directors of the Institution that the practitioner's compliance with the independence requirements applicable to audits of financial statements is appropriate for the purpose of the agreed-upon procedures engagement. The practitioner 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 practitioner included a reference to the date when the agreed-upon procedures were agreed in the terms of the engagement.

**AGREED-UPON PROCEDURES REPORT IN RELATION TO XYZ BANK'S APPLICATION FOR VOLUNTARY REVOCATION OF ITS AUTHORIZATION AS A [DEPOSIT-TAKING COMPANY / RESTRICTED LICENCE BANK / BANK]\***

To the Directors of XYZ Bank

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

Our report is solely for the purpose of assisting [XYZ Bank] (the "Institution") in satisfying the requirements of the Monetary Authority in relation to the Institution's application for voluntary revocation of authorization as a [deposit-taking company / restricted licence bank / bank]\* and may not be suitable for another purpose. This report is intended solely for the Institution, and should not be used by, or distributed to, any other parties, except that we agree that this report is intended for filing with the Monetary Authority and we have no objection that a copy of this report is given by the Monetary Authority to the Financial Secretary of the HKSAR Government for the purpose of section 22(1) of the Banking Ordinance.

**Directors' Responsibilities**

The directors of the Institution have acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The directors of the Institution are responsible for the preparation of the balance sheet, third party deposit liabilities, summary of contingent liabilities and outstanding commitments as at [date] on which the agreed-upon procedures are performed.



**Practitioner's Responsibilities**

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* and with reference to Practice Note 830 (Revised), *Reports by the Auditor under the Banking Ordinance* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the directors of the Institution, 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 expressly disclaim any liability or duty to any other party or for any other use in this respect.

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**

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.

**Procedures and Findings**

We have performed the procedures described below, which were agreed upon with the directors of the Institution in the terms of engagement dated [date], in relation to the Institution's application for voluntary revocation of authorization as a [deposit-taking company / restricted licence bank / bank]\*.

<b><u>Procedures</u></b>	<b><u>Findings</u></b>
<u>1. We inspected the general ledger and customer deposit records of the Institution to ascertain whether there were any third party deposit liabilities recorded as at [date].</u>	<u>1. We found there were no third party customer deposit liabilities as attached as at [date], and this was consistent with the information in the representation letter.</u>
<u>2. We obtained from the management the balance sheet of the Institution as at [date] and agreed to the books and records of the Institution as at [date].</u>	<u>2. We found the attached balance sheet as at [date] was in agreement with the books and records of the Institution as at [date], and was consistent with the information in the representation letter.</u>
<u>3. We obtained from the management a summary of contingent liabilities and outstanding commitments of the Institution as at [date] and compared it to the books and records of the Institution.</u>	<u>3. We found the attached summary of contingent liabilities and outstanding commitments as at [date] was in agreement with the Institution's books and records, and was consistent with the information in the representation letter.</u>
<u>4. For the contingent liabilities and outstanding commitments, we obtained and reviewed the minutes of the Board of Directors ("Board Minutes") for the period from [date] to [date].</u>	<u>4. We were not aware of any inconsistency of the information in the Board Minutes.</u>

<u>Procedures</u>	<u>Findings</u>
<p>5. <u>With respect to Procedures no. 1 to 3 above, we obtained a representation letter from the Board of Directors confirming the following:</u></p> <p>a. <u>the accuracy and completeness of third party deposit liabilities of the Institution as at [date];</u></p> <p>b. <u>the balance sheet as at [date] agreed with the books and records of the Institution;</u></p> <p>c. <u>accuracy and completeness of contingent liabilities and outstanding commitments of the Institution as at [date].</u></p>	<p>5. <u>We found items (a) to (c) were included and confirmed in the representation letter.</u></p>

ABC & Co.  
Certified Public Accountants (Practising) [or Certified Public Accountants]  
[Date]  
[Address]

\* Delete where not appropriate

\*\* Hong Kong Standard on Quality Management ("HKSQM") 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements replaces HKSQC 1. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.

**Example 3 – Management representation letter for agreed-upon procedures report of ~~factual~~ findings  
in relation to voluntary revocation of authorization**

[Client's letterhead]

[Audit Firm]

[Address]

[Date of report]

Dear Sirs

This representation letter is provided in connection with your performance of the agreed-upon procedures in respect of the voluntary revocation of the authorization of the [Bank/Company/Branch]\*.

We confirm that (, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves):

*Financial Statements*

1. We have fulfilled our responsibilities for establishing and maintaining adequate accounting records and systems of control to ensure that the financial statements of the [Bank/Company/Branch]\* for the period from [date] to [date] have been properly prepared from the books and records of the [Bank/Company/Branch]\*.
2. We confirm the following:
  - (a) As at [date], the third party deposit liabilities of the [Bank/Company/Branch]\* are accurate and complete;
  - (b) As at [date], the [Bank/Company/Branch]\* 's balance sheet agrees with the books and records made available to you. The [Bank/Company/Branch]\* has maintained adequate provision for its liabilities and commitments as at [date]; and
  - (c) As at [date], there are no other outstanding commitments or contingent liabilities which have not been wound down or properly honoured or transferred by mutually satisfactory arrangements except for those stated in the summary of contingent liabilities and outstanding commitments as at [date] and disclosed in the attachment to your report. The summary of contingent liabilities and outstanding commitments are accurate and complete.

*Information Provided*

3. All transactions undertaken by the [Bank/Company/Branch]\* have been properly reflected and recorded in the accounting records.
4. All of the following information has been made available to you for the purposes of performing your procedures:
  - (a) All accounting records and supporting documents, information and explanations necessary for an understanding of the nature of transactions entered into, the assets owned, the liabilities (contingent or otherwise) and commitments of the [Bank/Company/Branch]\*;
  - (b) All relevant instructions, correspondence and minutes or notes of meetings with the Monetary Authority and our solicitors; and
  - (c) Other information which may be relevant to your agreed-upon procedures.

**Example 3—Engagement letter for report of factual findings  
in relation to voluntary revocation of authorization**

The Board of Directors  
XYZ  
{address}

{Date}

Dear Sirs

**Objective of services**

1.1 ~~You have requested that we prepare a report in relation to an application for voluntary revocation of authorization as a [deposit-taking company / restricted licence bank / bank]\* by XYZ (the "Institution"). The scope and period to be covered in this engagement are set out in your Letter of Instruction dated [date]. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. Our work will be conducted with the objective of our reporting the factual findings.~~

**Scope of work**

2.1 ~~Our engagement will be conducted in accordance with Hong Kong Standard on Related Services 4400, "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and we will indicate so in our report.~~

2.2 ~~We have agreed to perform the following procedures and report to you the factual findings resulting from our work:~~

- ~~i) Inspect the general ledger and customer deposit records of the Institution to ascertain whether there were any third party deposit liabilities recorded as at [date].~~
- ~~ii) Obtain from the management the balance sheet of the Institution as at [date] and agree to the books and records of the Institution as at [date].~~
- ~~iii) Obtain from the management a summary of contingent liabilities and outstanding commitments of the Institution as at [date] and compare it to the books and records.~~
- ~~iv) For the contingent liabilities and outstanding commitments, obtain and review the minutes of the Board of Directors for the period from [date] to [date].~~
- ~~v) With respect to (i)–(iii) above, we will also obtain a Representation Letter from the Board of Directors confirming the following:~~
  - ~~i. the accuracy and completeness of third party deposit liabilities of the Institution as at [date];~~
  - ~~ii. the balance sheet as at [date] agreed with the books and records of the Institution;~~
  - ~~iii. the accuracy and completeness of contingent liabilities and outstanding commitments of the Institution as at [date].~~

2.3 ~~The procedures are performed solely for the purpose of assisting you in satisfying the requirements of the Monetary Authority in relation to the Institution's application for voluntary revocation of the authorization as a [deposit-taking company / restricted licence bank / bank]\*. Our report is intended for filing with the Monetary Authority. We have no objection that a copy of our report will be given by the Monetary Authority to the Financial Secretary of the HKSAR Government for the purpose of section 22(1) of the Banking Ordinance. Except for the foregoing,~~

~~our report should not be distributed to any other party or used by anyone else or for any other purpose and we expressly disclaim any liability or duty to any other party or for any other use in this respect.~~

~~2.4 The procedures that we will perform will 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 HKICPA and, consequently, we will not express any assurance on the Institution's balance sheet, third party deposit liabilities, contingent liabilities and commitments.~~

~~{Set out other terms of the engagement as appropriate}~~

**Agreement of terms**

~~3.1 We shall be grateful if you could confirm in writing your agreement to the terms of this letter by signing and returning the attached copy, or let us know if they are not in accordance with your understanding of our terms of appointment.~~

Yours faithfully

ABC & Co.  
Certified Public Accountants (Practising) [or Certified Public Accountants]

~~We agree to the terms of this letter.~~

\_\_\_\_\_  
Director, for and on behalf of the Board of XYZ

~~\*Delete where not appropriate~~

**Example 3 – Engagement letter for agreed-upon procedures report  
in relation to voluntary revocation of authorization**

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

The Board of Directors

XYZ

[address]

[Date]

Dear Sirs

You have requested that we perform an agreed-upon procedures engagement in relation to an application for voluntary revocation of authorization as a [deposit-taking company / restricted licence bank / bank]\* by XYZ (the "Institution"). This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services that we will provide. Our engagement will be conducted in accordance with the Hong Kong Standard on Related Services (HKSRS) 4400 (Revised), *Agreed-Upon Procedures Engagements* ("HKSRS 4400 (Revised)") and with reference to Practice Note 830 (Revised), *Reports by the Auditor under the Banking Ordinance* ("PN 830 (Revised)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In performing the agreed-upon procedures engagement, we will comply with the ethical requirements of the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") and we agree to comply with the independence requirements applicable to audits of financial statements as set out in the Code.

An agreed-upon procedures engagement performed under HKSRS 4400 (Revised) involves our performing the procedures agreed with you, and communicating the findings in the agreed-upon procedures report. Findings are the factual results of the agreed-upon procedures performed. You acknowledge that the procedures are appropriate for the purpose of the engagement. We make no representation regarding the appropriateness of the procedures. This agreed-upon procedures engagement will be conducted on the basis that the directors of the Institution are responsible for the preparation of the balance sheet, third party deposit liabilities, summary of contingent liabilities and outstanding commitments of the Institution as at [date] on which the agreed-upon procedures are performed. Further, this agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

The procedures that we will perform are solely for the purpose of assisting the Institution in satisfying the requirements of the Monetary Authority in relation to the Institution's application for voluntary revocation of the authorization as a [deposit-taking company / restricted licence bank / bank]\*. Our report is intended for the Institution and we agree that this report is intended for filing with the Monetary Authority. We have no objection that a copy of our report will be given by the Monetary Authority to the Financial Secretary of the HKSAR Government for the purpose of section 22(1) of the Banking Ordinance. Except for the foregoing, our report should not be distributed to any other party or used by anyone else or for any other purpose and we expressly disclaim any liability or duty to any other party or for any other use in this respect.

**Scope of work**

1.1 We have agreed to perform the following procedures and report to you the findings resulting from our work:

- i) Inspect the general ledger and customer deposit records of the Institution to ascertain whether there were any third party deposit liabilities recorded as at [date].
- ii) Obtain from the management the balance sheet of the Institution as at [date] and agree to the books and records of the Institution as at [date].

- iii) Obtain from the management a summary of contingent liabilities and outstanding commitments of the Institution as at [date] and compare it to the books and records of the Institution.
- iv) For the contingent liabilities and outstanding commitments, obtain and review the minutes of the Board of Directors for the period from [date] to [date].
- v) With respect to (i) – (iii) above, we will also obtain a representation letter from the Board of Directors confirming the following:
  - a. the accuracy and completeness of third party deposit liabilities of the Institution as at [date];
  - b. the balance sheet as at [date] agreed with the books and records of the Institution;
  - c. the accuracy and completeness of contingent liabilities and outstanding commitments of the Institution as at [date].

The procedures are to be performed between [date] and [date].

**Our agreed-upon procedures report**

2.1 As part of our engagement, we will issue our report, which will describe the agreed-upon procedures and the findings of the procedures performed. [Insert appropriate reference to the expected form and content of the agreed-upon procedures report in accordance with PN 830 (Revised).]

**[Fee]\***

[Insert other information, such as billings and other specific terms, as appropriate.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement, including the specific procedures which we have agreed will be performed and that they are appropriate for the purpose of the engagement.

Yours faithfully

ABC & Co.  
Certified Public Accountants (Practising) [or Certified Public Accountants]

---

Acknowledged and agreed on behalf of the Board of Directors of [XYZ] by:

[Signature]  
[Name and Title]  
[Date]

\* Delete where not appropriate

*Technical Bulletin*

---

# Assistance Options to New Applicants and Sponsors in connection with Due Diligence Obligations, including Internal Controls over Financial Reporting

This Technical Bulletin is issued by the Auditing and Assurance Standards Committee of the Hong Kong Institute of Certified Public Accountants (HKICPA). The Technical Bulletin does not constitute an auditing or assurance standard. Professional judgement should be used by members in its application. No responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this Technical Bulletin can be accepted by the HKICPA.

\* AATB 1 (Revised) has been updated for conforming changes to Hong Kong Standard on Related Services (HKSRS) 4400 (Revised), *Agreed-Upon Procedures Engagements* which will be effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after 1 January 2022.





**Copyright ~~2015~~ 2021 The Hong Kong Institute of Certified Public Accountants. All rights reserved.**

**Permission is granted to make copies of this Technical Bulletin provided that such copies are for use in academic classrooms or for personal use and are not sold or disseminated, and provided further that each copy bears the following credit line: "Copyright by the Hong Kong Institute of Certified Public Accountants. All rights reserved. Used by permission". Otherwise, written permission from the HKICPA is required to reproduce, store or transmit this document, except as permitted by law.**

**This Technical Bulletin is prepared by the HKICPA and is intended to provide information to members on the current practices in Hong Kong in regard to such engagements only. Professional advice should be taken before applying the content of this publication to your particular circumstances. While the HKICPA endeavours to ensure that the information in this publication is correct, no responsibility for loss to any person acting or refraining from action as a result of using any such information can be accepted by the HKICPA.**

## HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

### TECHNICAL BULLETIN – AATB 1 (REVISED)

#### ASSISTANCE OPTIONS TO NEW APPLICANTS AND SPONSORS IN CONNECTION WITH DUE DILIGENCE OBLIGATIONS, INCLUDING INTERNAL CONTROLS OVER FINANCIAL REPORTING

This Technical Bulletin is issued by the Auditing and Assurance Standards Committee of the Hong Kong Institute of Certified Public Accountants (HKICPA). The Technical Bulletin does not constitute an auditing or assurance standard. Professional judgement should be used by members in its application. No responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this Technical Bulletin can be accepted by the HKICPA.

<b><u>Contents</u></b>	<b><u>Paragraph Numbers</u></b>
EXECUTIVE SUMMARY	1-12
A. Introduction	13-27
Part 1 – SUMMARY OF RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF NEW APPLICANTS AND SPONSORS IN RESPECT OF DUE DILIGENCE OBLIGATIONS, INCLUDING INTERNAL CONTROLS OVER FINANCIAL REPORTING	
B. The responsibility of directors of new applicants	28
C. The Sponsors' declaration under Listing Rule 3A.13	29
Part 2 – THE SFC AND EXCHANGE'S EXPECTATIONS OF TYPICAL DUE DILIGENCE PERFORMED BY SPONSORS	
D. The SFC's expectations of Sponsors under the code of conduct	30-31
E. The Exchange's expectations of Sponsors under Practice Note 21	32-36
Part 3 – DISCUSSION OF TYPICAL TYPES OF ASSISTANCE TO BE PROVIDED BY ACCOUNTANTS	37-39
F. Long form report – internal controls over financial reporting	40-43
G. Agreed-upon procedures	44- <del>46</del> 48
H. Long form report – comprehensive review	<del>47-49</del> 51-53
Part 4 – ASSESSING AND REPORTING DEFICIENCIES	
I. Assessing and reporting deficiencies	<del>52-54</del> 59-61

Part 5 – OTHER MATTERS

J. Meetings with Sponsors

~~6062-6163~~

Appendix 1 – Matters to be considered over internal controls over financial reporting in respect of due diligence obligations

Appendix 2 – Basic principles in achieving effective internal controls over financial reporting

Appendix 3 – Illustrative scope of work in connection with due diligence assistance for internal controls over financial reporting

Appendix 4 – Expressing assurance on internal controls over financial reporting

Appendix 5 – Example long form report arrangement letter

11. The accountants will need to work closely with the new applicant and the Sponsors to agree the most appropriate approach given the new applicant's circumstances and the requirements of the new applicant and the Sponsors. If the listing applicant has engaged the accountants to perform due diligence procedures prior to appointing a Sponsor, the scope of work should be discussed with the Sponsor upon appointment and amended as necessary. Before accepting any engagement, the accountants should ensure that they have adequate expertise commensurate with the scope of the due diligence engagement requested.
12. The new IPO Sponsor regulatory regime requires the Sponsor to ensure that the listing applicant is ready to be a listed entity at the time of submitting a listing application. It should be noted that the nature of the assistance provided by accountants to the Sponsor is time consuming. Although the timing will vary for each engagement, for a typical long form report covering internal controls over financial reporting, the accountants will require, in general, at least 4 weeks to carry out relevant procedures and prepare a preliminary report, with a further 4 weeks to consider the listing applicant's remediation activities and prepare the follow up report. It is, therefore, to the benefit of all parties that the work of the accountants be started as soon as the new applicant has the positive intention to seek a listing. This increases the time available for the listing applicant to consider the outcomes of the engagement and remediate any material deficiencies (see Section I below for definition of "material deficiencies") that come out of the accountants' work (either through recommendations in a long form report or from an assurance engagement, or by considering the report of ~~factual~~ findings ~~in~~ of an agreed-upon procedures engagement).

#### **A. Introduction**

13. In preparing for listing the directors of a new applicant should ensure that the new applicant has the capability to meet the demands of a listed company, including having established procedures, systems and controls (including accounting and management systems) which enable the listing applicant and its directors to comply with the Listing Rules and other relevant legal and regulatory requirements on an ongoing basis and to provide a reasonable basis for the directors to make a proper assessment of the financial position and prospects of the listing applicant on an ongoing basis. This typically means that management performs some form of assessment of the sufficiency of the new applicant's readiness in the run up to listing.
14. In practice, although they may have a positive intention to seek a listing, new applicants may not yet have designed and implemented internal controls over financial reporting sufficient for a listed company. Reasons for this include:
  - (a) the group may only have been formed following a recent reorganisation in anticipation of listing, creating a new control environment; and
  - (b) whilst lower-level operational controls might be in place there is less in the way of the higher-level corporate and management controls required to enable management to plan the business and monitor its progress.
15. It has been indicated by the Sponsor community that it will normally be necessary for third party professionals to be engaged to assist them to undertake their due diligence enquiries. This assistance is likely, in a number of instances, to cover areas beyond the internal controls over financial reporting, as Sponsors seek to meet their broader obligations under Practice Note 21, and considering the Code of Conduct.

42. The final scope of the long form report and the specific matters to be covered will vary from case to case. Appendix 3 illustrates matters that may be considered for the scoping of a long form report covering internal controls over financial reporting, but this list should not be regarded as exhaustive and it is not industry specific.
43. The work will result in commentary in the long form report appropriate to the scope of work as agreed with the Sponsors and the new applicant. The accountants should set out in their report a description of any internal control deficiencies which come to their attention during the course of their work and provide recommendations for measures to be taken to address such deficiencies.

In addition, all relevant business processes, operational activities and financial control procedures are dependent for their effectiveness on the diligence and propriety of those responsible for operating them, and are capable of being overridden by management. Hence, the accountants will not be in a position to provide any assurance over the new applicants' internal controls over financial reporting and thus neither the Sponsors nor the new applicant should rely on the long form report to provide such assurance.

KEY POINTS
<p><b>Scope</b></p> <ul style="list-style-type: none"> <li>▪ Scoping may be performed with reference to paragraph 15 of Practice Note 21, the Code of Conduct and at a high-level in terms of general areas of internal controls over financial reporting (as indicated in Appendix 3 of this Technical Bulletin) to be considered by the accountants.</li> <li>▪ Can combine review and commentary with detailed testing.</li> </ul> <p><b>Report</b></p> <ul style="list-style-type: none"> <li>▪ Narrative report format.</li> <li>▪ Commentary on internal control and processes and identification and classification of any control deficiencies identified.</li> <li>▪ Recommendations for improvement (to the extent that they come to the attention of the accountants within the scope of their work).</li> <li>▪ Findings of any detailed testing performed.</li> <li>▪ No assurance as to the effectiveness of the new applicant's internal control activities.</li> </ul> <p><b>Follow-up</b></p> <ul style="list-style-type: none"> <li>▪ If applicable, a follow-up visit to determine and report on whether recommendations have been implemented.</li> </ul>

**G. Agreed-upon procedures**

44. Agreed-upon procedures engagements are carried out with reference to the principles outlined in Hong Kong Standard on Related Services 4400 (Revised), "Engagements to Perform Agreed-upon Procedures Engagements ("HKRSRS 4400 (Revised)") Regarding Financial Information" issued by the HKICPA and in accordance with the terms of engagement. The practitioner's objectives of an agreed-upon procedures engagement are to: ~~is "for the auditor to carry out procedures of an audit nature to which the auditor and the entity and any appropriate third parties (such as a Sponsor) have agreed and to report on factual findings".~~

(a) Agree with the engaging party the procedures to be performed;

(b) Perform the agreed-upon procedures; and

(c) Communicate the procedures performed and the related findings in accordance with the requirements of HKSRS 4400 (Revised).

45. HKSRS 4400 (Revised) introduced requirements and application material to provide more clarity in the agreed-upon procedures report. The practitioner is reminded to read HKSRS 4400 (Revised) for the requirements.

46. In particular, the practitioner should refer to paragraphs 21 – 23 and A28 – A38 of HKSRS 4400 (Revised) for the engagement acceptance and continuance conditions. The practitioner shall include the terms as set out in paragraph 24 of HKSRS 4400 (Revised) in the engagement letter. Among the terms, the engagement letter shall include the purpose of the engagement and the intended users of the agreed-upon procedures report as identified by the engaging party. An illustrative engagement letter for an agreed-upon procedures engagement can be found in Appendix 1 to HKSRS 4400 (Revised).

~~45.47.~~ In an agreed-upon procedures engagement, ~~procedures of an audit nature are performed~~, the scope of which should be agreed between the accountants, the new applicant and the Sponsors. This requirement to scope the procedures to be performed at a detailed level distinguishes an agreed-upon procedures engagement from a long form report engagement where scoping is typically done at a high-level in terms of the general areas of internal controls over financial reporting to be considered by the accountants.

~~46.48.~~ The accountants provide a report of ~~the factual findings resulting from~~ of the agreed-upon procedures ~~performed~~, no opinion or assurance conclusion is expressed and no views on the materiality of deficiencies are provided or recommendations as to how the deficiencies can be addressed. The Sponsor would therefore need to make its own assessment of the materiality of the deficiencies identified and make appropriate recommendations for rectification. It is for the new applicants and the Sponsors to assess for themselves the procedures and findings reported on by the accountants and to draw their own conclusions. The agreed-upon procedures report will be addressed to the new applicant and to the Sponsors to the extent that the Sponsors are a party to, and sign, the engagement letter. As noted in paragraph 23, there should be terms within the engagement letter with the new applicant setting out the basis on which the report is to be passed to the Stock Exchange, the SFC and other relevant regulatory authorities or as required by law or regulation, if required.

KEY POINTS	
<b>Scope</b>	<ul style="list-style-type: none"> <li>▪ Specific procedures of <del>an audit nature</del> agreed-upon between the new applicant, the Sponsors and the accountants.</li> </ul>
<b>Report</b>	<ul style="list-style-type: none"> <li>▪ Report of <del>factual</del> findings based on the specific procedures performed which may encompass providing commentary and identification of any control deficiencies identified.</li> <li>▪ No assessment of the materiality of deficiencies is provided,</li> <li>▪ No assurance as to the effectiveness of the new applicant's internal control activities.</li> </ul>
<b>Follow-up</b>	<ul style="list-style-type: none"> <li>▪ If applicable, a follow-up visit to report on status of the control deficiencies identified.</li> </ul>

**Circular on Gross Fee Income Report of Rule 8 of the Solicitors (Professional Indemnity) Rules**

**This Circular is intended for general guidance only. The Hong Kong Institute of Certified Public Accountants (Institute) DOES NOT accept any responsibility or liability, and DISCLAIM all responsibility and liability, in respect of the Circular and any consequences that may arise from any person acting or refraining from action as a result of any materials in the Circular.**

**A. Introduction**

1. As part of the Institute's International Convergence Programme with pronouncements issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants in recent years, the Institute has issued and revised a number of professional standards. Amongst these, the Institute has issued a number of standards on different reporting engagements typically undertaken by professional accountants in public practice in Hong Kong such as agreed-upon procedures engagements, which falls under Hong Kong Standard on Related Services ("HKSRs") 4400 (Revised), ~~Engagements to Perform Agreed-upon Procedures Engagements Regarding Financial Information~~ ("HKSRs 4400").

**B. Compliance with Rule 8 of the Solicitors (Professional Indemnity) Rules**

2. In relation to Rule 8 of the Solicitors (Professional Indemnity) Rules, solicitors are required to submit an accountant's certificate on or before 15 August each year to enable the Manager of the Professional Indemnity Scheme to renew their professional indemnity insurance, without which they are unable to renew their practising certificates.
3. The Institute's Auditing and Assurance Standards Committee ("AASC") considers that the accountant's certificate required under Rule 8 of the Solicitors (Professional Indemnity) Rules is one such report that needs to be updated in accordance with HKSRs 4400 (Revised).
4. In this regard, the AASC, in consultation with The Law Society of Hong Kong, has produced a Gross Fee Income Report in July 2007 for reference by practising members to ensure that there is consistency in the reports issued by practising members to solicitors' firms. Amendments as a result of changes to the Solicitors (Professional Indemnity) Rules in 2016 are set out in paragraphs ~~8-10~~ to ~~10~~12. The revised report attached at Appendix 1 of this Circular is based on HKSRs 4400 (Revised) which will be effective for all reports due from 15 August 2018 agreed-upon procedures engagements for which the terms of engagement are agreed on or after 1 January 2022.

## **Circular on Gross Fee Income Report of Rule 8 of the Solicitors (Professional Indemnity) Rules**

5. HKSRS 4400 (Revised) introduced requirements and application material to provide more clarity in the agreed-upon procedures report. Practising members are reminded to read HKSRS 4400 (Revised) for the requirements.

6. In particular, practising members should refer to paragraphs 21 – 23 and A28 – A38 of HKSRS 4400 (Revised) for the engagement acceptance and continuance conditions. Practising members should include the terms as set out in paragraph 24 of HKSRS 4400 (Revised) in the engagement letter. Among the terms, the engagement letter should include the purpose of the engagement and the intended users of the agreed-upon procedures report as defined by the engaging party. An illustrative engagement letter for an agreed-upon procedures engagement can be found in Appendix 1 to HKSRS 4400 (Revised).

5.7. Attached at Appendix 1 is an illustrative example Gross Fee Income Report for reference by practising members.

6.8. A copy of the illustrative example Gross Fee Income Report will also be issued by the Manager of the Professional Indemnity Scheme to solicitors.

7.9. The Law Society of Hong Kong will accept a Gross Fee Income Report under Rule 8 of the Solicitors (Professional Indemnity) Rules.

### **C. Solicitors (Professional Indemnity) (Amendment) Rules 2012**

8.10. The Law Society of Hong Kong made changes to the Solicitors' Accounts Rules and certain consequential amendments to the Solicitors (Professional Indemnity) Rules in 2016. The amendments to the latter are set out in the Solicitors (Professional Indemnity) (Amendment) Rules 2012 which were gazetted in 2012 and came into operation on 1 July 2016.

9.11. The amendments to the Solicitors (Professional Indemnity) Rules prescribed the qualifications that a certified public accountant (practising) must have before the accountant is qualified to sign a Gross Fee Income Report for a solicitors' firm. They were added under Rule 8 of the Solicitors (Professional Indemnity) Rules:

(1A) For the purposes of subrule (1)(a), a certified public accountant (practising) is qualified to sign the report referred to in subrule (1)(a)(i) or (ii) only if –

(a) the accountant is a certified public accountant (practising) holding a practising certificate as provided in the Professional Accountants Ordinance (Cap. 50);



**Circular on Gross Fee Income Report of Rule 8 of the  
Solicitors (Professional Indemnity) Rules**

- (b) the accountant has neither been at any time during the period covered by the report, nor subsequently before signing the report, a partner, clerk or servant of the Practice to which the report relates; and
- (c) the accountant is not subject to any notice of disqualification under subrule (1B).

(1B) If –

- (a) the accountant has been found guilty by the Disciplinary Committee constituted under section 33(3) of the Professional Accountants Ordinance (Cap. 50) of professional misconduct or dishonourable conduct; or
- (b) the Council is satisfied that the gross fee income of the Practice reported by the accountant was inaccurate and that the accountant was negligent in signing that report, the Council may at any time notify the accountant concerned that the accountant is not qualified to sign the report, and the Council may give notice of this fact to any firm on whose behalf the accountant may have signed the report, and after the accountant has been so notified, unless and until the notice of disqualification is withdrawn by the Council, the accountant is not qualified to sign the report.

(1C) In coming to its decision under subrule (1B), the Council must take into consideration any observations or representations made or given by the accountant or on whose behalf by the professional body of which the accountant is a member.

~~10.12.~~ In order to facilitate the Manager of the Professional Indemnity Scheme in verifying the qualification of the signor, The Law Society of Hong Kong requested that the practising member's full name and practising certificate number should also be inserted in the signatory section of the Gross Fee Income Report.

**D. Conclusion**

~~11.13.~~ Practising members are reminded that the attached Appendix 1 provides an illustrative example only. Practising members are reminded to use their professional judgement to ascertain the exact circumstances of each of their engagements.

~~12.14.~~ The AASC of the Institute welcomes your comments and feedback, which should be sent to the Standard Setting Department at: [commentletters@hki CPA.org.hk](mailto:commentletters@hki CPA.org.hk).

Date of Circular: [Date] 2021~~9~~ April 2018

**Circular on Gross Fee Income Report of Rule 8 of the  
Solicitors (Professional Indemnity) Rules**

**APPENDIX 1  
Illustrated Example  
Gross Fee Income Report**

To: The principals  
— [Name of Law Firm]

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 gross fee income of [Name of Law Firm] ("the Practice") for the year ended [date].

Our engagement was conducted in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The procedures do 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"), and, as such, no assurance is expressed.

The procedures were performed solely to assist you in satisfying the requirement of Rule 8 of the Solicitors (Professional Indemnity) Rules and are summarised as follows:

- 1 We obtained a schedule of gross fee income of the Practice for the year ended [date] which amounted to HK\$[X] prepared by the principals and for which the principals are solely responsible.
- 2 We obtained the Practice's [\*audited financial statements]/[\*underlying books and records from which the gross fee income set out above is extracted] for the year ended [date] and such other documents as appropriate (including profits tax return where applicable).
- 3 We compared the amount of gross fee income of HK\$[X] as stated above to the corresponding amount stated in the [\*audited financial statements]/[\*underlying books and records from which the gross fee income set out above is extracted] for

## Circular on Gross Fee Income Report of Rule 8 of the Solicitors (Professional Indemnity) Rules

~~the year ended [date] and found the amounts to agree<sup>1</sup>.~~

~~Had we performed additional procedures or had we performed an assurance engagement in respect of the amount of gross fee income for the year ended [date] in accordance with Hong Kong assurance standards, other matters might have come to our attention that would have been reported to you.~~

~~Our report is solely for the purpose set forth in the third paragraph of this report and is for your information only, and is not to be used for any other purpose or to be distributed to any other parties, except that we agree that a copy of this report may be provided to the Manager of the Professional Indemnity Scheme. We expressly disclaim any liability or duty to any other party for the content in this report. This report relates only to the items specified above and does not extend to the financial statements of the Practice, taken as a whole.~~

~~[Name of firm]<sup>2</sup>~~

~~[\*Certified Public Accountants (Practising)/Certified Public Accountants]~~

~~[\*Director's<sup>2</sup>/Accountant's] Full Name: [Name]~~

~~Practising Certificate No.: [Number]~~

~~Hong Kong~~

~~[Date]~~

~~\* Delete as appropriate~~

---

~~1 — In the event that practitioners encounter any exceptions, details of the exceptions should be listed in the report.~~

~~2 — The report is normally signed in the name of the firm because the firm as a whole assumes responsibility for the report. For a corporate practice, the report is signed by a director of the practice, who must be a professional accountant holding a current practising certificate. The report should state the director's/ accountant's full name as appearing in his/her practising certificate and the practising certificate number.~~

**Circular on Gross Fee Income Report of Rule 8 of the Solicitors (Professional Indemnity) Rules**

**APPENDIX 1**

**Illustrated Example**  
**Gross Fee Income Report**

(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 Law Firm is the engaging party, the responsible party and the intended user. The report is also intended to be provided to the Manager of the Professional Indemnity Scheme.
- No exceptions were found.
- The practitioner did not engage a practitioner's expert to perform any of the agreed-upon procedures.
- There is a restriction on the use and distribution of the report.
- The practitioner is the auditor of the financial statements of the Law Firm. The practitioner has agreed with the Law Firm that the practitioner's compliance with the independence requirements applicable to audits of financial statements is appropriate for the purpose of the agreed-upon procedures engagement. The practitioner 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 practitioner included a reference to the date when the agreed-upon procedures were agreed in the terms of the engagement.

To: The Principals<sup>1</sup> of [Name of Law Firm]

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

Our report is solely for the purpose of assisting [Name of Law Firm] (the "Practice") in satisfying the requirement of the of Rule 8 of the Solicitors (Professional Indemnity) Rules and may not be suitable for another purpose. This report is intended solely for the Practice, 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 Manager of the Professional Indemnity Scheme.

---

<sup>1</sup> Or the terms that are appropriate in the circumstances.

## **Circular on Gross Fee Income Report of Rule 8 of the Solicitors (Professional Indemnity) Rules**

### **Responsibilities of the Practice**

The Practice has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Practice is responsible for the schedule of gross fee income of the Practice prepared by the principals on which the agreed-upon procedures are performed.

### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Hong Kong Standard on Related Services (HKSRS) 4400 (Revised), *Agreed-Upon Procedures Engagements* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Practice, 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 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**

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*<sup>2</sup>, 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>2</sup> Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* replaces HKSQC 1. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.

**Circular on Gross Fee Income Report of Rule 8 of the Solicitors (Professional Indemnity) Rules**

**Procedures and Findings**

We have performed the procedures described below, which were agreed upon with the Practice in the terms of engagement dated [date], with respect to the gross fee income of the Practice for the year ended [date].

<b><u>Procedures</u></b>	<b><u>Findings</u></b>
<u>We obtained (1) a schedule of gross fee income of the Practice (the "Schedule") for the year ended [date] which amounted to HK\$[X]; and (2) the Practice's [*audited financial statements]/[*underlying books and records from which the gross fee income set out in the Schedule is extracted] for the year ended [date] and such other documents as appropriate (including profits tax return where applicable) and we compared the amount of gross fee income of HK\$[X] as stated in the Schedule to the corresponding amount stated in the [*audited financial statements]/[*underlying books and records from which the gross fee income set out in the Schedule is extracted] for the year ended [date].</u>	<u>We found the amounts to be in agreement<sup>3</sup>.</u>

[Practitioner's Signature]<sup>4</sup>

[\*Certified Public Accountants (Practising)/Certified Public Accountants]

[Practitioner's]<sup>4</sup> Full Name: [Name]

Practising Certificate No.: [Number]

Hong Kong

[Date]

\* Delete where appropriate.

<sup>3</sup> In the event that practitioners encounter any exceptions, details of the exceptions should be listed in the report.

<sup>4</sup> The report is normally signed in the name of the firm because the firm as a whole assumes responsibility for the report. For a corporate practice, the report is signed by a director of the practice, who must be a professional accountant holding a current practising certificate. The report should state the practitioner's full name as appearing in his/her practising certificate and the practising certificate number.

## **Circular on Reporting to Grantees of the Language Fund**

**This Circular is intended to be used as general guidance for practising members of the Hong Kong Institute of Certified Public Accountants (Institute). 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 action as a result of any materials in the Circular.**

### **A. Introduction**

1. Pursuant to the Grant Agreement made between the Permanent Secretary for Education Incorporated ("Grantor") and the Grantee in respect of each Language Fund ("LF") ~~sponsorship project~~<sup>1</sup>, the Grantee is required to prepare "project accounts" (containing the Income and Expenditure Statement, Balance Sheet and Notes, and an independent auditor's report on them) with unaudited supplementary information appended to the project accounts and ~~an agreed-upon procedures report of factual findings~~ in connection with the internal controls of the Grantee in respect of each project upon completion or termination. The Grantee is required to submit an independent auditor's report on the "project accounts" and ~~an agreed-upon procedures report of factual findings~~ in connection with the internal controls established by the Grantee to the LF within three months upon completion of the project or the date of termination. The Grantee is required to appoint a practising member to perform such engagements.
2. The objectives of such engagements are for the auditor:
  - a) to express an audit opinion on whether the project accounts are prepared, in all material respects, in accordance with the LF financial reporting requirements as set out in the "Language Fund Accounting Policies"; and
  - b) to issue ~~an agreed-upon procedures report of factual findings~~ in connection with the internal controls established by the Grantee.
3. The purpose of this Circular is to provide guidance to practising members when undertaking such engagements.

### **B. Audit of the project accounts**

4. The Institute's Auditing and Assurance Standards Committee ("AASC"), in consultation with the LF, has determined that the project accounts are special purpose financial statements (i.e. financial statements prepared in accordance with a special purpose framework). Therefore, Hong Kong Standard on Auditing ("HKSA") 800 (Revised), *Special Considerations—Audits of Financial*

<sup>1</sup> From 2020/2021/2022 school year onwards, LF fully-funded projects will be subject to the same reporting requirements as the LF sponsorship projects. For sponsorship projects, the amount of sponsorship for each sponsored project shall not exceed 50% of the total estimated or actual project expenditure of the project whichever is the lesser. The maximum amount of sponsorship for each ~~sponsored~~ project is capped at \$1.2 million. The funding cap may be revised from time to time, please refer to the LF website for the latest funding cap and the link is: <https://scolarhk.edb.hkedcity.net/en/audit-matters>.

*Statements Prepared in Accordance with Special Purpose Frameworks* applies to the audit of these project accounts.

5. According to paragraph 6(b) of HKSA 800 (Revised), a special purpose framework is a financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.
6. The accounting requirements set out in the Language Fund Accounting Policies, as they currently stand, do not conform to all HKFRSs, and consist primarily of a list of specific rules and conventions to be applied, and disclosures to be made for the purpose of monitoring the use of the grant(s) by the Grantee. Accordingly, with reference to paragraph 13(a) of HKSA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*, such financial reporting framework is considered to be a compliance framework.
7. As explained in paragraph A13 of HKSA 200, where the financial reporting framework is a compliance framework, the opinion required is on whether the financial statements are prepared, in all material respects, in accordance with the relevant framework applied.
8. Appendix 1 to this Circular contains an example independent auditor's report that is based on HKSA 800 (Revised). ~~The reporting requirements are effective for audits of financial statements of the projects with applications being granted on or after 1 June 2020 with completion dates of the projects ending on or after 1 September 2020.~~
9. Auditors are reminded that the attached example auditor's report is illustrative only and that they would need to use their professional judgment to ascertain the exact circumstances of each audit engagement. There may be circumstances that result in a modified opinion or the need to add emphasis of matter paragraphs. In such circumstances, the example auditor's reports will need to be modified to reflect the auditor's opinion in accordance with HKSA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report* or HKSA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

**C. Agreed-Upon Procedures Report of Factual Findings**

10. The objective of the agreed-upon procedures report of factual findings is set out in paragraph 2(b) above. In consultation with the LF, it has been determined that an agreed-upon procedures engagement conducted in accordance with Hong Kong Standard on Related Services ("HKSRs") 4400 Engagements to Perform (Revised), *Agreed-Upon Procedures Regarding Financial Information Engagements* and the guidance provided in this Circular would generally be suitable for this reporting.
11. The Grantee is required to adhere to the LF General Guidelines and to establish appropriate internal controls for the approved items stipulated in Schedule ~~IV~~VII to the Grant Agreement. The main internal controls expected to be



implemented by Grantees are set out in the LF's "Summary on Internal Controls for Language Fund ~~Spensership~~-Projects".

12. The specific procedures on internal controls established will vary from Grantee to Grantee. An auditor shall discuss and agree with the Grantee the relevant procedures to be performed on the internal controls identified in the LF's "Summary on Internal Controls for Language Fund ~~Spensership~~-Projects".
13. As the auditor simply provides a report of ~~the factual~~ findings of agreed-upon procedures performed, no assurance is expressed. Instead, the users of the report assess for themselves the procedures and findings reported by the auditor and draw their own conclusions as to whether the internal controls established by the Grantee are, in all material respects, in accordance with the terms and conditions of the Grant Agreement.
14. The terms and conditions of the grant are contained in the Grant Agreement Documents which consist of:
  - a) the Grant Agreement (the project proposal, the approved budget and the LF General Guidelines are incorporated); and
  - b) all instructions and correspondences issued by the LF to the Grantee in respect of the project.
15. In case of any ambiguity regarding the terms and conditions of the grant that has a significant effect upon the auditor's reporting on the subject matters, the auditor should seek clarification from the LF.
16. Appendix 2 to this Circular contains an example ~~report of factual findings that is based on HKSRS 4400~~ agreed-upon procedures report on the internal controls established by the Grantee that is based on HKSRS 4400 (Revised) which will be effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after 1 January 2022. The auditor is reminded that it provides an illustrative example only. The auditor is required to agree with the Grantee on the actual procedures specific to the Grantee. This report should be submitted together with the independent auditor's report on the project accounts ~~and the reporting requirements are effective for audits of financial statements of the projects with applications being granted on or after 1 June 2020.~~
17. HKSRS 4400 (Revised) introduced requirements and application material to provide more clarity in the agreed-upon procedures report. The auditor is reminded to read HKSRS 4400 (Revised) for the requirements.
18. In particular, the auditor should refer to paragraphs 21 – 23 and A28 – A38 of HKSRS 4400 (Revised) for the engagement acceptance and continuance conditions. The auditor shall include the terms as set out in paragraph 24 of HKSRS 4400 (Revised) in the engagement letter. Among the terms, the engagement letter shall include the purpose of the engagement and the intended users of the agreed-upon procedures report as identified by the engaging party. An illustrative engagement letter for an agreed-upon procedures engagement can be found in Appendix 1 to HKSRS 4400 (Revised).

**Effective Date**

19. The reporting requirements of the LF are effective for audits of financial statements of sponsorship projects and fully-funded projects with applications being granted on or after 1 April 2021.

**Conclusion**

~~17.20.~~ The Institute may issue further guidance where appropriate as a result of any developments arising from discussions with the LF.

~~18.21.~~ The AASC welcomes your comments and feedback, which should be sent to the Standard Setting Department at: [commentletters@hki CPA.org.hk](mailto:commentletters@hki CPA.org.hk).

Date of Circular: ~~12 December 2019~~[Date] 2021

**APPENDIX 2****Example Report of Factual Findings****~~Based on HKSRS 4400 Engagements to Perform Agreed-Upon Procedures Regarding Financial Information~~****~~REPORT OF FACTUAL FINDINGS~~**

~~To the [Management]<sup>2</sup> of [Name of Organisation]<sup>3</sup> ("Grantee")~~

~~We have performed the procedures agreed with you and enumerated below with respect to the internal controls established by the Grantee for ABC Project ("Project") during the period from [Commencement Date] to [Completion Date].~~

~~Our engagement was undertaken in accordance with the Hong Kong Standard on Related Services 4400, "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The procedures were performed solely to assist you in evaluating the internal controls established by the Grantee in accordance with the terms and conditions of the Grant Agreement entered into with the Language Fund ("LF") and are summarized as follows:~~

Procedures	Factual Findings	[Exceptions]
<del>1. We obtained the Project Operation Manual (OM) from the Grantee and discussed with [specify the title of management] whether the policies and procedures have been established for:</del> <ul style="list-style-type: none"> <li><del>• expenditure</del></li> <li><del>• cash and bank</del></li> <li><del>• procurement</del></li> <li><del>• staffing and recruitment</del></li> <li><del>• non-financial assets handling</del></li> <li><del>• disclosure of conflicts of interest</del></li> </ul>	<del>1. We obtained the OM from the Grantee and understood that the Grantee [has / has not yet] established formal policies and procedures. An extraction of the procedures is appended to this Report.</del>	<del>[Detail the exceptions.]</del>

<sup>2</sup> The addressee should be the management body of the organization, e.g. Board of Directors, Trustees.

<sup>3</sup> The organization should be the one defined as the Grantee in the Agreement.

<b>A. Internal Controls on Expenditure</b>		
<p><del><i>{Select the relevant procedures from the extracted OM covering expenditure and describe the procedures performed.} Examples provided below are for reference only</i></del></p> <p>2. <del><i>{For a sample of [number] expenditure invoices we checked whether the invoices are reviewed by [title of management] based on the supporting documents provided by the Grantee and we reported if the expenditure was made in accordance with the approved budget.}</i></del></p>	<p><del><i>{Describe the findings of the procedure}</i></del></p>	
<p>3. <del><i>{We obtained a list of expenditure which exceeded the budget from the Grantee and checked whether these items are reviewed by [title of management] and we reported if there are any items with variances which exceeded the established limits.}</i></del></p>	<p><del><i>{Describe the findings of the procedure}</i></del></p>	
<p>4. <del><i>{For a sample of [number] expenditures we checked whether the goods are received or services are rendered before making payments based on the supporting documents provided by the Grantee.}</i></del></p>	<p><del><i>{Describe the findings of the procedure}</i></del></p>	

<p>5. <del>[For a sample of [number] expenditures we checked whether the accounting entries in the ledger are made in accordance with section [ ] of the OM and the supporting documents.]</del></p>	<p><del><i>[Describe the findings of the procedure]</i></del></p>	
<p><b><del>B. Internal Controls on Cash and Bank</del></b></p>		
<p>6. <del>We sighted [bank statements/bank passbook/] to check whether a separate bank account was established for keeping and operating the LF grant; and a separate account in the accounting system was set up for recording the grant expenditures and receipts of the Project.</del></p>	<p>6. <del>We found that there was a separate bank account established for keeping and operating the LF grant; and a separate account in the accounting system was set up for recording the grant expenditures and receipts of the Project.</del></p>	
<p>7. <del><i>[Select the relevant procedures from the extracted OM covering bank reconciliation and describe the procedures performed.]</i></del></p>	<p><del><i>[Describe the findings of each of the procedures]</i></del></p>	
<p>8. <del><i>[Select the relevant procedures from the extracted OM covering cash payments and describe the procedures performed.]</i></del></p>	<p><del><i>[Describe the findings of each of the procedures]</i></del></p>	
<p><b><del>C. Internal Controls on Procurement</del></b></p>		
<p>9. <del><i>[Select the relevant procedures from the extracted OM covering Staff Administration and Procurement Matters and describe the procedures performed.]</i></del></p>	<p><del><i>[Describe the findings of each of the procedures]</i></del></p>	

<p><del>10. [Select the relevant procedures from the extracted OM covering the outsourcing of services to Grantee/Project team members or their direct relatives and describe the procedures performed.]</del></p>	<p><del>[Describe the findings of each of the procedures]</del></p>	
<p><del>11. [Select the relevant procedures from the extracted OM covering the maintenance of procurement documentation and describe the procedures performed.]</del></p>	<p><del>[Describe the findings of each of the procedures]</del></p>	
<p><b>D. Internal Controls on Staffing and Recruitment</b></p>		
<p><del>12. [Select the relevant procedures from the extracted OM covering the staffing of the Project and describe the procedures performed.]</del></p>	<p><del>[Describe the findings of each of the procedures]</del></p>	
<p><del>13. [Select the relevant procedures from the extracted OM covering the recruitment process and describe the procedures performed.]</del></p>	<p><del>[Describe the findings of each of the procedures]</del></p>	
<p><del>14. [Select the relevant procedures from the extracted OM covering the granting of an award in the form of a cash allowance to the Project leader or the principal investigator and describe the procedures performed.]</del></p>	<p><del>[Describe the findings of each of the procedures]</del></p>	

<b>E. Internal Controls on Non-Financial Assets Handling</b>		
<del>15. [Select the relevant procedures from the extracted OM covering the identification of non-financial assets purchased for the Project and describe the procedures performed.]</del>	<del>[Describe the findings of each of the procedures]</del>	
<del>16. [Select the relevant procedures from the extracted OM covering the recording of non-financial assets acquired and disposed on the "Assets Register" and describe the procedures performed.]</del>	<del>[Describe the findings of each of the procedures]</del>	
<b>F. Other Internal Controls</b>		
<del>17. [Select the relevant procedures from the OM covering the submission of financial information and describe the procedures performed.]</del>	<del>[Describe the findings of each of the procedures]</del>	

~~Because the above procedures do not constitute an assurance engagement made 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, we do not express any assurance on the internal controls established by the Grantee. We have not performed any additional procedures to verify the authenticity of any information provided by you to us.~~

~~Had we performed additional procedures or had we performed an assurance engagement in respect of the internal controls established by the Grantee during the period from [Commencement Date] to [Completion Date] in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements, other matters might have come to our attention that would have been reported to you.~~

~~Our report is solely for the purpose set forth in the second paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties, except that we agree that a copy of this report may be provided to the LF. We expressly disclaim any liability or duty to any other party for the content in~~

~~this report. This report relates only to the items specified above and does not extend to any financial statements of [Name of Organisation], taken as a whole.~~

~~XYZ & Co.~~

~~Certified Public Accountants (Practising) [or Certified Public Accountants]\*~~

~~Hong Kong~~

~~Date~~

~~\* Delete as appropriate~~



## **APPENDIX 2**

### **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 Grantee is the engaging party, the responsible party and the intended user. The report is also intended to be provided to the Language Fund by the Grantee.
- No exceptions were found.
- The practitioner did not engage a practitioner's expert to perform any of the agreed-upon procedures.
- There is a restriction on the use and distribution of the report.
- The practitioner is the auditor of the financial statements of the Grantee. The practitioner has agreed with the Grantee that the practitioner's compliance with the independence requirements applicable to audits of financial statements is appropriate for the purpose of the agreed-upon procedures engagement. The practitioner 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 practitioner included a reference to the date when the agreed-upon procedures were agreed in the terms of the engagement.

#### **AGREED-UPON PROCEDURES REPORT ON INTERNAL CONTROLS ESTABLISHED FOR ABC PROJECT**

To the Directors<sup>1</sup> of [Name of Organisation]<sup>2</sup> ("Grantee")

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

Our report is solely for the purpose of assisting the Grantee in evaluating whether the internal controls established by the Grantee for ABC Project ("Project") are compliant with the terms and conditions of the Grant Agreement entered into with the Language Fund ("LF") and may not be suitable for another purpose. This report is intended solely for the Grantee, 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 LF.

<sup>1</sup> Or other terms that are appropriate in the circumstances.

<sup>2</sup> The organisation should be the one defined as the Grantee in the Agreement.

## **Responsibilities of the Grantee**

The Grantee has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Grantee is responsible for the internal controls established for the Project on which the agreed-upon procedures are performed.

## **Practitioner's Responsibilities**

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* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Grantee, 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 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**

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*<sup>3</sup>, 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.

## **Procedures and Findings**

We have performed the procedures described below, which were agreed upon with the Grantee in the terms of engagement dated [DATE], on the internal controls established for the Project.

<sup>3</sup> Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* replaces HKSQC 1. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.

<b><u>Procedures</u></b>	<b><u>Findings</u></b>
<p>1. We obtained the Project Operation Manual (OM) from the Grantee and discussed with [specify the title of management] whether the policies and procedures have been established for:</p> <ul style="list-style-type: none"> <li>• <u>expenditure</u></li> <li>• <u>cash and bank</u></li> <li>• <u>procurement</u></li> <li>• <u>staffing and recruitment</u></li> <li>• <u>non-financial assets handling</u></li> <li>• <u>disclosure of conflicts of interest</u></li> </ul>	<p>1. We obtained the OM from the Grantee and understood that the Grantee has established formal policies and procedures. An extraction of the procedures is appended to this Report.</p>
<b><u>A. Internal Controls on Expenditure</u></b>	
<p><i>[Select the relevant procedures from the extracted OM covering expenditure and describe the procedures performed.]</i>  <i>Examples provided below are for reference only</i></p> <p>2. [For a sample of [number] expenditure invoices we checked whether the invoices are reviewed by [title of management] based on the supporting documents provided by the Grantee and we reported if the expenditure was made in accordance with the approved budget.]</p>	<p><i>[Describe the findings of the procedure]</i></p>
<p>3. [We obtained a list of expenditure which exceeded the budget from the Grantee and checked whether these items are reviewed by [title of management] and we reported if there are any items with variances which exceeded the established limits.]</p>	<p><i>[Describe the findings of the procedure]</i></p>
<p>4. [For a sample of [number] expenditures we checked whether the goods are received or services are rendered before making payments based on the supporting documents provided by the Grantee.]</p>	<p><i>[Describe the findings of the procedure]</i></p>

5. <u>[For a sample of [number] expenditures we checked whether the accounting entries in the ledger are made in accordance with section [ ] of the OM and the supporting documents.]</u>	<u>[Describe the findings of the procedure]</u>
<b><u>B. Internal Controls on Cash and Bank</u></b>	
6. <u>We sighted [bank statements/bank passbook/] to check whether a separate bank account was established for keeping and operating the LF grant; and a separate account in the accounting system was set up for recording the grant expenditures and receipts of the Project.</u>	6. <u>We found that there was a separate bank account established for keeping and operating the LF grant; and a separate account in the accounting system was set up for recording the grant expenditures and receipts of the Project.</u>
7. <u>[Select the relevant procedures from the extracted OM covering bank reconciliation and describe the procedures performed.]</u>	<u>[Describe the findings of each of the procedures]</u>
8. <u>[Select the relevant procedures from the extracted OM covering cash payments and describe the procedures performed.]</u>	<u>[Describe the findings of each of the procedures]</u>
<b><u>C. Internal Controls on Procurement</u></b>	
9. <u>[Select the relevant procedures from the extracted OM covering Staff Administration and Procurement Matters and describe the procedures performed.]</u>	<u>[Describe the findings of each of the procedures]</u>
10. <u>[Select the relevant procedures from the extracted OM covering the outsourcing of services to Grantee/Project team members or their direct relatives and describe the procedures performed.]</u>	<u>[Describe the findings of each of the procedures]</u>
11. <u>[Select the relevant procedures from the extracted OM covering the maintenance of procurement documentation and describe the procedures performed.]</u>	<u>[Describe the findings of each of the procedures]</u>

<b><u>D. Internal Controls on Staffing and Recruitment</u></b>	
<u>12. [Select the relevant procedures from the extracted OM covering the staffing of the Project and describe the procedures performed.]</u>	<u>[Describe the findings of each of the procedures]</u>
<u>13. [Select the relevant procedures from the extracted OM covering the recruitment process and describe the procedures performed.]</u>	<u>[Describe the findings of each of the procedures]</u>
<u>14. [Select the relevant procedures from the extracted OM covering the granting of an award in the form of a cash allowance to the Project leader or the principal investigator and describe the procedures performed.]</u>	<u>[Describe the findings of each of the procedures]</u>
<b><u>E. Internal Controls on Non-Financial Assets Handling</u></b>	
<u>15. [Select the relevant procedures from the extracted OM covering the identification of non-financial assets purchased for the Project and describe the procedures performed.]</u>	<u>[Describe the findings of each of the procedures]</u>
<u>16. [Select the relevant procedures from the extracted OM covering the recording of non-financial assets acquired and disposed on the "Assets Register" and describe the procedures performed.]</u>	<u>[Describe the findings of each of the procedures]</u>
<b><u>F. Other Internal Controls</u></b>	
<u>17. [Select the relevant procedures from the OM covering the submission of financial information and describe the procedures performed.]</u>	<u>[Describe the findings of each of the procedures]</u>

[Practitioner's signature]

[Date of practitioner's report]

[Practitioner's address]

## **Circular on Reporting to Grantees of the Quality Education Fund**

**This Circular is intended to be used as general guidance for practising members of the Hong Kong Institute of Certified Public Accountants (Institute). 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 action as a result of any materials in the Circular.**

### **A. Introduction**

1. Pursuant to the Grant Agreement made between the Permanent Secretary for Education Incorporated ("Grantor") and the Grantee in respect of each Quality Education Fund ("QEF") project with grant exceeding \$100,000<sup>1</sup>, the Grantee is required to prepare "project accounts" (containing the Income and Expenditure Statement, Balance Sheet and Notes) in respect of each project upon completion or termination. The Grantee is required to submit an independent auditor's report on the "project accounts" and an agreed-upon procedures report ~~of factual findings~~ in connection with the internal controls established by the Grantee. The Grantee is required to appoint a practising member to perform such engagements.
2. The objectives of such engagements are for the auditor:
  - a) to express an audit opinion on whether the project accounts are prepared, in all material respects, in accordance with the QEF financial reporting requirements as set out in the "Accounting Policies for QEF Projects"; and
  - b) to issue an agreed-upon procedures report ~~of factual findings~~ in connection with the internal controls established by the Grantee.
3. The purpose of this Circular is to provide guidance to practising members when undertaking such engagements.

### **B. Audit of the project accounts**

4. The Institute's Auditing and Assurance Standards Committee ("AASC"), in consultation with the QEF, has determined that the project accounts are special purpose financial statements (i.e. financial statements prepared in accordance with a special purpose framework). Therefore, Hong Kong Standard on Auditing ("HKSA") 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* applies to the audit of these project accounts.
5. According to paragraph 6(b) of HKSA 800 (Revised), a special purpose framework is a financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.

---

<sup>1</sup> The threshold for project with proposal submitted before 1 September 2011 is \$3,000,000.

6. The accounting requirements of the QEF (December 2012 version), as they currently stand, do not conform to all HKFRSs, and consist primarily of a list of specific rules and conventions to be applied, and disclosures to be made for the purpose of monitoring the use of the grant(s) by the Grantee. Accordingly, with reference to paragraph 13(a) of HKSA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*, such financial reporting framework is considered to be a compliance framework.
7. As explained in paragraph A13 of HKSA 200, where the financial reporting framework is a compliance framework, the opinion required is on whether the financial statements are prepared, in all material respects, in accordance with the relevant framework applied.
8. Appendix 1 to this Circular contains an example independent auditor's report that is based on HKSA 800 (Revised). The reporting requirements are effective for audits of financial statements of the projects with proposals being submitted on or after 1 September 2011 with completion dates of the projects ending on or after 15 December 2016.
9. Auditors are reminded that the attached example auditor's report is illustrative only and that they would need to use their professional judgment to ascertain the exact circumstances of each audit engagement. There may be circumstances that result in a modified opinion or the need to add emphasis of matter paragraphs. In such circumstances, the example auditor's reports will need to be modified to reflect the auditor's opinion in accordance with HKSA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report* or HKSA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

**C. Agreed-Upon Procedures Report of Factual Findings**

10. The objective of the agreed-upon procedures report of factual findings is set out in paragraph 2(b) above. In consultation with the QEF, it has been determined that an agreed-upon procedures engagement conducted in accordance with Hong Kong Standard on Related Services ("HKSRS") 4400 (Revised), ~~*Engagements to Perform Agreed-Upon Procedures Engagements Regarding Financial Information*~~ and the guidance provided in this Circular would generally be suitable for this reporting.
11. The Grantee is required to adhere to the QEF General Guidelines and to establish appropriate internal controls. The main internal controls expected to be implemented by Grantees are set out in the QEF's "Summary on Internal Controls for QEF Projects".
12. The specific procedures on internal controls established will vary from Grantee to Grantee. An auditor shall select the relevant procedures on the internal controls identified in the QEF's "Summary on Internal Controls for QEF Projects" for testing and agree these with the Grantee.

13. As the auditor simply provides a report of ~~the factual findings~~ of agreed-upon procedures performed, no assurance is expressed. Instead, the users of the report assess for themselves the procedures and findings reported by the auditor and draw their own conclusions as to whether the internal controls established by the Grantee are, in all material respects, in accordance with the terms and conditions of the Grant Agreement.
14. The terms and conditions of the grant are contained in the Grant Agreement Documents which consist of:
  - (a) the Grant Agreement (the project proposal, the approved budget of the project and the full set of the QEF General Guidelines are incorporated by reference to the Grant Agreement as Schedule I, II and III respectively); and
  - (b) all instructions and correspondences issued by the QEF to the Grantee in respect of the project.
15. In case there is any ambiguity regarding the terms and conditions of the grant that has a significant effect upon the auditor's reporting on the subject matters, the auditor should request the Grantee to clarify this with the QEF Secretariat (the "Secretariat").
16. Appendix 2 to this Circular contains an example agreed-upon procedures report on the internal controls established by the Grantee of factual findings that is based on HKSRS 4400 (Revised) which will be effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after 1 January 2022. The auditor is reminded that it provides an illustrative example only. The auditor is required to agree with the Grantee on the actual procedures specific to the Grantee. This report should be submitted together with the independent auditor's report on the project accounts, ~~and the reporting requirements are effective for audits of financial statements of the projects with proposals being submitted on or after 1 September 2011.~~
17. HKSRS 4400 (Revised) introduced requirements and application material to provide more clarity in the agreed-upon procedures report. The auditor is reminded to read HKSRS 4400 (Revised) for the requirements.
18. In particular, the auditor should refer to paragraphs 21 – 23 and A28 – A38 of HKSRS 4400 (Revised) for the engagement acceptance and continuance conditions. The auditor shall include the terms as set out in paragraph 24 of HKSRS 4400 (Revised) in the engagement letter. Among the terms, the engagement letter shall include the purpose of the engagement and the intended users of the agreed-upon procedures report as identified by the engaging party. An illustrative engagement letter for an agreed-upon procedures engagement can be found in Appendix 1 to HKSRS 4400 (Revised).



**Effective Date**

19. The reporting requirements of the QEF are effective for audits of financial statements of the projects with proposals being submitted on or after 1 September 2011.

**Conclusion**

~~17.~~20. The Institute may issue further guidance where appropriate as a result of any developments arising from discussions with the QEF.

~~18.~~21. The AASC welcomes your comments and feedback, which should be sent to the Standard Setting Department at: [commentletters@hki CPA.org.hk](mailto:commentletters@hki CPA.org.hk).

Date of Circular: ~~20 October 2016~~[Date] 2021

**APPENDIX 2**

**Example Report of Factual Findings**

***Based on HKSRS 4400 Engagements to Perform Agreed-Upon Procedures Regarding Financial Information***

**REPORT OF FACTUAL FINDINGS**

To the [Management]<sup>2</sup> of [Name of Organisation]<sup>3</sup> (“Grantee”)

We have performed the procedures agreed with you and enumerated below with respect to the internal controls established by the Grantee for ABC Project (“Project”) during the period from [Commencement Date] to [Completion Date].

Our engagement was undertaken in accordance with the Hong Kong Standard on Related Services 4400, “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The procedures were performed solely to assist you in evaluating the internal controls established by the Grantee in accordance with the terms and conditions of the Grant Agreement entered into with the Quality Education Fund (“QEF”) and are summarized as follows:

Procedures	Factual Findings	[Exceptions]
<p>1. We obtained the Project Operation Manual (OM) from the Grantee and discussed with [specify the title of management] whether the policies and procedures have been established for:</p> <ul style="list-style-type: none"> <li>• expenditure</li> <li>• cash and bank</li> <li>• procurement</li> <li>• staffing and recruitment</li> <li>• non-financial assets handling</li> <li>• disclosure of conflicts of interest</li> </ul>	<p>1. We obtained the OM from the Grantee and understood that the Grantee [has / has not yet] established formal policies and procedures. An extraction of the procedures is appended to this Report.</p>	<p><i>[Detail the exceptions.]</i></p>

<sup>2</sup>

<sup>3</sup> The organization should be the one defined as the Grantee in the Agreement.

<b>A. Internal Controls on Expenditure</b>		
<p><i>[Practitioner to select relevant procedures from the extracted OM covering expenditure and describe the procedures tested.]</i>  <i>Examples provided below are for reference only</i></p> <p>2. [We selected a sample of [number] expenditure invoices and checked whether the invoices are reviewed by [title of management] based on the supporting documents provided by the Grantee and we reported if the expenditure was made in accordance with the approved budget.]</p>	<p><i>[Describe the findings of the procedure]</i></p>	
<p>3. [We obtained a list of expenditure which exceed the budget from the Grantee and checked whether these items are reviewed by [title of management] and we reported if there are any items with variances which exceeded the established limits.]</p>	<p><i>[Describe the findings of the procedure]</i></p>	
<p>4. [We selected a sample of [number] expenditure and checked whether the goods are received or services are rendered before making payments based on the supporting documents provided by the Grantee.]</p>	<p><i>[Describe the findings of the procedure]</i></p>	

<p>5. <del>[We selected a sample of [number] expenditures and checked whether the accounting entries in the ledger are made in accordance with section [ ] of the OM and the supporting documents.]</del></p>	<p><del>[Describe the findings of the procedure]</del></p>	
<p><b>B. Internal Controls on Cash and Bank</b></p>		
<p>6. <del>We sighted [bank statements/bank passbook/] to check whether a separate bank account was established for keeping and operating the QEF grant; and a separate account in the accounting system was set up for recording the grant expenditures and receipts of the Project.</del></p>	<p>6. We found that there was a separate bank account established for keeping and operating the QEF grant; and a separate account in the accounting system was set up for recording the grant expenditures and receipts of the Project.</p>	
<p>7. <del>[Practitioner to select relevant procedures from the extracted OM covering bank reconciliation and describe the procedures tested.]</del></p>	<p><del>[Describe the findings of each of the procedures]</del></p>	
<p>8. <del>[Practitioner to select relevant procedures from the extracted OM covering cash payment and describe the procedures tested.]</del></p>	<p><del>[Describe the findings of each of the procedures]</del></p>	
<p><b>C. Internal Controls on Procurement</b></p>		
<p>9. <del>[Practitioner to select relevant procedures from the extracted OM covering Staff Administration and Procurement Matters and describe procedures tested.]</del></p>	<p><del>[Describe the findings of each of the procedures]</del></p>	

<p>10. <del>[Practitioner to select relevant procedures from the extracted OM covering the outsourcing of services to Grantee/Project team members or their direct relatives and describe procedures tested.]</del></p>	<p><del>[Describe the findings of each of the procedures]</del></p>	
<p>11. <del>[Practitioner to select relevant procedures from the extracted OM covering the maintenance of procurement documentation and describe procedures tested.]</del></p>	<p><del>[Describe the findings of each of the procedures]</del></p>	
<p><b>D. Internal Controls on Staffing and Recruitment</b></p>		
<p>12. <del>[Practitioner to select relevant procedures from the extracted OM covering the staffing of the Project and describe procedures tested.]</del></p>	<p><del>[Describe the findings of each of the procedures]</del></p>	
<p>13. <del>[Practitioner to select relevant procedures from the extracted OM covering the recruitment process and describe procedures tested.]</del></p>	<p><del>[Describe the findings of each of the procedures]</del></p>	
<p>14. <del>[Practitioner to select relevant procedures from the extracted OM covering the granting of award in the form of cash allowance to the Project leader or the principal investigator and describe procedures tested.]</del></p>	<p><del>[Describe the findings of each of the procedures]</del></p>	

<b>E. Internal Controls on Non-Financial Assets Handling</b>		
15. <del>[Practitioner to select relevant procedures from the extracted OM covering the identification of non-financial assets purchased for the Project and describe procedures tested.]</del>	<del>[Describe the findings of each of the procedures]</del>	
16. <del>[Practitioner to select relevant procedures from the extracted OM covering the recording of non-financial assets acquired and disposed on the "Assets Register" and describe procedures tested.]</del>	<del>[Describe the findings of each of the procedures]</del>	
17. <del>[Practitioner to select relevant procedures from the extracted OM covering the disposal of non-financial assets in accordance with paragraphs 10 and 12 of the General Guidelines on Handling of Assets issued by the QEF and describe procedures tested.]</del>	<del>[Describe the findings of each of the procedures]</del>	
<b>F. Other Internal Controls</b>		
18. <del>[Practitioner to select relevant procedures from the OM covering the submission of financial information and describe procedures tested.]</del>	<del>[Describe the findings of each of the procedures]</del>	

~~Because the above procedures do not constitute an assurance engagement made 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, we do not express any assurance on the internal controls established~~

~~by the Grantee. We have not performed any additional procedures to verify the authenticity of any information provided by you to us.~~

~~Had we performed additional procedures or had we performed an assurance engagement in respect of the internal controls established by the Grantee during the period from [Commencement Date] to [Completion Date] in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements, other matters might have come to our attention that would have been reported to you.~~

~~Our report is solely for the purpose set forth in the second paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties, except that we agree that a copy of this report may be provided to the QEF. We expressly disclaim any liability or duty to any other party for the content in this report. This report relates only to the items specified above and does not extend to any financial statements of [Name of Organisation], taken as a whole.~~

~~XYZ & Co.~~

~~Certified Public Accountants (Practising) [or Certified Public Accountants]\*~~

~~Hong Kong~~

~~Date~~

~~\* Delete as appropriate~~

## **APPENDIX 2**

### **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 Grantee is the engaging party, the responsible party and the intended user. The report is also intended to be provided to the Quality Education Fund by the Grantee.
- No exceptions were found.
- The practitioner did not engage a practitioner's expert to perform any of the agreed-upon procedures.
- There is a restriction on the use and distribution of the report.
- The practitioner is the auditor of the financial statements of the Grantee. The practitioner has agreed with the Grantee that the practitioner's compliance with the independence requirements applicable to audits of financial statements is appropriate for the purpose of the agreed-upon procedures engagement. The practitioner 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 practitioner included a reference to the date when the agreed-upon procedures were agreed in the terms of the engagement.

### **AGREED-UPON PROCEDURES REPORT ON INTERNAL CONTROLS ESTABLISHED FOR ABC PROJECT**

To the Directors<sup>1</sup> of [Name of Organisation]<sup>2</sup> ("Grantee")

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

Our report is solely for the purpose of assisting the Grantee in evaluating whether the internal controls established by the Grantee for ABC Project ("Project") are compliant with the terms and conditions of the Grant Agreement entered into with the Quality Education Fund ("QEF") and may not be suitable for another purpose. This report is intended solely for the Grantee, 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 QEF.

<sup>1</sup> Or other terms that are appropriate in the circumstances.

<sup>2</sup> The organisation should be the one defined as the Grantee in the Agreement.



## **Responsibilities of the Grantee**

The Grantee has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Grantee is responsible for the internal controls established for the Project on which the agreed-upon procedures are performed.

## **Practitioner's Responsibilities**

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* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Grantee, 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 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**

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*<sup>3</sup>, 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.

## **Procedures and Findings**

We have performed the procedures described below, which were agreed upon with the Grantee in the terms of engagement dated [date], on the internal controls established for the Project.

<sup>3</sup> Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* replaces HKSQC 1. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.

<b><u>Procedures</u></b>	<b><u>Findings</u></b>
<p>1. We obtained the Project Operation Manual (OM) from the Grantee and discussed with [specify the title of management] whether the policies and procedures have been established for:</p> <ul style="list-style-type: none"> <li>• expenditure</li> <li>• cash and bank</li> <li>• procurement</li> <li>• staffing and recruitment</li> <li>• non-financial assets handling</li> <li>• disclosure of conflicts of interest</li> </ul>	<p>1. We obtained the OM from the Grantee and understood that the Grantee has established formal policies and procedures. An extraction of the procedures is appended to this Report.</p>
<b><u>A. Internal Controls on Expenditure</u></b>	
<p><i>[Practitioner to select relevant procedures from the extracted OM covering expenditure and describe the procedures tested.] Examples provided below are for reference only.</i></p> <p>2. [We selected a sample of [number] expenditure invoices and checked whether the invoices are reviewed by [title of management] based on the supporting documents provided by the Grantee and we reported if the expenditure was made in accordance with the approved budget.]</p>	<p><i>[Describe the findings of the procedure]</i></p>
<p>3. [We obtained a list of expenditure which exceed the budget from the Grantee and checked whether these items are reviewed by [title of management] and we reported if there are any items with variances which exceeded the established limits.]</p>	<p><i>[Describe the findings of the procedure]</i></p>
<p>4. [We selected a sample of [number] expenditure and checked whether the goods are received or services are rendered before making payments based on the supporting documents provided by the Grantee.]</p>	<p><i>[Describe the findings of the procedure]</i></p>
<p>5. [We selected a sample of [number] expenditures and checked whether the accounting entries in the ledger are made in accordance with section [ ] of the OM and the supporting documents.]</p>	<p><i>[Describe the findings of the procedure]</i></p>

<b><u>B. Internal Controls on Cash and Bank</u></b>	
6. <u>We sighted [bank statements/bank passbook/] to check whether a separate bank account was established for keeping and operating the QEF grant; and a separate account in the accounting system was set up for recording the grant expenditures and receipts of the Project.</u>	6. <u>We found that there was a separate bank account established for keeping and operating the QEF grant; and a separate account in the accounting system was set up for recording the grant expenditures and receipts of the Project.</u>
7. <u>[Practitioner to select relevant procedures from the extracted OM covering bank reconciliation and describe the procedures tested.]</u>	<u>[Describe the findings of each of the procedures]</u>
8. <u>[Practitioner to select relevant procedures from the extracted OM covering cash payment and describe the procedures tested.]</u>	<u>[Describe the findings of each of the procedures]</u>
<b><u>C. Internal Controls on Procurement</u></b>	
9. <u>[Practitioner to select relevant procedures from the extracted OM covering Staff Administration and Procurement Matters and describe procedures tested.]</u>	<u>[Describe the findings of each of the procedures]</u>
10. <u>[Practitioner to select relevant procedures from the extracted OM covering the outsourcing of services to Grantee/Project team members or their direct relatives and describe procedures tested.]</u>	<u>[Describe the findings of each of the procedures]</u>
11. <u>[Practitioner to select relevant procedures from the extracted OM covering the maintenance of procurement documentation and describe procedures tested.]</u>	<u>[Describe the findings of each of the procedures]</u>
<b><u>D. Internal Controls on Staffing and Recruitment</u></b>	
12. <u>[Practitioner to select relevant procedures from the extracted OM covering the staffing of the Project and describe procedures tested.]</u>	<u>[Describe the findings of each of the procedures]</u>
13. <u>[Practitioner to select relevant procedures from the extracted OM covering the recruitment process and describe procedures tested.]</u>	<u>[Describe the findings of each of the procedures]</u>

<p>14. <u>[Practitioner to select relevant procedures from the extracted OM covering the granting of award in the form of cash allowance to the Project leader or the principal investigator and describe procedures tested.]</u></p>	<p><u>[Describe the findings of each of the procedures]</u></p>
<p><b><u>E. Internal Controls on Non-Financial Assets Handling</u></b></p>	
<p>15. <u>[Practitioner to select relevant procedures from the extracted OM covering the identification of non-financial assets purchased for the Project and describe procedures tested.]</u></p>	<p><u>[Describe the findings of each of the procedures]</u></p>
<p>16. <u>[Practitioner to select relevant procedures from the extracted OM covering the recording of non-financial assets acquired and disposed on the "Assets Register" and describe procedures tested.]</u></p>	<p><u>[Describe the findings of each of the procedures]</u></p>
<p>17. <u>[Practitioner to select relevant procedures from the extracted OM covering the disposal of non-financial assets in accordance with paragraphs 10 and 12 of the General Guidelines on Handling of Assets issued by the QEF and describe procedures tested.]</u></p>	<p><u>[Describe the findings of each of the procedures]</u></p>
<p><b><u>F. Other Internal Controls</u></b></p>	
<p>18. <u>[Practitioner to select relevant procedures from the OM covering the submission of financial information and describe procedures tested.]</u></p>	<p><u>[Describe the findings of each of the procedures]</u></p>

[Practitioner's signature]

[Date of practitioner's report]

[Practitioner's address]

columbarium with the restrictions set out in Condition No. 24(d) of the Guide (i.e. no additional fees or charges beyond the amounts specified in the agreements for the sale of interment right of the niches in the endorsed registers is charged) in respect of the niches in the endorsed registers attached to the licensing conditions in the respective preceding 12-month period. The report must be prepared by a certified public accountant holding a practising certificate or a firm or a corporate practice registered under the Professional Accountants Ordinance (Cap. 50).

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

**B. Agreed-Upon Procedures Report of Factual Findings**

7. The Institute's Auditing and Assurance Standards Committee ("AASC"), in consultation with the Food and Environmental Hygiene Department, has determined that an agreed-upon procedures engagement conducted in accordance with Hong Kong Standard on Related Services ("HKSRS") 4400 (Revised) ("HKSRS"), ~~*Engagements to Perform Agreed-Upon Procedures*~~ ~~*Engagements Regarding Financial Information*~~ and the guidance provided in this Circular would generally be suitable for reporting as mentioned in paragraph 5 above.

**C. Licence Holder's Responsibilities**

8. According to Condition No. 24 of the Guide, the holder of a licence must keep a register of all payments received in respect of each of the niches in the endorsed registers using the template set out at Annex 38, *Register of all payments received after the issue of the licence in respect of pre-cut-off sold niches covered by the land regularization fees waiving arrangement* ("payment register") of the Guide.
9. The licence holder must provide to the practising member all relevant information and documents, including but not limited to the above-mentioned endorsed registers and payment register.

**D. Practising Member's Responsibilities**

10. The practising member is required only to perform work in relation to the restrictions set out in Condition No. 24(d) of the Guide. As the practising member simply provides a report of the ~~factual~~ findings of agreed-upon procedures performed, no assurance is expressed. Instead, the users of the report assess for themselves the procedures and findings reported by the practising member and draw their own conclusions as to whether the columbarium has complied with the restrictions set out in Condition No. 24(d) of the Guide.
11. The practising member is not required to check the authenticity of the information as provided by the licence holder.
12. Appendix 1 to this Circular contains an example agreed-upon procedures

report of factual findings that is based on HKSRS 4400 (Revised) which will be effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after 1 January 2022. The practising member is reminded that it provides an illustrative example only. The practising member is required to agree with the holder of a licence on the actual procedures specific to the columbarium.

13. HKSRS 4400 (Revised) introduced requirements and application material to provide more clarity in the agreed-upon procedures report. The practising member is reminded to read HKSRS 4400 (Revised) for the requirements.
14. In particular, the practising member should refer to paragraphs 21 – 23 and A28 – A38 of HKSRS 4400 (Revised) for the engagement acceptance and continuance conditions. The practising member shall include the terms as set out in paragraph 24 of HKSRS 4400 (Revised) in the engagement letter. Among the terms, the engagement letter shall include the purpose of the engagement and the intended users of the agreed-upon procedures report as identified by the engaging party. An illustrative engagement letter for an agreed-upon procedures engagement can be found in Appendix 1 to HKSRS 4400 (Revised).

#### **E. Reporting Period**

- ~~13.~~15. The first reporting period for the holder of a licence will be indicated in the actual condition specified by the PCLB as attached to the licence.

#### **F. Comments and Feedback**

- ~~14.~~16. The AASC welcomes your comments and feedback, which should be sent to the Standard Setting Department at: [commentletters@hkickpa.org.hk](mailto:commentletters@hkickpa.org.hk).

Date of Circular: [Date] 202130 January 2019

**APPENDIX 1**

**Example Report of Factual Findings**

***Based on HKSRS 4400 Engagements to Perform Agreed-Upon Procedures Regarding Financial Information***

**REPORT OF FACTUAL FINDINGS<sup>3</sup>**

To the Licence Holder of [Name of Columbarium] ("the Columbarium") of Licence Number: [XXXX]

We have performed the procedures agreed with you and enumerated below with respect to the payments received during the period from [Date] to [Date] on the niches in which the interment rights were sold before the cut-off time (i.e. 8 a.m. on 18 June 2014) by the Columbarium and with land regularization fees waived by the Government, as set forth in the *Register of all payments received after the issue of the licence in respect of pre-cut-off sold niches covered by the land regularization fees waiving arrangement* ("Payment Register"), attached at Annex A<sup>4</sup>.

Our engagement was undertaken in accordance with the Hong Kong Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The procedures were performed solely to assist you in reporting to the Private Columbaria Licensing Board ("PCLB") in respect of the restriction set out in Condition No. 24 (d) of the *Application Guide for Private Columbarium Licence and Other Specified Instruments* promulgated by the PCLB and are summarized as follows:

Procedures <sup>4</sup>	Factual Findings	[Exceptions]
<p><del>1. We obtained from the licence holder the Payment Register and the Endorsed registers on pre-cut-off sold niches covered by the land regularization fees waiving arrangement ("Endorsed Registers"). We checked the niches</del></p>	<p><del>1. We obtained the Payment Register and the Endorsed Registers, and found that the niches in the Payment Register were included in the Endorsed Registers.</del></p>	

<sup>3</sup> According to paragraph 7 of HKSRS 4400, independence is not a requirement for agreed-upon procedures engagements; however, the terms or objectives of an engagement may require the practising member to comply with the independence requirements of the HKICPA Statements of Professional Ethics/*Code of Ethics for Professional Accountants*. Where the practising member is not independent, a statement to that effect would be made in the report of factual findings.

<sup>4</sup> Attach the Payment Register with the report. According to Condition No. 24 of Chapter 19 of the *Application Guide for Private Columbarium Licence and Other Specified Instruments* ("the Guide"), the holder of a licence must keep this register and a template of it is set out in Annex 38 to the Guide. The Payment Register records payments received after the issuance of licence from pre-cut-off sold niches. These niches may or may not have sales agreements of interment right. For niches with sales agreements, procedures 1–4 apply; for niches without sales agreements, procedures 1 and 5 apply.

stated in the Payment Register against the Endorsed Registers.		
<del>2. We selected [<i>number of samples</i>] niches in the Payment Register with sales agreements of intorment right ("sales agreements") and obtained the relevant sales agreements.</del>	<del>2. We obtained the sales agreements of the selected niches [, except for those niches as stated [here][in Annex B]].</del>	<del><i>[Detail the exceptions here or in Annex B.]</i></del>
<del>3. For the selected niches in 2. above, we checked [the amount and] the descriptions of payments stated in the Payment Register against those stated in the relevant sales agreements.</del>	<del>3. We found that [the amount and] the descriptions of payments to be in agreement [, except for those niches as stated [here][in Annex B]].</del>	<del><i>[Detail the exceptions here or in Annex B.]</i></del>
<del>4. For the selected niches in 2. above, we checked the amount and the descriptions of payments stated in the Payment Register against those stated in the receipts.</del>	<del>4. We found that the amount and the descriptions of payments to be in agreement [, except for those niches as stated [here][in Annex B]].</del>	<del><i>[Detail the exceptions here or in Annex B.]</i></del>
<del>5. We selected [<i>number of samples</i>] niches in the Payment Register with no sales agreements and checked the amount and the descriptions of payments stated in the Payment Register against those stated in the receipts.</del>	<del>5. We found that the amount and the descriptions of payments to be in agreement [, except for those niches as stated [here][in Annex B]].</del>	<del><i>[Detail the exceptions here or in Annex B.]</i></del>

~~Because the above procedures do not constitute an assurance engagement made 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, we do not express any assurance on the payments received by the Columbarium during the period from [Date] to [Date]. We have not performed any additional procedures to verify the authenticity of any information provided by you to us.~~

~~Had we performed additional procedures or had we performed an assurance engagement in respect of the payments received by the Columbarium during the period from [Date] to [Date] in accordance with Hong Kong Standards on Auditing,~~



~~Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements, other matters might have come to our attention that would have been reported to you.~~

~~Our report is solely for the purpose set forth in the third paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties, except that we agree that a copy of this report may be provided to the PCLB. We expressly disclaim any liability or duty to any other party for the content in this report. This report relates only to the items specified above and does not extend to any financial statements of the Columbarium, taken as a whole.~~

~~XYZ & Co.~~

~~Certified Public Accountants (Practising) [or Certified Public Accountants]\*~~

~~Hong Kong~~

~~Date~~

~~\* Delete as appropriate~~

## 附件一

**根據《香港相關服務準則》第4400號「對財務信息執行商定程序」的工作結論報告範本****工作結論報告<sup>5</sup>**

致[骨灰安置所名稱]（「骨灰安置所」）的持牌人  
牌照編號：[XXXX]

就附件A<sup>6</sup>內「就著獲寬免土地規範化費用的『截至時間前出售的龕位』自牌照發出後收到的所有費用的登記冊」（「收費登記冊」）所載骨灰安置所獲政府寬免土地規範化費用的截至時間（即2014年6月18日上午8時）前出售的龕位安放權，於[日期]至[日期]期間內所收取的費用，我們已執行與閣下商定的程序，有關程序載列如下。

我們是根據香港會計師公會（「公會」）頒佈的《香港相關服務準則》第4400號「對財務信息執行商定程序」而執行工作。

我們所執行的程序僅為協助閣下向私營骨灰安置所發牌委員會（「發牌委員會」）提交有關發牌委員會頒佈的《私營骨灰安置所牌照及其他指明文書申請指引》第24(d)項條件載述的限制的報告，而相關程序概述如下：

程序 <sup>6</sup>	工作結論	[例外情況]
1. 我們從持牌人獲得收費登記冊及獲寬免土地規範化費用的截至時間前出售的龕位的經批註登記冊（「經批註登記冊」）。我們已檢查收費登記冊所列的龕位與經批註登記冊是否相符。	1. 我們已取得收費登記冊及經批註登記冊，並發現收費登記冊所列龕位均列於經批註登記冊。	
2. 我們在收費登記冊中抽選了[抽選數目]個有安放權出售協議（「出售協議」）的龕位，並已取得相關出售協議。	2. [除[以下][附件 B]所述龕位外，]我們已取得所抽選龕位的出售協議。	[於此處或附件B詳述相關例外情況。]

<sup>5</sup> 根據《香港相關服務準則》第4400號第7段，商定程序工作沒有獨立性的規定；然而，工作的聘用條款或目的可能要求執業會計師遵守公會的Statements of Professional Ethics/ Code of Ethics for Professional Accountants的獨立性要求。若執業會計師並非獨立，須在工作結論報告作相應聲明。

<sup>6</sup> 隨工作結論報告附上收費登記冊。根據《私營骨灰安置所牌照及其他指明文書申請指引》（「指引」）第19章第24項條件，持牌人必須備存此收費登記冊，相關範本載於指引的附件38。收費登記冊收錄截至時間前出售的龕位自牌照發出後收到的費用。該等龕位可能有或沒有安放權出售協議。程序1至4適用於有出售協議的龕位；程序1及5適用於沒有出售協議的龕位。

3. 就上文第 2 項程序所抽選的龕位，我們已檢查收費登記冊所列的[款額及]費用說明與相關出售協議是否相符。	3. <del>[除[以下][附件B]所述龕位外，]我們發現[款額及]費用說明相符。</del>	<del>[於此處或附件B詳述相關例外情況。]</del>
4. 就上文第 2 項程序所抽選的龕位，我們已檢查收費登記冊所列的款額及費用說明與收據是否相符。	4. <del>[除[以下][附件B]所述龕位外，]我們發現[款額及]費用說明相符。</del>	<del>[於此處或附件B詳述相關例外情況。]</del>
5. 我們在收費登記冊中抽選了[抽選數目]個沒有出售協議的龕位，並已檢查收費登記冊所列的款額及費用說明與收據是否相符。	5. <del>[除[以下][附件B]所述龕位外，]我們發現款額及費用說明相符。</del>	<del>[於此處或附件B詳述相關例外情況。]</del>

由於以上商定程序並不構成按照公會頒佈的《香港審計準則》、《香港審閱業務準則》或《香港鑒證業務準則》而執行的鑒證工作，因此我們不就骨灰安置所於[日期]至[日期]期間內所收取的費用發表任何鑒證意見。我們並無執行任何額外程序以核實閣下所提供的資料是否真確。

如果我們就骨灰安置所於[日期]至[日期]期間內所收取的費用執行商定程序以外的程序，或根據《香港審計準則》、《香港審閱業務準則》或《香港鑒證業務準則》而執行鑒證工作，我們可能會發現到應向閣下報告的其他事宜。

本報告僅用作第三段所述的用途，並僅供閣下參考。除了我們同意可向發牌委員會提供此報告副本外，此報告不得用作任何其他用途或分發給任何其他人士。我們表明概不就本報告內容向任何其他人士承擔任何責任或義務。本報告僅與上述指定事項有關，且整體而言並不伸延至骨灰安置所的任何財務報表。

**XYZ & Co.**

執業會計師[或會計師]\*

香港

日期

\*刪去不適用者

## **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 Licence Holder is the engaging party, the responsible party and the intended user. The report is also intended to be provided to the Private Columbaria Licensing Board by the Licence Holder.
- No exceptions were found.
- The practitioner did not engage a practitioner's expert to perform any of the agreed-upon procedures.
- There is a restriction on the use and distribution of the report.
- The practitioner is the auditor of the financial statements of the Licence Holder. The practitioner has agreed with the Licence Holder that the practitioner's compliance with the independence requirements applicable to audits of financial statements is appropriate for the purpose of the agreed-upon procedures engagement. The practitioner 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 practitioner included a reference to the date when the agreed-upon procedures were agreed in the terms of the engagement.

### **AGREED-UPON PROCEDURES REPORT**

To the Licence Holder of [Name of Columbarium] ("the Columbarium") of Licence Number: [XXXX] (the "Licence Holder")

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

Our report is solely for the purpose of assisting the Licence Holder in reporting to the Private Columbaria Licensing Board ("PCLB") in respect of the restriction set out in Condition No. 24(d) of the *Application Guide for Private Columbarium Licence and Other Specified Instruments* promulgated by the PCLB and may not be suitable for another purpose. This report is intended solely for the Licence Holder, 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 PCLB.

## **Responsibilities of the Licence Holder**

The Licence Holder has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Licence Holder is responsible for the payments received during the period from [date] to [date] on the niches in which the interment rights were sold before the cut-off time (i.e. 8 a.m. on 18 June 2014) by the Columbarium and with land regularization fees waived by the Government, as set forth in the *Register of all payments received after the issue of the licence in respect of pre-cut-off sold niches covered by the land regularization fees waiving arrangement* ("Payment Register"), attached at Annex A<sup>1</sup> on which the agreed-upon procedures are performed.

## **Practitioner's Responsibilities**

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 Licence Holder, 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 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**

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*<sup>2</sup>, 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>1</sup> Attach the Payment Register with the report. According to Condition No. 24 of Chapter 19 of the *Application Guide for Private Columbarium Licence and Other Specified Instruments* ("the Guide"), the holder of a licence must keep this register and a template of it is set out in Annex 38 to the Guide. The Payment Register records payments received after the issuance of licence from pre-cut-off sold niches. These niches may or may not have sales agreements of interment right. For niches with sales agreements, procedures 1 – 4 apply; for niches without sales agreements, procedures 1 and 5 apply.

<sup>2</sup> Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* replaces HKSQC 1. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022.

**Procedures and Findings**

We have performed the procedures described below, which were agreed upon with the Licence Holder in the terms of engagement dated [date], with respect to the reporting to the PCLB as set forth in the first section of this report.

<b><u>Procedures</u></b> <sup>1</sup>	<b><u>Findings</u></b>
<u>1. We obtained from the Licence Holder the Payment Register and the endorsed registers on pre-cut-off sold niches covered by the land regularization fees waiving arrangement ("Endorsed Registers"). We checked the niches stated in the Payment Register against the Endorsed Registers.</u>	<u>1. We obtained the Payment Register and the Endorsed Registers, and found that the niches in the Payment Register were included in the Endorsed Registers.</u>
<u>2. We selected [number of samples] niches in the Payment Register with sales agreements of interment right ("sales agreements") and obtained the relevant sales agreements.</u>	<u>2. We obtained the sales agreements of the selected niches [, except for those niches as stated [here][in Annex B]].</u>
<u>3. For the selected niches in 2. above, we checked [the amount and] the descriptions of payments stated in the Payment Register against those stated in the relevant sales agreements.</u>	<u>3. We found that [the amount and] the descriptions of payments to be in agreement [,except for those niches as stated [here][in Annex B]].</u>
<u>4. For the selected niches in 2. above, we checked the amount and the descriptions of payments stated in the Payment Register against those stated in the receipts.</u>	<u>4. We found that the amount and the descriptions of payments to be in agreement [, except for those niches as stated [here][in Annex B]].</u>
<u>5. We selected [number of samples] niches in the Payment Register with no sales agreements and checked the amount and the descriptions of payments stated in the Payment Register against those stated in the receipts.</u>	<u>5. We found that the amount and the descriptions of payments to be in agreement [, except for those niches as stated [here][in Annex B]].</u>

[Practitioner's signature]

[Date of practitioner's report]

[Practitioner's address]

## 附件一

### 根據《香港相關服務準則》第4400號（經修訂）「商定程序業務」的商定程序報告範本 （適用於在 2022 年 1 月 1 日或之後訂立委聘條款的商定程序業務）

此商定程序報告範本適用於以下假設情況：

- 持牌人為委聘方、負責方及預期使用者。報告擬由持牌人提交予私營骨灰安置所發牌委員會。
- 經執行商定程序後沒有識別到例外情況。
- 執業會計師沒有委聘另一位專家來執行任何商定程序。
- 報告訂明用途及分發限制。
- 執業會計師為持牌人的財務報表核數師。執業會計師與持牌人已同意，執業會計師所遵從適用於審核財務報表的獨立性規定，同樣適合於商定程序業務。執業會計師已同意，在委聘條款中列明為商定程序業務而遵從適用於審核財務報表的獨立性規定。
- 執業會計師列明委聘條款所列商定程序的協定日期。

#### 商定程序報告

致牌照編號為[XXXX]的[骨灰安置所名稱]（“骨灰安置所”）的持牌人（“持牌人”）

#### 此商定程序報告的目的以及用途和分發限制

本報告僅用作協助持牌人向私營骨灰安置所發牌委員會（“發牌委員會”）匯報有關發牌委員會頒佈的《私營骨灰安置所牌照及其他指明文書申請指引》第24(d)項條件載述的限制，本報告未必適合用作其他用途。本報告僅供持牌人使用，除了我們同意可向發牌委員會提供此報告副本外，此報告不得用作任何其他用途或分發給任何其他人士。

#### 持牌人的責任

持牌人確認，商定程序對於所委聘業務的目的而言屬合適。

持牌人需就附件A<sup>1</sup>內「就著獲寬免土地規範化費用的『截算時間前出售的龕位』自牌照發出後收到的所有費用的登記冊」（“收費登記冊”）所載骨灰安置所獲政府寬免土地規範化費用的截算時間（即2014年6月18日上午8時）前出售的龕位安放權，於[日期]至[日期]期間所收取的費用承擔責任，並委聘我們對該等費用執行商定程序。

<sup>1</sup> 隨商定程序報告附上收費登記冊。根據《私營骨灰安置所牌照及其他指明文書申請指引》（“指引”）第 19 章第 24 項條件，持牌人必須備存此收費登記冊，相關範本載於指引的附件 38。收費登記冊收錄截算時間前出售的龕位自牌照發出後收到的費用。該等龕位可能有或沒有安放權出售協議。程序 1 至 4 適用於有出售協議的龕位；程序 1 及 5 適用於沒有出售協議的龕位。

## 執業會計師的責任

我們根據香港會計師公會（“公會”）頒佈的《香港相關服務準則》第 4400 號（經修訂）「商定程序業務」而執行相關商定程序工作。商定程序工作包括我們與持牌人協定執行的程序，並根據所執行的商定程序得出的事實結果作出報告。我們不會就商定程序的合適性作出陳述，並明確聲明不會就本報告內容向任何其他人士承擔任何責任或義務。

此商定程序工作並非鑒證工作，因此我們不會發表意見或鑒證結論。

如果我們執行商定程序以外的程序，我們可能會發現其他應予報告的事宜。

### 專業道德及質量監控

我們已遵守公會頒佈的《專業會計師道德守則》（“《守則》”）的道德要求，以及《守則》第 A 章第 4A 部分的獨立性規定。

我們會計師事務所採用《香港質量監控準則》第 1 號「會計師事務所對執行財務報表審計、財務報表審閱、其他鑒證和相關服務業務的質量監控」<sup>2</sup>（“《香港質量監控準則》第 1 號”），因此設有一套完善的質量監控系統，包括列明關於要遵守道德要求、專業準則規定及可適用的法律及監管規定的政策及程序。

## 程序及結果

根據與持牌人於[日期]訂立的委聘條款中所協定，我們執行了下列程序，持牌人從以向發牌委員會作出本報告第一節所述的匯報。

程序 <sup>1</sup>	工作結果
1. 我們從持牌人獲得收費登記冊及獲寬免土地規範化費用的截算時間前出售的龕位的經批註登記冊（“經批註登記冊”）。我們已檢查收費登記冊所列的龕位與經批註登記冊是否相符。	1. 我們已取得收費登記冊及經批註登記冊，並發現收費登記冊所列龕位均列於經批註登記冊。
2. 我們在收費登記冊中抽選了[抽選數目]個有安放權出售協議（“出售協議”）的龕位，並已取得相關出售協議。	2. [除[以下][附件 B]所述龕位外，]我們已取得所抽選龕位的出售協議。
3. 就上文第 2 項程序所抽選的龕位，我們已檢查收費登記冊所列的[款額及]費用說明與相關出售協議是否相符。	3. [除[以下][附件 B]所述龕位外，]我們發現[款額及]費用說明相符。

<sup>2</sup> 《香港質量管理準則》第1號「會計師事務所對執行財務報表審計、財務報表審閱、其他鑒證和相關服務業務的質量管理」取代《香港質量監控準則》第1號。執業會計師須於2022年12月15日前設有按《香港質量管理準則》第1號設計及執行的質量管理系統。



<p>4. <u>就上文第 2 項程序所抽選的龕位，我們已檢查收費登記冊所列的款額及費用說明與收據是否相符。</u></p>	<p>4. <u>[除[以下][附件 B]所述龕位外，]我們發現[款額及]費用說明相符。</u></p>
<p>5. <u>我們在收費登記冊中抽選了[抽選數目]個沒有出售協議的龕位，並已檢查收費登記冊所列的款額及費用說明與收據是否相符。</u></p>	<p>5. <u>[除[以下][附件 B]所述龕位外，]我們發現款額及費用說明相符。</u></p>

[執業會計師簽署]

[執業會計師報告日期]

[執業會計師地址]