

Legislative Council Election Financial Assistance Scheme Notes for Candidate and Independent Auditor of Candidate of Legislative Council Election

Purpose

1. The purpose of this Notes, which has been prepared in consultation with the Hong Kong Institute of Certified Public Accountants (“HKICPA”), is to provide guidance to:
 - (a) the Legislative Council (“LC”) election candidate or list of LC election candidates (“candidate¹”) seeking financial assistance from the Government under the Financial Assistance Scheme (the “Scheme”); and
 - (b) the auditor of the candidate,in order that:
 - (i) the candidate will establish proper internal controls in relation to the accounting requirements to ensure that his/her election return (with the account of the declared election expenses) complies with section 37(1)(a) and (2)(b)(i) and (v) of the Elections (Corrupt and Illegal Conduct) Ordinance (Cap. 554) (the “ECICO”); and
 - (ii) the auditor of the candidate will be able to plan and perform appropriate procedures for a reasonable assurance engagement as required by the Electoral Affairs Commission (Financial Assistance for Legislative Council Elections and District Council Elections) (Application and Payment Procedure) Regulation (Cap. 541N) (the “Regulation”).

Background

2. Part 6A of the Legislative Council Ordinance (Cap. 542) (the “LCO”) provides for a financial assistance scheme for LC election candidate in respect of election expenses. The aim of the Scheme is to encourage more public-spirited candidates to participate in LC elections and cultivate an environment to facilitate the development of political talents in Hong Kong.
3. Under the Scheme, a candidate who gets elected (in the case of a list of candidates, at least one candidate on the list is elected) or who has received 5% of valid votes or more will be given financial assistance to offset part of his/her election expenses as follows:
 - (a) in respect of a candidate in a contested constituency, the amount payable is the lowest of the following:
 - (i) the amount obtained by multiplying the total number of valid votes cast for the candidate or list of candidates by the specified rate (now at \$14);

¹ In this Notes, as far as the text permits, the reference to a “candidate” includes a list of candidates in the election of a geographical constituency or the District Council (second) functional constituency.

- (ii) 50% of the maximum amount of election expenses that may be incurred by the candidate or list of candidates; or
 - (iii) the declared election expenses of the candidate or list of candidates.
- (b) in respect of a candidate in an uncontested constituency, the amount payable is the lowest of the following:
- (i) the amount obtained by multiplying 50% of the number of registered electors for the constituency concerned by the specified rate (now at \$14);
 - (ii) 50% of the maximum amount of election expenses that may be incurred by the candidate or list of candidates; or
 - (iii) the declared election expenses of the candidate or list of candidates.

The “declared election expenses” means the amount set out as election expenses incurred by the candidate in the election return lodged under section 37(1) of the ECICO.

4. A declaration by the Returning Officer under section 46A(3)(a) or (b) of the LCO that an election has failed does not affect any entitlement to financial assistance. If the proceedings for an election are terminated under section 46A(1) of the LCO, financial assistance is not payable in respect of that election.
5. The detailed operational procedures of the Scheme are laid down in the Regulation.

Notes for Candidate

6. A claim for financial assistance under the Scheme must be made on a form specified by the Electoral Affairs Commission (“EAC”) (which will be given to a candidate upon his/her submission of the nomination). The completed claim form must be presented in person by the candidate or his/her agent to the Chief Electoral Officer (“CEO”) during ordinary business hours within the period specified in paragraph 9 below for lodging an election return. The claim form must also be accompanied by an election return and an auditor’s report. If the claim is made in respect of a list of LC candidates consisting of more than one candidate, one of the candidates on the list must be nominated in the claim form to receive the payment of financial assistance on behalf of all the candidates on the list.
7. The auditor so appointed must, after he has conducted the engagement, provide an independent auditor’s report to the CEO. The report must:
 - (a) state that the auditor has audited the account of the declared election expenses by conducting a reasonable assurance engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*; and
 - (b) state the auditor’s opinion as to whether the election return complies with section 37(1)(a) and (2)(b)(i) and (v) of the ECICO in all material respects.

8. Given the above, the candidate must establish proper internal controls in relation to the accounting requirements to comply with section 37(1)(a) and (2)(b)(i) and (v) of the ECICO.
9. Section 37(1) of the ECICO states that each candidate at an election must lodge with the CEO an **election return** setting out:

- (a) the candidate's election expenses at the election; and
- (b) all election donations received by or on behalf of the candidate in connection with the election.

Section 37(2)(b) of the ECICO states that the candidate must ensure that the election return is accompanied:

- (i) in the case of each election expense of \$100 or more, by an invoice and a receipt giving particulars of the expenditure; and
- (ii) in the case of each election donation of more than \$1,000 or, in the case of an election donation consisting of goods or a service, of more than \$1,000 in value, by a copy of the receipt issued to the donor giving particulars of the donor and the donation; and
- (iii) where an election donation or part of an election donation that was received by or on behalf of the candidate in connection with the election was not used for that purpose was disposed of in accordance with section 19 of the ECICO, by a copy of the receipt given by the recipient of the donation or part; and
- (iv) where an election donation or part of an election donation that was received by or on behalf of the candidate in connection with the election was not used for that purpose was not disposed of in accordance with section 19(3)² of the ECICO, by an explanation setting out the reason why it was not disposed of in accordance with that section; and
- (v) by a declaration in a form provided or specified by the appropriate authority verifying the contents of the return.

The completed election return in a specified form (a copy of which will be given to a candidate upon his/her submission of nomination) must be submitted to the CEO by the statutory deadline as required under section 37 of the ECICO.

10. The candidate needs to make arrangements to institute proper internal controls to ensure that all election donations to which he/she receives and all election expenses for which he/she incurs are properly accounted for and recorded in his/her books and records.

² Section 19(3) of the ECICO requires that any unspent or unused donations must be given to charitable institutions or trusts of a public character chosen by the candidates. Section 19(4) of the ECICO requires that any amount of donations that exceeds the maximum limit of election expenses must also be given to such charitable institutions or trusts.

11. The proper internal controls in relation to the accounting requirements should include the following:
 - (a) a candidate should appoint a treasurer (or an election expense agent) before accepting an election donation or incurring an election expense. This is to ensure that all election donations received and expenses incurred for the campaign of a candidate are properly recorded in the books and records;
 - (b) all election donations relating to the election campaign should be recorded in the books and records as soon as practicable and election donations in cash or cheque should be deposited in a separate bank account of a candidate – for the sole purpose of the candidate’s election campaign, as soon as practicable and preferably within 3 working days of receipt;
 - (c) the candidate and the treasurer (or an election expense agent) should ensure that a cash book is maintained to record all election donations received and election expenses paid and regular bank reconciliations should be carried out;
 - (d) all donation receipts and election expense payments should be supported by documentation and properly filed; and
 - (e) the candidate should appoint an auditor immediately after submitting his/her nomination if he/she intends to seek financial assistance under the Scheme, in order that the auditor will have sufficient time to plan and perform the appropriate procedures for a reasonable assurance engagement as required by the Regulation.
12. The candidate should also note that for all outstanding claims included as election expenses in the election return, a payment schedule for settlement of the outstanding claims should be indicated in the election return and the claim for financial assistance. The candidate is then required to submit duly certified invoice(s) and receipt(s) in the case of each election expense of \$100 or more to the CEO within 30 days of settlement of the outstanding claims.
13. On re-use of old materials for election purpose (e.g. re-use of old publicity boards), the cost incurred for refurbishing and the estimated value of the old materials should be counted towards the candidate’s election expenses. For candidates eligible for financial assistance, the cost incurred for refurbishment of the old materials will be considered in calculating the amount of financial assistance to be payable to the candidate, whilst the estimated value of the old materials will not be counted so as to avoid double payment. The above principle will also apply to reuse of other old materials for election purpose.
14. Any financial benefit given by an organisation or individual to a candidate for the purpose of meeting, or contributing towards meeting his/her election expenses should be declared as election donation and accounted for in the election return. Any goods and services obtained free of charge or at a discount are donation-in-kind and their estimated fair value should be included in the election return both as an election donation and election expense where appropriate. Fund raising campaigns organised by a political body or an organisation without specific reference to the candidate will not be counted as the candidate’s election activity. However, any contributions from such political body or organisation to the candidate will need to be recorded as election donations received by the candidate.

15. The candidate should ensure that the auditor is to have access, at all reasonable times, to all records, documents, books, accounts and vouchers and to such information and explanations that, in the auditor's opinion, are necessary to conduct the assurance engagement in accordance with the Hong Kong Standards on Assurance Engagements.
16. A candidate who makes a statement that he/she knows or ought to know is materially false or misleading in his/her return and declaration of election expenses and election donations or any advance return and declaration of election donations engages in a corrupt conduct under section 20 of the ECICO and is punishable by a fine of up to \$500,000 and imprisonment for up to 7 years.
17. In relation to election expenses and election donations, a candidate and his/her treasurer (or his/her election expense agent) should make reference to the prevailing EAC Guidelines on Election-related Activities in respect of the Legislative Council Election ("Guidelines"), in particular the chapter entitled "Election Expenses and Election Donations" and the Appendix entitled "Items of Expenses which may be Counted towards Election Expenses".
18. A claim may be withdrawn, before a payment of financial assistance is made or the claim is otherwise disposed of, by means of a notice of withdrawal presented to the CEO. The notice of withdrawal must be presented in a form specified by the EAC (a copy of which will be given to the candidate upon his/her submission of nomination).
19. Where a payment of financial assistance is made and the recipient is not entitled to receive the whole or part of the amount paid, the recipient must repay the whole or part, as the case may be, of the amount paid to the Government within 3 months after the date of a written notice that was given by the CEO to the recipient requiring repayment.

Notes for Auditor

Background information

20. A claim for financial assistance under the Scheme must be made by a candidate on a form specified by the EAC (which will be given to a candidate upon his/her submission of the nomination). The completed claim form must be presented in person by the candidate or his/her agent to the CEO during ordinary business hours within the period specified in paragraph 9 above for lodging an election return. The claim form must also be accompanied by an election return and an auditor's report.
21. The auditor's responsibilities under the Regulation are set out in paragraph 7 above. In consultation with the HKICPA, the auditor should conduct the engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*.

Engagement letter

22. It is important that there is a clear understanding and agreement with the candidate as to the nature of the services that the auditor is to provide. To avoid any misunderstanding, the agreement should be put in writing in the form of an engagement letter. It is suggested that the terms of the engagement be agreed with the candidate prior to accepting the appointment as auditor for a candidate.

Planning and conducting the engagement

23. The auditor who has decided to take on the appointment should familiarise himself/herself with the relevant ordinances and regulations such as:
 - (a) Part 6A of the LCO (Cap. 542);
Part 6 of the ECICO (Cap. 554);
the Regulation (Cap. 541N); and
 - (b) “Guidelines”, in particular the chapter entitled “Election Expenses and Election Donations” and the Appendix entitled “Items of Expenses which may be Counted towards Election Expenses”.
24. The auditor should conduct a reasonable assurance engagement in such a way that he/she can conclude on a reasonable basis whether the election return complies with section 37(1)(a) and 2(b)(i) and (v) of the ECICO. In case of doubt, the auditor should make reference to the relevant ordinances/regulations and the “Guidelines” and seek clarification from the Registration and Electoral Office where appropriate.
25. The auditor should have an understanding of the internal controls to plan the engagement. To obtain the information needed for internal controls, the auditor should consider visiting campaign sites to obtain an overall view of the controls and to obtain information on items such as major suppliers, volunteer labour and normal campaign expenditures.
26. In conducting a reasonable assurance engagement, the auditor should perform such procedures³ as he/she considers necessary in the circumstances and obtain all the information and explanations from the candidate which he/she considers necessary in order to make his/her conclusion.
27. The auditor should be aware of the engagement risks associated with the accounting for election expenses by the candidate. Accordingly, he/she should pay particular attention to the special features of election expenses which may be incurred by the candidate, including:
 - (a) election expenses mean expenses incurred or to be incurred before, during or after an election, by a candidate or his/her election expense agent on his/her behalf for the purpose of promoting his/her election, or prejudicing the election of another candidate or other candidates and include the value of election donations consisting of goods and services used for that purpose;

³ The auditor’s procedures would normally include:

- (a) performing tests of transactions;
- (b) obtaining an understanding of the accounting systems and control in order to assess their adequacy as a basis for the preparation of the account of the declared election expenses and to establish whether proper books and records have been kept and maintained by the candidate;
- (c) assessing significant estimates and judgements made by the candidate in the preparation of the account of the declared election expenses; and
- (d) evaluating the overall adequacy of the presentation of information in the account of the declared election expenses.

- (b) for those election expenses, each of which is \$100 or more, included in the candidate's election return, the candidate must provide invoice(s) and receipt(s) with the election return pursuant to section 37(2)(b)(i) of the ECICO. For the purpose of making a claim for financial assistance, each invoice and receipt or copy of it should be certified by the candidate in the manner as set out in (e) and (f) below. Otherwise, the election expenses concerned will not be taken into account in determining the amount of financial assistance payable;
- (c) an invoice and a receipt for an election expense may be included in the same document (see section 37(3) of the ECICO);
- (d) the invoices and receipts submitted by the candidate should include sufficient particulars, including:
 - (i) date;
 - (ii) details of the expense item (i.e. information and amount of the goods or services);
 - (iii) information of the organisation or person (other than the candidate himself/herself) providing the goods or services; and
 - (iv) information supporting that the organisation or person (other than the candidate himself/herself) providing the goods or services has received the relevant payment in full (e.g. name and signature of the recipient, or the stamp of the organisation or signature of its authorised person);
- (e) each original invoice and receipt in support of the claim must be certified to be correct by the candidate by way of signing on it. A sample for reference is as below:

<p>Certified correct</p> <hr style="width: 80%; margin: 10px auto;"/> <p>[Signature of candidate]</p> <p>[Name of candidate]</p> <p>[Date]</p>

- (f) each copy of invoice and receipt in support of the claim must be certified by the candidate by way of signing on it to be correct and true copy and that no duplicate claim has been submitted previously. A sample for reference is as below:

<p>Certified correct and true copy and no duplicate claim has been submitted previously</p> <hr style="width: 80%; margin: 10px auto;"/> <p>[Signature of candidate]</p> <p>[Name of candidate]</p> <p>[Date]</p>
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- (g) in the case that an election donation (including multiple election donations from the same donor) consisting of goods or service of more than \$1,000 in value is included as candidate's declared election expenses in the election return, the candidate must issue a "Standard Receipt for Election Donations" to the donor and submit a copy of receipt with the election return pursuant to section 37(2)(b)(ii) of the ECICO. For the purpose of making a claim for financial assistance, each copy of the "Standard Receipt for Election Donations" should be certified to be correct and true copy by the candidate by way of signing on it. A sample for reference is as below:

<p>Certified correct and true copy</p> <hr/> <p>[Signature of candidate]</p> <p>[Name of candidate]</p> <p>[Date]</p>
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- (h) no invoices or receipts may be altered except by the supplier(s)/issuer(s) themselves with their endorsement;
- (i) for all outstanding claims included as election expenses in the election return, a payment schedule for settlement of the outstanding claims should be indicated in the election return and the claim for financial assistance. The candidate is then required to submit duly certified invoice(s) and receipt(s) in the case of each election expense of \$100 or more to the CEO within 30 days of settlement of the outstanding claims; and
- (j) common election expenses may include:
- (i) fees and allowances, including travelling expenses, paid to agents and assistants engaged in relation to one's election activities;
 - (ii) costs incurred for meals and drinks for agents and assistants before and on polling day;
 - (iii) costs incurred for design and production of election advertisements such as banners, signboards, placards, posters, handbills, publicity pamphlets, video and audio recordings, electronic messages and various forms of literature or publicity material for promoting the election of a candidate or prejudicing the election of another candidate or candidates [Note: costs incurred for publicity materials to give thanks to electors for their support after the election will not be counted as election expense];
 - (iv) costs incurred for display and removal of election advertisements including labour charges. If the election advertisements have not been removed by the deadline specified by the EAC, the removal costs for the election advertisements charged by the government departments should also be included;

- (v) costs incurred by the relevant authorities for removal of election advertisements displayed without authorisation;
- (vi) costs incurred for renting space used in connection with the election campaign;
- (vii) cost of stationery used in connection with the election campaign;
- (viii) operation/miscellaneous costs in connection with the election campaign, e.g. photocopying, hire of telephone line and fax line [Note: election deposit will not be counted as election expense];
- (ix) postage for mailing of publicity materials (excluding free mailing service provided by the Government);
- (x) costs incurred for the hire of transport in connection with the election;
- (xi) costs incurred for publicity by vehicles;
- (xii) costs of advertisements in newspapers, taxi or other public transport;
- (xiii) costs incurred for election meetings, including venue charges;
- (xiv) costs of T-shirts, armbands, caps, etc and other identification devices for election agents and assistants;
- (xv) costs incurred for refurbishing as well as the estimated value of old publicity boards;
- (xvi) costs incurred in the publication by a candidate during the election period (i.e. from the commencement of the nomination period to the day on which a declaration is made under sections 42C or 46 of LCO or section 22C of the Electoral Affairs Commission (Electoral Procedure) (Legislative Council) Regulation (Cap 541D); or the day on which the polling ends) of a document that gives details of work done by the candidate in the capacity of the Chief Executive; a member of the Legislative Council, a District Council or the Heung Yee Kuk; the Chairman, Vice-chairman or a member of the Executive Committee of a Rural Committee; or a Rural Representative;
- (xvii) costs incurred by the political body or organisation of the candidate in promoting his/her election [Note: costs of meeting where the platform of the political body or organisation is publicised without specific reference to the candidate will not be counted as election expenses. Separately, for the avoidance of doubt, costs of electioneering activities (e.g. 造勢大會) participated by an uncontested candidate after declaration of the election result in respect of his/her constituency to promote other contested candidates will not be counted as election expenses of the uncontested candidate.];
- (xviii) costs for obtaining legal advice incurred in respect of the management of an election (e.g. where a candidate asks his/her lawyer to vet an election publicity pamphlet to make sure that statements contained in it do not amount to libel)

[Note: Fees incurred for obtaining (a) legal advice on the general interpretation/application of the electoral laws including whether a particular item of expense can be regarded as “election expenses” and “election donations”, and (b) professional advice on the apportionment of expenses between purposes related to an election and any other purpose, will not be regarded as election expenses.];

- (xix) interest incurred from a loan to finance the campaigning activities of a candidate. [In case of an interest-free loan, the interest waived should be declared as an election donation and correspondingly as an election expense. A reasonable amount should be assessed by reference to the market interest rate.];
 - (xx) subsidy of activities organised for promoting one’s candidature is a form of election donation which is counted as election expense (e.g. (a) allowance paid to the workers in the activities organised by political party(ies) for promoting the candidate and/or (b) the sponsorship made by the party(ies) for the said activities);
 - (xxi) although some people may not charge the candidate for the goods supplied or work, labour and services rendered (except voluntary services), a reasonable sum estimated for such charges, over any allowance or discount usually given to customers, is an election expense (which is correspondingly an election donation made by these people);
 - (xxii) goods given incidental to the provision of voluntary service;
 - (xxiii) costs for charities undertaken for the purpose of promoting one’s candidature;
and
 - (xxiv) costs for any negative publicity launched against one’s opponent.
28. The auditor should note that as with most organisations that receive funds by donation, due to the inherent limitation on being able to be satisfied as to the completeness of election donations, it is not possible to determine the extent, if any, of unrecorded election donations. Furthermore, since donated property and services are both election donations and expenses, it is not possible to confirm that all expenses have been recorded. The auditor should nevertheless be alert for specific circumstances arousing suspicion that the account of the declared election expenses is not complete. Such circumstances include situations where campaign expenditures were significantly in excess of election donations or the reconciliation of the bank account was not properly done. In such situations, it is possible that some cash receipts (through election donations or loans) have not been recorded. The auditor should make enquiries on how the expenditures were made. The auditor should also consider practical issues associated with estimations of fair values of election donations-in-kind.
29. If necessary, the auditor should make enquiries with the candidate to ensure that all the candidate’s election expenses have been recorded with reference to the “Guideline”, in particular the chapter entitled “Election Expenses and Election Donations” and the Appendix entitled “Items of Expenses which may be Counted towards Election Expenses”.

Compliance with section 37(1)(a) of the ECICO

30. In relation to the compliance with section 37(1)(a) of the ECICO, obtaining assurance as to the completeness and accuracy of election expenses can be difficult for the auditor, as it would not be practicable for him/her to determine that the books and records of the candidate include all transactions relating to the election. In view of the above, the auditor should perform proper procedures to support his/her conclusion as to whether the election return complies with section 37(1)(a) of the ECICO to the extent that the account of the declared election expenses in the election return set out, in all material respects, the election expenses of the candidate that have been recorded in the books and records of the candidate made available to him/her.

Compliance with section 37(2)(b)(i) and (v) of the ECICO

31. In relation to the compliance with section 37(2)(b)(i) and (v) of the ECICO, the auditor should check whether the candidate has maintained sufficient records to comply with the documentation requirements in accordance with the requirements of that section.

Letter of representation

32. If necessary, the auditor should obtain a representation letter from the candidate as to representations that the auditor considers of significance in forming his/her conclusion. For example, the auditor should obtain written assurance from the candidate that he/she is not aware of any violations of section 37(1)(a) and (2)(b)(i) and (v) of the ECICO.

Reporting

33. If the auditor is of the opinion that the election return (with the account of the declared election expenses) has not been properly prepared by the candidate, or if the auditor fails to obtain all the information and explanations which are necessary for the purpose of conducting his/her reasonable assurance engagement, he/she should make appropriate qualifications in his/her auditor's report in accordance with the requirements of HKSAE 3000 (Revised).
34. If the auditor is of the opinion that there exists any other material non-compliance with the requirements of section 37(1)(a) and (2)(b)(i) and (v) of the ECICO, he/she should make full disclosure and where possible, quantify the effects of such non-compliance in the auditor's report in accordance with the requirements of HKSAE 3000 (Revised).

Specimen auditor's report

35. A specimen auditor's report is attached at the **Appendix**.

**SPECIMEN INDEPENDENT AUDITOR'S ASSURANCE REPORT
ON THE ELECTION RETURN
(WITH THE ACCOUNT OF THE DECLARED ELECTION EXPENSES) UNDER THE
FINANCIAL ASSISTANCE SCHEME FOR LEGISLATIVE COUNCIL ELECTION**

INDEPENDENT AUDITOR'S ASSURANCE REPORT

To (Name of Candidate, Name of Constituency) (The "Candidate")

We have performed a reasonable assurance engagement on the account of the declared election expenses as set out on pages ___ to ___ of the attached election return of the Candidate in the respect of the 2018 Legislative Council By-election (the "By-election") pursuant to the requirements set out in section 3(5) of the Electoral Affairs Commission (Financial Assistance for Legislative Council Elections and District Council Elections)(Application and Payment Procedure) Regulation (Cap. 541N).

Responsibilities of the Candidate

The Candidate is required to prepare and is responsible for an election return in compliance with section 37(1)(a) and (2)(b)(i) and (v) of the Elections (Corrupt and Illegal Conduct) Ordinance (Cap. 554) ("ECICO").

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 1¹ 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 form an independent opinion, based on the results of the procedures performed by us, as to whether the election return complies with section 37(1)(a) and (2)(b)(i) and (v) of the ECICO, in all material respects, and to report our opinion to you².

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* issued by the HKICPA and with reference to the *Legislative Council Election Financial Assistance Scheme - Notes for Candidate and Independent Auditor of Candidate of Legislative Council Election* issued in December 2017 by the Registration and

¹ HKSQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*.

² Auditors 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 with reference to Professional Risk Management Bulletin No. 2 "Auditors' Duty of Care To Third Parties and The Audit Report".

Electoral Office (“REO”) of the HKSAR Government (the “REO Notes”). We have planned and performed our work to obtain reasonable assurance for giving our opinion below.

Such a reasonable assurance engagement includes performing the procedures set out in the REO Notes and examination, on a test basis, of evidence supporting the amounts and disclosure of the items stated in the account of the declared election expenses of the election return. It also includes an assessment of the significant estimates and judgements made by the Candidate in the preparation of the account of the declared election expenses of the election return.

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

Inherent limitations

As it was not practicable for us, given the nature of the transactions relating to the By-election, to determine that the books and records of the Candidate include all such transactions, we performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the election return complies with section 37(1)(a) of the ECICO, in all material respects, to the extent that the account of the declared election expenses of the election return set out the election expenses of the Candidate that have been recorded in the books and records of the Candidate made available to us, and the election return complies with section 37(2)(b)(i) and (v) of the ECICO, in all material respects, in respect of the election expenses so declared therein.

Opinion³

Based on the foregoing, in our opinion:

- the election return complies with section 37(1)(a) of the ECICO, in all material respects, to the extent that the account of the declared election expenses of the election return has set out the election expenses of the Candidate that have been recorded in the books and records of the Candidate made available to us; and
- the election return complies with section 37(2)(b)(i) and (v) of the ECICO, in all material respects, in respect of the election expenses so declared therein.

Intended Users and Purpose

This report is intended for filing with the REO of the HKSAR Government, and is not intended to be, and should not be, used by anyone for any other purpose.

[Name of firm]

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

[Auditor's Address]

Hong Kong

[Date]

* Please delete as appropriate.

³ In the circumstances where the auditor expresses a qualified conclusion or a disclaimer of conclusion or adverse conclusion, the auditor's report is to be modified accordingly as required in paragraph 69(1)(v) of HKSAE 3000 (Revised). Further guidance is set out in paragraphs 74 to 77, A182, A188 to A191 of HKSAE 3000 (Revised).