

The Hong Kong Companies Ordinance 2018

Arrangement of Audit

Starting from 2015, under the Companies Ordinance (Cap. 622) of the Laws of Hong Kong, it requires the directors of Hong Kong Limited Company must prepare for each financial statement, otherwise, he/she will be subjected to penalty.

Accounts and Financial Statements and Reports (Audit)

- 1) a company's directors must prepare for each financial year financial statements that comply with sections 380 and 383 [section 379(1)];
- 2) if the company is a holding company at the end of the financial year, consolidated financial statements must be prepared instead unless the company is a wholly owned subsidiary or a partially owned subsidiary where no member requests for the preparation of consolidated financial statements [sections 379(2) and 379(3)];
- 3) if the company is a wholly owned subsidiary or a partially owned subsidiary where no member requests for the preparation of consolidated financial statements, company level financial statements must be prepared [section 379(1) and section 379(3)]
- 4) subject to permitted exclusions, the consolidated financial statements must include all the subsidiary undertakings of the company (section 381);

Statutory Auditing

According to Hong Kong Companies Ordinance Sec. 122, the annual financial statements of Hong Kong limited company should be audited by Hong Kong Certified Public Accountants (Practising), for the purpose of presenting for shareholders' review in annual general meeting.

Apart from that, Hong Kong Inland Revenue Department also requires the Hong Kong Limited company to submit the profits tax return with the audited financial statements for the purpose of tax assessment.

Statutory Auditing is conducted in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants and Companies Ordinances. During the audit, the experienced accountant should understand the client's industry, business operation, management structure and risks management, could discover the potential management and operational problems and could provide professional solutions to the clients.

Certified Public Accountants form their independent opinion upon the true and fair presentation of the financial statements and help the directors of the company to comply with the relevant Companies Ordinances and fulfill their duties.