

Audit of Financial Statements in Hong Kong

Purposes of Audit in Hong Kong

Report to Shareholders: an audit is mandatory for reporting to shareholders as per the Companies Ordinance



Document for Tax Filing: an audit is required as supporting documentation for the profits tax return data according to the Inland Revenue Ordinance (IRO)



The audit must be conducted by a certified auditor registered with the Hong Kong Institute of Certified Public Accountants (HKICPA). This requirement plays a key role in maintaining the transparency and stability of Hong Kong's tax system

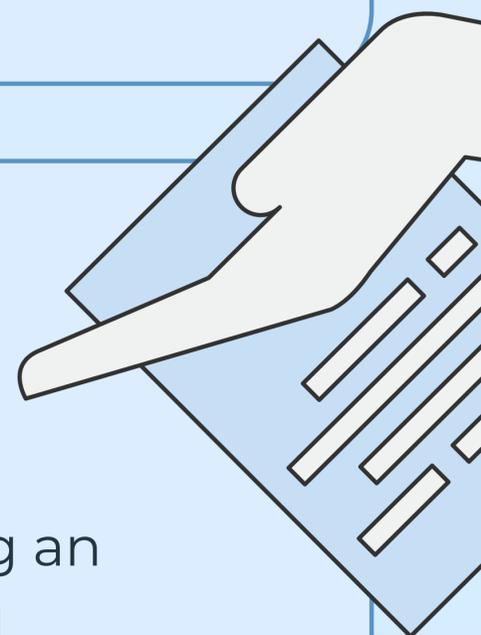
Main Audit Requirements in Hong Kong



Legally Mandated Requirement: Conducting an audit is mandatory for all companies in Hong Kong



Compliance with Standards: The audit must be conducted by an independent certified auditor registered with the Hong Kong Institute of Certified Public Accountants (HKICPA)



Which Companies in Hong Kong are Exempt from Mandatory Audit?



Dormant Companies



Foreign companies whose financial statements are not subject to audit in their country of registration and have not conducted a voluntary audit



Foreign branches (but may be required to provide audited statements upon request by the IRD tax inspector)

Is a Hong Kong Company Exempt from Mandatory Audit if it is Inactive but has not Declared Dormant Status in the Companies Registry?

Companies that have not declared dormant status in the Hong Kong Companies Registry are required to conduct an audit, even if they have had no transactions. An audit of zero financial statements must still be conducted

When filing a profits tax return, the Inland Revenue Department may not request zero audited financial statements, but this does not exempt the company from mandatory audit requirements

Recommendation

If a company does not plan to conduct business, it is recommended to declare dormant status in the Companies Registry. This will avoid the need to prepare and audit zero financial statements

How Often is an Audit Required?

An audit is conducted annually

Audit Submission Deadlines:

Under the Companies Ordinance

- **Before the Annual General Meeting** (if the company is required to hold this meeting)
- **Before the start of the next financial year** (if the company is not required to hold a general meeting)

Under the Inland Revenue Ordinance

- **Within 1 month** from the date of receiving the Profits Tax Return (PTR)



Audit in Hong Kong is conducted in accordance with international standards and rules adapted to local legislation

Key aspects of the audit include auditor independence and the objectivity of the audit process. Compliance with HKSA standards helps Hong Kong companies maintain a high level of transparency, strengthening trust from investors and other stakeholders

Audit in Hong Kong includes the examination of reports such as:

Balance Sheet

Income Statement

Statement of Changes in Equity

Cash Flow Statement

Stages of the Audit Process in Hong Kong



Preparation of Financial Statements



Submission of Financial Statements to the Auditor



Verification and Analysis of Financial Statements and Primary Documents



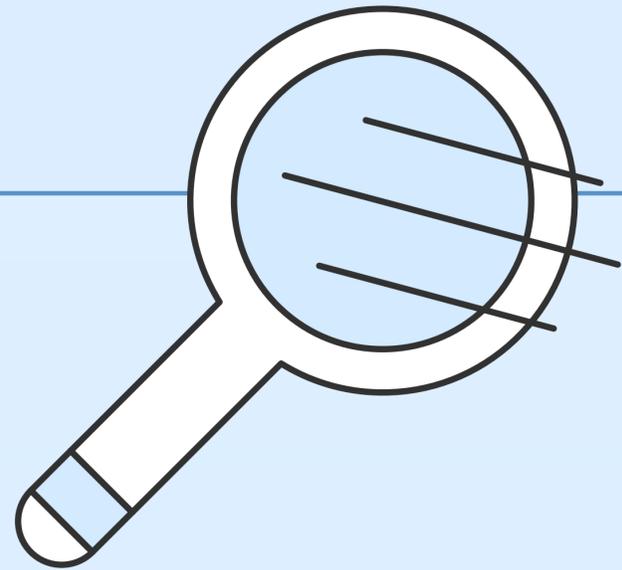
Formation of the Audit Opinion



Submission of Documents to the Inland Revenue Department



Presentation of the Audit to Shareholders



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