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Hong Kong Company Maintenance and Compliance Guide (11)

Keeping Proper Business Record

1. Requirement of the Hong Kong Companies Ordinances

According to Section 373 of Companies Ordinances, a company must keep sufficient accounting records to show and explain the company's transactions, and disclose with reasonable accuracy the company's financial position and financial performance. In particular, the accounting records must contain daily entries of all sums of money received and expended by the company, and the matters in respect of which the receipt and expenditure takes place, and a record of the company's assets and liabilities.

In additions, according to Section 377 of Companies Ordinances, the company must preserve the records, or the accounts and returns, for 7 years after the end of the financial year to which the last entry made or matter recorded in the records, or the accounts and returns, relates.

2. Requirement of the Hong Kong Inland Revenue Ordinance

According to Section 51C of Inland Revenue Ordinance, every person carrying on a trade, profession or business in Hong Kong must keep sufficient business records, either in English or Chinese, for his income and expenditure so as to enable his assessable profits to be readily ascertained. He must keep such records for at least 7 years after completion of the transactions, acts or operations to which they relate.

The records prescribed in the Ordinance include:-

- (1) books of accounts recording receipts and payments, or income and expenditure;
- (2) vouchers, bank statements, invoices, receipts, such as:
 - (a) banking records (e.g. cheque books, bank deposit slips, bank statements and bank advices);
 - (b) records of income (e.g. receipts, invoices issued and credit notes);
 - (c) records of cost and expense (e.g. receipts for payments and invoices received);
- (3) books recording assets and liabilities;
- (4) books recording daily money received and expended;

- (5) where that trade, profession or business involves dealing in goods:
 - (a) records of all goods purchased and sold showing the goods and sellers and buyers in sufficient detail to verify the quantities and values of the goods and the identities of the sellers and buyers and all invoices related thereto; and
 - (b) statements (including quantities and values) of trading stock held by at the end of the accounting period and all records of stock takings from which such statement has been prepared;
- (6) where that trade, profession or business involves the provision of services, records of the services provided in sufficient detail.

3. Documents required for preparation of financial Statements

For your easy reference, we have drawn up a checklist for the relevant documents required in accordance with the instructions by Inland Revenue Department for the purpose of preparation of financial statements and tax filing are summarized as follows:

Type of transaction	Record to maintained
Sales	Sales invoices Packing list Delivery notes Bank receipt advice Sales contract
Purchases	Purchases invoices Packing list Delivery notes Bank payment advice Purchase contract
General expenses	Expenses invoices Payment receipt / advices Payroll record Rental agreement
Bank transactions	Bank statements Bank advices Cheque books
Tangible assets	Sales and purchases agreement Invoices and receipts Asset registry
Inventory	Invoices and receipts Inventory list Delivery documents
Investment	Registration documents of subsidiary Sales and purchases agreement Monthly broker / bank statements

Loan	Loan agreements Repayment schedule Bank advices
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All above information are for reference only.

If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at www.kaizencpa.com or contact us through the following and talk to our professionals:

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