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## Hong Kong Company Maintenance and Compliance Guide (12) Accounting and Auditing Requirements of a Hong Kong Company

### 1. Accounting Requirements

In accordance with Section 380(4)(b) of the Hong Kong Companies Ordinance (the “CO”), a company’s director must prepare financial statements for a financial year in compliance with applicable accounting standards.

Applicable accounting standards means statements of standard accounting practice issued or specified by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The HKICPA has issued the following accounting standards:

- (1) Hong Kong Financial Reporting Standards (“HKFRSs”)
- (2) Hong Kong Financial Reporting Standard for Private Entities (“HKFRS for Private Entities”)
- (3) Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard (“SME-FRF & SME-FRS”)

A company should prepare its accounts in accordance with one of the above accounting standards. The accounts prepared should be supported with accounting records.

Details of accounting records could be referred to [“Hong Kong Company Maintenance and Compliance Guide \(11\) – Keeping Proper Business Records”](#).

### 2. Audit Requirements

The general audit requirements under the CO are:

- (1) A company’s director must prepare with financial statements that comply with Sections 380 and 383 (Section 379);
- (2) A company’s director must prepare directors’ report complies with Sections 390 and 543(2) and Schedule 5, contains the information prescribed by the regulation made under Sections 451 and 452 of the CO (the “Regulation”), and complies with other requirements prescribed by the Regulation (Section 388);
- (3) An auditor must be appointed for each financial year (Section 394);
- (4) The financial statements prepared by the director must be audited (Section 405); and
- (5) The financial statements must be laid before company’s members in annual general meeting (Section 429).

Pursuant to Section 447 of the CO, the above requirements do not apply to a dormant company. A company is dormant if it passed a special resolution declaring that it would become dormant and delivered to the Registrar of Companies for registration according to Section 5.

Annual audit is required to be completed 9 months after the end of its financial year for a private company or a company limited by guarantee. For other types of company, annual audit is required to be completed 6 months after the end of its financial year.

If it is the first report of the company and the financial period is longer than 12 months, the audit should be completed the later of 9 months after the first anniversary of the company’s incorporation or 3 months after the end of the financial period for a private company or a company limited by guarantee and the later of 6 months after the first anniversary of the company’s incorporation or 3 months after the end of the financial period for other types of company.

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

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