

PRACTICE NOTE
600.1
REPORTS BY AUDITORS UNDER
THE HONG KONG COMPANIES ORDINANCE

(Issued December 1994; revised September 2004 (name change))

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600.1
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The purpose of Practice Notes issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) is to assist auditors in applying Auditing Standards of general application to particular circumstances and industries.

They are persuasive rather than prescriptive. However they are indicative of good practice and have similar status to the explanatory material in Statements of Auditing Standards (SAS), even though they may be developed without the full process of consultation and exposure used for SAS. Auditors should be prepared to explain departures when called upon to do so.

This Practice Note replaces the Auditing Guideline 3.310 "Reports by auditors on financial statements".

Introduction

1. Statement of Auditing Standards (SAS) 600 "Auditors' reports on financial statements" applies to all reports issued by auditors which express an opinion in terms of whether financial statements give a true and fair view, or where statutory or other specific requirements prescribe the use of a term such as "presents fairly", "exhibits a true and correct view" or "properly prepared in accordance with". Although SAS 600 is not primarily intended to apply to other forms of report provided by auditors, many of the principles of SAS 600 will normally be applicable to such reports.
2. This Practice Note describes the application of the principles of SAS 600 on reports by auditors issued under the Hong Kong Companies Ordinance (Companies Ordinance). It should be read in conjunction with SAS 010 "The scope and authority of auditing pronouncements" and SAS 600. Unless stated otherwise, all references in this Practice Note are to the Companies Ordinance.

Requirement of auditors to report

3. Auditors of a company incorporated under the Companies Ordinance have a statutory duty to make a report to the members of the company on the company's annual financial statements.
4. Specifically, auditors are required to report on every balance sheet and profit and loss account and on all group financial statements laid before the company in general meeting during their tenure of office.
5. The Companies Ordinance requires the auditors to state in their report whether, in their opinion, a true and fair view is given:
 - a. in the balance sheet, of the state of the company's affairs at the end of the accounting period;
 - b. in the profit and loss account (if not framed as a consolidated profit and loss account), of the company's profit or loss for the accounting period; and
 - c. in the case of group financial statements, of the state of affairs and profit or loss of the company and its subsidiaries dealt with by those financial statements.
6. In considering whether the financial statements give a true and fair view, it will be necessary for the auditors to take account, inter alia, of the accounting principles adopted. Reference should be made to paragraphs 40 to 50 of SAS 600 in respect of compliance with relevant accounting and other requirements.

Normally, companies incorporated in Hong Kong prepare their financial statements in accordance with accounting principles generally accepted in Hong Kong (HK GAAP), which encompass Statements of Standard Accounting Practice (SSAPs). SSAPs describe methods of accounting approved by the Council of the HKICPA for application to all financial statements intended to give a true and fair view.

7. SSAP 15 "Cash flow statements" requires, with certain specified exemptions, that financial statements include a cash flow statement. It follows from the principle stated in paragraph 6 above that, where required by SSAP 15, the cash flow statement is normally necessary in order that the financial statements give a true and fair view, as required by the Companies Ordinance.
8. The auditors are also required to state whether, in their opinion, the financial statements have been properly prepared in accordance with the provisions of the Companies Ordinance. In this context, the expression "properly prepared" includes compliance with the requirements of the Companies Ordinance with respect to the form and content of the balance sheet and profit and loss account and any additional information to be provided by way of notes to the accounts, in addition to an overriding requirement that the financial statements should give a true and fair view.

Information required by the Companies Ordinance

9. In relation to the requirements of the Companies Ordinance, the auditors are concerned with the following matters in addition to the overriding requirement as to the true and fair view of the financial statements mentioned above:
 - a. whether the financial statements comply with the sections of the Companies Ordinance dealing with the form and content of financial statements (sections 123, 125 and 126, together with the disclosure requirements set out in the Tenth Schedule);
 - b. whether the financial statements disclose certain information as follows:
 - i. directors' emoluments, pensions and compensation for loss of office (section 161); and
 - ii. loans to directors and officers (section 161B).

The auditors are required under the Companies Ordinance to provide in their report the information listed in b. above if it is not disclosed in the financial statements.

Exception reporting

10. The auditors are also required under the Companies Ordinance to report by exception if they are unable to satisfy themselves that:
 - a. proper books of account have been kept (section 141(4)(a));
 - b. proper returns adequate for the purposes of their audit have been received from branches not visited (section 141(4)(a));
 - c. the financial statements are in agreement with the books and the returns received from branches (section 141(4)(b)); and
 - d. they have obtained all the information and explanations which they considered necessary (section 141(6)).

The absence of any comment in the auditors' report in respect of these matters is equivalent to a positive affirmation by the auditors that they are satisfied with each of them. If they are not so satisfied, they must qualify their report.

11. In considering whether proper books of account have been kept, the auditors should assess whether the provisions of section 121 have been complied with. If the company has not kept such records, the auditors must qualify their report accordingly. In this situation they will normally need to state in their report that:
 - a. the scope of their audit work was limited;
 - b. they have not obtained all the information and explanations which they considered necessary; and
 - c. they were unable to determine whether proper books of account had been kept.

Dating of the auditors' report

12. The Companies Ordinance requires that, following the approval of financial statements by the board of directors, the balance sheet is signed by two of the directors of the company on behalf of the board. The auditors should not sign or date their report earlier than the date on which the complete financial statements were approved by the directors. Auditors should sign and date their reports on financial statements in accordance with paragraphs 77 to 85 of SAS 600.

Auditors' reports on group accounts

13. Under section 124, holding companies have to publish "group accounts" (subject to certain exemptions set out in the Companies Ordinance). "Group accounts" is an all embracing term covering the combination of the information shown in the financial statements of the holding company and its subsidiaries.
14. The report which the auditors are required to give on group accounts necessitates the auditors stating:
 - a. whether the group accounts have been properly prepared in accordance with the provisions of the Companies Ordinance; and
 - b. whether the group accounts give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group.

The auditors should report on the financial statements of a holding company and on the relevant group accounts in a single report.

15. The auditors are required to report that the group accounts have been audited in accordance with SAS. Thus they will need to ensure that, in so far as is relevant to the audit of the group accounts as a whole, the financial statements of subsidiaries and associated companies (where applicable) have been audited in accordance with SAS.
16. The following additional guidance is given in respect of qualifications on group accounts:
 - a. *holding company qualification affecting group accounts*

When reporting on group accounts, the auditors are required to report on the financial position of both the holding company and the group. When a qualification relates to both the holding company's own balance sheet and to the consolidated balance sheet, it will be unnecessary to distinguish between the holding company's financial position and the group's financial position. Where a qualification only relates to the holding company's own balance sheet but not to the consolidated balance sheet, or vice versa, the opinion paragraph will have to be worded accordingly, and care should be taken to ensure that the opinion is expressed in clear and unequivocal terms.

b. *subsidiary company qualification affecting group accounts*

Where the financial statements of a subsidiary contain a qualification which is not eliminated on consolidation and is material to the consolidated figures, it will be necessary to consider:

- i. whether the qualification affects the holding company's own balance sheet; and
- ii. whether it affects the consolidated balance sheet and the consolidated profit and loss account.

In either event the auditors' report on the group accounts must be worded to include whatever reference is appropriate to the items which have been the subject of qualification. However, it is not adequate just to repeat the audit qualification of the subsidiary's financial statements.

c. *qualification of group accounts only*

Even though the auditors' reports of individual group companies may be unqualified, if, in the auditors' opinion, the group accounts as a whole do not give a true and fair view, it may be necessary to qualify the auditors' report on the group accounts.

Subsidiaries' and associated companies' financial statements audited by other auditors

17. The auditors of the holding company are fully responsible for their opinion on the group accounts and need not for this reason refer in their report to the fact that the financial statements of some subsidiaries or associated companies have been audited by other auditors. However, the members of the holding company are entitled to know that the financial statements of some of the companies in the group have been audited by other auditors and the materiality of those companies to the group, and accordingly the appropriate information should be disclosed. A suitable way in which this information may be included is to state in the schedule of principal subsidiaries and associated companies, which of those companies have been audited by the other auditors. It is also desirable to indicate thereon the significance to the group of the companies that have been so audited by reference to the amount of their assets, turnover or profits or losses before taxation.

Dates of financial statements of subsidiaries

18. Where the financial statements of the subsidiaries are not all co-terminous with those of the holding company, it will be necessary to consider whether this affects the true and fair view. The following factors should be taken into account:
 - a. the significance of the proportion of the group represented by the subsidiaries not having co-terminous year ends;
 - b. the length of the period between the subsidiary and holding company year ends;
 - c. whether significant movements have taken place between the two dates in either:
 - i. the subsidiaries' profits or losses, so as to affect the group results; or
 - ii. the subsidiaries' balance sheets, which might show abnormal movement in cash or other balances so as to affect the state of affairs of the group.

In cases where the subsidiaries represent a material part of the group and the subsidiaries' financial statements are drawn up to a date more than three months before the holding company year end, the auditors should consider whether the true and fair view is prejudiced and whether their report should be qualified accordingly.

Identification of financial statements audited

19. Frequently one or more of the following accompany the financial statements in the company's annual report:
- a. directors' report;
 - b. chairman's statement; and
 - c. information supplementary to the financial statements.

To indicate that the auditors are neither responsible for nor reporting on such statements, it is usual for them to be specific as to the actual financial statements on which they are reporting by identifying the page numbers containing the financial statements as follows:

"We have audited the financial statements on pages to".

20. Although the auditors are not responsible for the additional statements referred to in paragraph 19 above, there could be a belief on the part of the reader that the auditors have in fact satisfied themselves that the information is accurate or at least not misleading. The auditors should therefore ensure that the additional information is not materially inconsistent or misleading before signing their report (see Auditing Guideline 3.255 "Financial information issued with audited financial statements").

Special classes of companies

21. Certain classes of companies (banking, insurance and shipping companies) are exempted by Part III of the Tenth Schedule from disclosing in their financial statements certain of the matters which are required by the Tenth Schedule to be disclosed in the financial statements of other companies. Where a company has availed itself of any of the relevant exemptions, it is necessary to state in the auditors' report whether the financial statements have been prepared in accordance with provisions of the Companies Ordinance applicable to the special class of companies concerned. Whilst it is acknowledged that the financial statements of such companies which have been drawn up after availing themselves of these exemptions do not, for that reason only, necessarily fail to give the true and fair view required by the Companies Ordinance, the true and fair view in such circumstances is necessarily dependent on the level of disclosure, particularly where there have been transfers to or from inner reserves. It is therefore appropriate for the auditors of such entities to adopt the wording of section 141(3)(b) and to relate the true and fair view specifically to the basis on which the financial statements have been prepared.
22. Where a company has availed itself of any of the exemptions, this should be appropriately disclosed in the financial statements. Hence, where a banking or an insurance company has taken advantage of the permitted disclosure exemptions of not stating separately reserves or provisions without adequately and suitably disclosing this fact and the manner in which the company's profit or loss has been arrived at in the financial statements, the auditors' report should be qualified. For example, in the case of a bank which has transferred amounts to or from inner reserves, but failed to disclose this fact in the financial statements, the auditors' report would be qualified as follows:

"The profit before taxation for year, shown in the profit and loss account as HK\$, is arrived at after transferring sums to inner reserves and, in our opinion, should be so described.

Except for this omission, in our opinion"

It will not be necessary to specify the amount of transfer to inner reserves involved in such qualifications.

23. The auditors' report on the financial statements of banking, insurance and shipping companies which do not take advantage of the permitted disclosure exemptions available under Part III of the Tenth Schedule, is expressed in true and fair view terms similar to other companies incorporated under the Companies Ordinance. If the financial statements do not give a true and fair view, the auditors' report should be qualified in accordance with SAS 600.
24. Section 141D empowers shareholders of certain private companies to waive compliance with various requirements as to disclosures in financial statements. Where a company avails itself of the provisions of section 141D, the auditors' report shall be modified as set out in that section. An example of an auditors' report given under section 141D is included in Appendix 2 to SAS 600.

Companies limited by guarantees and unlimited companies

25. These types of companies are normally subject to the same provisions in respect of accounts and audits as companies limited by shares. Where these types of companies do not have a share capital, the auditors' report should be addressed to members rather than shareholders.

Other reports arising from the auditors' report

26. The Companies Ordinance requires the auditors to give other report arising from the normal auditors' report. The report arising under section 79G(4) is discussed in paragraphs 27 to 29 below.

Distributions (section 79G(4))

27. The Companies Ordinance prohibits all companies from making a distribution otherwise than out of profits available for the purpose. Where a qualified auditors' report has been given on the last annual financial statements the company's ability to make a distribution, by reference to those financial statements, could be in doubt, and the company may not proceed to do so unless the auditors have made a statement under section 79G(4) concerning the company's ability to make the distribution. For the purpose of this additional statement a qualified auditors' report is specified by section 79G(3) as a report which is not without qualification to the effect that in the auditors' opinion the accounts have been properly prepared in accordance with the Companies Ordinance.
28. The auditors' statement under section 79G(4) will incorporate the following elements:
 - a. *Addressee* - the statement required of the auditors can be included as a separate paragraph in the auditors' report to the members on the financial statements. If, instead, a separate statement is made then it would be appropriate for it to be addressed to the members and sent to the company secretary.
 - b. *Introductory paragraph* - the auditors refer to their audit which will have been carried out in accordance with Statements of Auditing Standards issued by the HKICPA and state the date on which their opinion was expressed and that their opinion was qualified.
 - c. *Basis of opinion* - the statement is restricted to an evaluation of the auditors' qualified report on the last annual financial statements in the context of distributable profits.
 - d. *Opinion* - the auditors must state whether in their opinion the subject matter of the qualification is material for determining whether proposed distributions, and those which have not yet been proposed, are permitted. A qualification is not material for this purpose if the financial effect of the matters giving rise to qualification could not be such as to reduce the distributable profits below the levels required for the purpose of such distributions. The level of the proposed or potential distribution should always be quantified in the opinion.

Where the maximum effect of a qualification is unquantifiable, it would normally be material for distribution purposes unless the auditors can conclude that the effect of the qualification on the distributable profits could only be favourable. A disclaimer of opinion on the financial statements as a whole would be material as the auditors would be unable to form an opinion on the amount at which the company's distributable profits are stated.

- e. *Date* - if a separate statement is made, the date used should be that on which the statement is signed. In any case the statement must be available to be laid before the company in general meeting before the distribution in question is made, and so the report will have to be signed by that date.
29. On a change of auditors, the report under section 79G(4) can only be made by the auditors who reported on the last annual financial statements.

Other reports required by the Companies Ordinance

30. Other special statutory reports may be required of the auditors that do not arise from the audit of the annual financial statements. Some of these are summarised in paragraphs 31 to 34 below.

Redemption or purchase by a private company of its own shares out of capital (section 49K(5))

31. Where a private company redeems or purchases its own shares wholly or partly out of capital, this must be approved by a special resolution of the company to which special voting rules apply. In addition, the Companies Ordinance requires the directors to make a statutory declaration in the prescribed form specifying the capital payment permitted by section 49I(3). A factor in computing the capital payment permitted by the Companies Ordinance must be the amount of the company's distributable profits, determined by the directors by reference to accounts prepared as at any date within the three months prior to the date of their statutory declaration. The relevant accounts for this purpose are such as to enable a reasonable judgement to be made as to the amounts of profits, losses, assets and liabilities, provisions, share capital and reserves. In the statutory declaration the directors must also state that, having made full inquiry into the affairs and prospects of the company, they have formed the opinion:
- a. that there will be no grounds on which the company could be found to be unable to pay its debts immediately after the date on which the payment out of capital is proposed to be made (for this purpose the directors must take account of all the company's prospective and contingent liabilities); and
 - b. that, having regard to their intentions with respect to the management of the company's business during the year immediately following that date and to the amount and character of the financial resources which will in their view be available to the company during that year, the company will be able to continue to carry on business as a going concern throughout the year, and that accordingly the company will be able to pay its debts as they fall due throughout that year.

The declaration must be delivered to the Registrar of Companies and must be available at the meeting at which any special resolution is to be proposed approving the payment out of capital.

32. The auditors are required to make a report regarding the directors' declaration to be attached to the declaration. The report will incorporate the following elements:
- a. *Addressee* - the report should be addressed to the directors.
 - b. *Introductory paragraph* - the report concerns the directors' declaration.
 - c. *Basis of opinion* - the Companies Ordinance requires that the report shall state that the auditors have inquired into the state of the company's affairs. The Companies Ordinance does not prescribe the scope of the work to be carried out by the auditors, but it will involve, as a minimum, a review of the bases for the statutory declaration by the directors.

- d. *Opinion* - the auditors are required to state that:
 - i. the amount specified in the directors' declaration as the permissible capital payment for the shares in question is, in their opinion, properly determined in accordance with sections 49I and 49J; and
 - ii. they are not aware of anything to indicate that the opinion expressed by the directors in their declaration as to any of the matters mentioned in section 49K(3) is unreasonable in all the circumstances.
- e. *Date* - the directors' declaration and therefore the attached report by auditors are required to be made in the week before the resolution is passed specifying the amount of the permissible capital payment for the shares in question. The report by auditors should not be dated earlier than the date of the directors' declaration to which it relates. The date of the auditors' report is the date on which the auditors sign their report expressing their opinion.

There is no provision for the report to be qualified. The auditors should not issue any report unless their opinion is unqualified.

Distributions by listed companies: the use of initial accounts (section 791(4))

- 33. Paragraphs 27 to 29 of this Practice Note describe the statement required where a company wishes to make a distribution and a qualified auditors' report has been given on the annual financial statements. A company may wish to make a distribution during its first accounting reference period or after the end of that period but before the accounts for that period have been laid before a general meeting. "Initial accounts" must be prepared for this purpose which, in the case of a listed company, are required to comply with section 123 and the Tenth Schedule with respect to the form and content of the balance sheet and profit and loss account and any additional information to be provided by way of notes to the accounts. Group accounts are not required. The initial accounts must be approved by and signed on behalf of the directors in the same manner as annual financial statements, and must be delivered to the Registrar of Companies.
- 34. In the case of a listed company, the auditors are required to make a report on the initial accounts. The report will incorporate the following elements:
 - a. *Addressee* - the Companies Ordinance does not state to whom the report should be addressed; in the absence of any other requirement it may be addressed to the directors.
 - b. *Introductory paragraph* - the report is concerned with the initial accounts. The period covered by the initial accounts and the accounting principles adopted should be identified.
 - c. *Responsibilities of directors and auditors* - the directors are responsible for the preparation of initial accounts under section 79I. The auditors are responsible for expressing an opinion on whether the accounts have been properly prepared.
 - d. *Basis of opinion* - the audit of the initial accounts should be carried out in accordance with SAS. The auditors should explain the basis of their opinion as described in paragraph 25 of SAS 600.
 - e. *Opinion* - the auditors must state whether, in their opinion, the accounts have been properly prepared within the meaning of section 79I(2). For these purposes, the term "properly prepared" means that the accounts must give a true and fair view of the state of the company's affairs at the balance sheet date and of its profit or loss for the relevant period, and must comply with the provisions of section 123 and the Tenth Schedule subject to such modifications as are necessary because the accounts do not relate to a financial year.

If the opinion above is qualified, the auditors must state whether the matter giving rise to the qualification is material for determining whether the distribution is permitted (see paragraph 28 above).

- f. *Date* - the same principles apply for initial accounts as for annual financial statements (see SAS 600).

APPENDIX
Example reports by auditors

The purpose of this Appendix is to provide examples of special purpose reports and is for illustration.

List of examples

Auditors' report on annual financial statements

1. Company submitting group accounts
2. Company carrying on banking/insurance/shipping business
3. Suggested Chinese translation of an unqualified auditors' report

Other reports arising from the auditors' report

4. Statement required on a company's ability to make a distribution

Other reports required by the Companies Ordinance

5. Report required when a private company wishes to redeem or purchase its own shares out of capital
6. Report required on initial accounts when a listed company wishes to make a distribution

Example 1 - Company submitting group accounts

**AUDITORS' REPORT
TO THE SHAREHOLDERS OF XYZ LIMITED**
(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages to which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 19..... and of the group's profit [loss] and cash flows for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

ABC & Co.
Certified Public Accountants (Practising) [or Certified Public Accountants]
Hong Kong
Date

Example 2 - Company carrying on banking/insurance/shipping business**AUDITORS' REPORT
TO THE SHAREHOLDERS OF XYZ LIMITED**
(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages to which have been prepared in accordance with the provisions of the Companies Ordinance applicable to banking/insurance/shipping companies and accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements on the basis of the provisions of the Companies Ordinance applicable to banking/shipping/insurance companies. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements have been properly prepared in accordance with the provisions of the Companies Ordinance applicable to banking/insurance/shipping companies and, on that basis, give a true and fair view of the state of the company's affairs as at 31 December 19..... and of its profit [loss][and cash flows] for the year then ended.

ABC & Co.
Certified Public Accountants (Practising) [or Certified Public Accountants]
Hong Kong
Date

**Example 3 - Suggested Chinese translation
of an unqualified auditors' report**

The following is a suggested Chinese translation of an unqualified auditors' report for a company incorporated in Hong Kong

核數師報告書

致 [XYZ] 有限公司 (於香港註冊成立的有限公司) 各股東

本核數師 (以下簡稱「我們」) 已完成審核刊於第.....頁至第.....頁按照香港公認會計原則編製的財務報表。

董事及核數師的責任

《公司條例》規定董事須編製真實與公平的財務報表。在編製該等財務報表時，董事必須貫徹採用合適的會計政策。

我們的責任是根據我們審核工作的結果，對該等財務報表作出獨立意見，並向股東報告。

意見的基礎

我們是按照香港會計師公會頒佈的核數準則實行審核工作。審核範圍包括以抽查方式查核與財務報表所載數額及披露事項有關的憑證，亦包括評估董事於編製該等財務報表時所作的重大估計和判斷、所釐定的會計政策是否適合 貴公司的具體情況、及有否貫徹運用並足夠披露該等會計政策。

我們在策劃和進行審核工作時，均以取得一切我們認為必需的資料及解釋為目標，使我們能獲得充份的憑證，就該等財務報表是否存有重要錯誤陳述，作合理的確定。在作出意見時，我們亦已衡量該等財務報表所載資料在整體上是否足夠。我們相信，我們的審核工作已為下列意見建立合理的基礎。

意見

我們認為，上述的財務報表均真實與公平地反映 貴公司於一九.....年十二月三十一日的財政狀況及貴公司截至該日止年度的溢利[虧損] 和現金流量，並已按照《公司條例》適當編製。

[ABC]會計師事務所
香港執業會計師
香港
日期

**Example 4 - Statement required on a company's ability
to make a distribution**

**AUDITORS' STATEMENT TO THE MEMBERS OF XYZ LIMITED PURSUANT TO
SECTION 79G(4) OF THE COMPANIES ORDINANCE**

We have audited the financial statements of XYZ Limited for the year ended 31 December 19.. in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and have expressed a qualified opinion thereon in our report dated

Basis of opinion

We have carried out such procedures as we considered necessary to evaluate the effect of the qualified opinion for the determination of profits available for distribution.

Opinion

In our opinion the subject matter of that qualification is not material for determining, by reference to those financial statements, whether the distribution [interim dividend for the year ended 31 December 19.....] of HK\$ proposed by the company is permitted under section 79F of the Companies Ordinance.

ABC & Co.
Certified Public Accountants (Practising) [or Certified Public Accountants]
Hong Kong
Date

Notes:

1. Where the amount of the dividend has not yet been determined, the auditors' statement should be expressed in terms of the company's ability to make potential distributions up to a specific level. The opinion paragraph will be worded as follows:

"In our opinion the subject matter of that qualification is not material for determining, by reference to those financial statements, whether a distribution of not more than HK\$ by the company would be permitted under section 79F of the Companies Ordinance."

2. This example assumes that a separate statement is given regarding the company's ability to make a distribution. This matter is sometimes referred to in the statutory auditors' report by adding a separate paragraph. That paragraph might be worded as follows:

"In our opinion the subject matter of the foregoing qualification is not material for determining whether the distribution of HK\$..... proposed by the company is permitted under section 79F of the Companies Ordinance."

**Example 5 - Report required when a private company wishes to
redeem or purchase its own shares out of capital**

**REPORT BY THE AUDITORS TO THE DIRECTORS OF XYZ LIMITED PURSUANT TO
SECTION 49K(5) OF THE COMPANIES ORDINANCE**

We have examined the attached statutory declaration of the directors dated in connection with the company's proposed purchase of (number) ordinary shares by a payment out of capital and reserves.

Basis of opinion

We have enquired into the state of the company's affairs so far as it is necessary for us to review the bases for the statutory declaration.

Opinion

In our opinion the amount of HK\$ specified in the statutory declaration of the directors as the permissible capital payment for the shares to be purchased is properly determined in accordance with sections 49I and 49J of the Companies Ordinance.

We are not aware of anything to indicate that the opinion expressed by the directors in their declaration as to any of the matters mentioned in section 49K(3) of the Companies Ordinance is unreasonable in all the circumstances.

ABC & Co.
Certified Public Accountants (Practising) [or Certified Public Accountants]
Hong Kong
Date

**Example 6 - Report required on initial accounts when a listed
company wishes to make a distribution**

**REPORT BY THE AUDITORS TO THE DIRECTORS OF XYZ LIMITED PURSUANT TO
SECTION 79I(4) OF THE COMPANIES ORDINANCE**

We have audited the initial accounts on pages to which have been prepared in accordance with section 79I of the Companies Ordinance and accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Companies Ordinance requires the directors to prepare initial accounts which give a true and fair view. In preparing initial accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those initial accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. The audit included an examination, on a test basis, of evidence relevant to the amounts and disclosures in the initial accounts. It also included an assessment of the significant estimates and judgements made by the directors in the preparation of the initial accounts, and of whether the accounting policies were appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 initial accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the initial accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the initial accounts for the period from to have been properly prepared within the meaning of section 79I of the Companies Ordinance.

ABC & Co.
Certified Public Accountants (Practising) [or Certified Public Accountants]
Hong Kong
Date