

WORK OF THE COMPANIES REGISTRY

Executive Summary

1. In 1993, the Companies Registry (CR) was established as a government department and began operating as a trading fund under the Trading Funds Ordinance (Cap. 430). The mission of CR includes providing customers with efficient, cost-effective and quality services and facilities to incorporate companies and to register and inspect company documents, and continuously reviewing and enhancing its services and facilities and undertaking effective enforcement, taking account of the best modern technology available. CR is mainly responsible for administering and enforcing the provisions of the Companies Ordinance (CO — Cap. 622) and related provisions of other ordinances. Its primary functions include the incorporation/registration of companies and several other types of entities, registration of statutory returns and documents, provision of search services to members of the public, and regulation of companies and other entities in Hong Kong. The Registrar of Companies is the General Manager of the Companies Registry Trading Fund (CRTF) and is responsible for managing and controlling CRTF, and accountable to the Financial Secretary for the operations of CRTF.

2. In accordance with the Trading Funds Ordinance, CR is required to achieve a reasonable return on the fixed assets employed. In 2024-25, CRTF achieved a rate of return on average net fixed assets of 13.8% and met the 5.8% target rate of return for the financial year. The Audit Commission (Audit) has recently conducted a review on the work of CR with a view to identifying areas for improvement.

Provision of services

3. *Room for improvement relating to performance pledges.* CR has formulated a set of performance pledges in relation to its services provided. Audit examination of the performance targets and actual achievements of the performance pledges from 2019-20 to 2023-24 revealed the following room for improvement (paras. 2.2 and 2.3):

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- (a) *Some performance targets not met.* CR could not meet some of its performance targets during the period. For example, the performance targets for the registration of general documents (delivery in hard copy form) were not met in 2020-21, 2022-23 and 2023-24 and those for the registration of charges were not met in 2020-21 and 2022-23 (para. 2.4); and
- (b) *Lack of documentary records to justify the proposed adjustments to performance pledges.* According to CR, the performance pledges in relation to its services provided are reviewed annually and any proposal to adjust the service standards or performance targets is submitted to the Registrar of Companies for approval. Audit examined the approval records for performance pledges from 2020-21 to 2024-25 and found that the documentary records to justify the proposed adjustments to the service standards and performance targets were not maintained and provided for management's consideration (paras. 2.8 and 2.9).
4. *New inspection regime of the Companies Register (hereinafter referred to as the Register).* The Register maintained by CR contains personal information available for public inspection. With a view to striking a reasonable balance between protecting personal information and allowing adequate public access to necessary personal information in the Register, a new inspection regime under CO has been fully implemented since December 2023 (para. 2.17). Audit examination found the following areas for improvement:
- (a) *Need to take proactive approach to conduct periodic reviews on eligibility of user accounts subscribing to Withheld Information (WI) or Protected Information (PI) search services.* Under the new inspection regime, designated types of specified persons (e.g. liquidators) or their authorised representatives subscribing to WI/PI search services can apply for disclosure of WI/PI electronically at the e-Services Portal (see para. 10) through their user accounts. Audit examination revealed that as of August 2025, among the 5,794 user accounts subscribing to WI/PI search services with subscription date on or before 31 March 2025, 102 user accounts were no longer holding valid trust or company service provider (TCSP) licences required for subscribing to WI/PI search services (paras. 2.18 and 2.19); and

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- (b) ***Long time taken in processing applications for withholding PI.*** Since the full implementation of the new inspection regime in December 2023, data subjects can apply to CR for withholding from public inspection their PI contained in documents registered with CR. Audit examination of the 4,827 applications for withholding PI from public inspection processed by CR from December 2023 to March 2025 revealed that the average processing time was 133 days (ranging from 1 day to 365 days). In particular, the processing time of 1,167 (24% of 4,827) applications were over 180 days (paras. 2.17 and 2.22).
5. ***Inconsistent information on money lenders disseminated to public.*** According to the Money Lenders Ordinance (MLO — Cap. 163), the Registrar of Money Lenders (the role is presently performed by the Registrar of Companies) shall maintain a Register of Money Lenders for public inspection. In this connection, CR publishes lists of licensed money lenders on its website for public inspection. After the launch of the e-Services Portal in December 2023, members of the public can also access the e-Search services on the e-Services Portal to conduct searches electronically on the Register of Money Lenders. In August 2025, Audit selected samples of money lenders to cross-check the particulars of money lenders from e-Search results against that of the lists published on CR’s website, and found various cases with inconsistent information on money lenders disseminated to the public, as follows:
- (a) ***Information of licensed money lenders not consistent.*** Audit sample check of 20 licensed money lenders as at 31 July 2025 found that the licence expiry dates and/or licence numbers shown on the e-Search result were not consistent with that shown on the list of existing money lenders licenses published for 3 (15%) licensed money lenders; and
- (b) ***Status of expired money lenders licences not consistent.*** Audit sample check of 20 expired money lenders licences with licences expired between April and July 2025 found that the licence status of 4 (20%) expired money lenders licences were shown as “valid” on the e-Search result but appeared as “expired” on the list of expired money lenders licences as at 31 July 2025 published (paras. 2.27 to 2.30).
6. ***Large number of TCSP licensees submitted applications after renewal due dates.*** According to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO — Cap. 615), a TCSP licence renewal application must be made

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at least 60 days before the licence is due to expire (i.e. renewal due date) if the licensee wishes to continue to carry on the trust or company service business upon the expiry of the licence. Otherwise, the licensee has to apply for a new TCSP licence. Audit examination found that of the 3,357 new applications for TCSP licences received from 2020-21 to 2024-25:

- (a) 568 new applications were submitted within 60 days after the renewal due dates (i.e. before the expiry of the previous licences). In particular, there were time gaps between the expiry dates of the previous licences and the commencement dates of the new licences for 398 (70% of 568) new applications, ranging from 1 day to 302 days; and
- (b) 327 new applications were submitted within 60 days after the expiry dates of the previous licences with the time gaps between the expiry dates of the previous licences and the commencement dates of the new licences ranging from 21 to 384 days.

With a view to mitigating the risk of unlicensed TCSP activities after expiry of the TCSP licences, CR needs to step up efforts to encourage TCSP licensees to submit renewal applications before renewal due dates (paras. 2.35 to 2.37 and 2.40).

Compliance monitoring

7. ***Requirement for delivery of annual returns.*** A company registered under CO is required to deliver its annual return within 42 days after the company's return date. An annual registration fee is payable by a company on delivery of its annual return to CR. Audit analysed the compliance by companies for delivery of annual returns and found that:

- (a) ***Need to continue efforts in monitoring and enhancing compliance with requirement for delivery of annual returns by companies.*** As at 30 June 2025, in the period from 2020 to 2024, the annual number of companies which delivered the annual returns late ranged from 48,878 to 57,212, representing about 4% to 5% of companies required to deliver annual returns in corresponding year, and the annual number of companies which did not deliver the annual returns ranged from 107,906 to 134,293, representing about 9% to 11% of companies required to deliver annual returns in corresponding year (paras. 3.4 and 3.5); and

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- (b) ***Scope for improvement on taking actions against companies defaulting in delivery of annual returns.*** Of the 198,011 companies which did not deliver annual returns in 2024, 77,017 (39%) companies had not delivered annual returns to CR for at least five consecutive years. According to CR, if the company in default is a first offender, CR will issue a Notice of Compound Offer (NCO) in writing to the company that prosecution will be instituted against the company unless the company pays the compound fee and delivers the outstanding annual return together with the requisite annual registration fee within 28 days. 140 defaulting private companies will be randomly selected on a weekly basis for issuance of NCOs. Audit analysed the records of NCOs issued to private companies from 2020 to 2024 and found that:
- (i) ***Planned number of NCOs issued to private companies not met.*** While CR planned to issue 4,200 to 7,420 NCOs to private companies in default per year, only 1,869 to 4,145 NCOs (representing 45% to 56% of the planned number) were issued per year; and
 - (ii) ***Low compliance rate on NCOs issued.*** Even though NCOs were issued to the defaulting companies, there were still 47% to 53% of companies which did not deliver the annual returns after receiving NCOs per year (paras. 3.7 and 3.9).
8. ***Risk-based approach for supervision of licensed money lenders.*** According to MLO, a person carrying on business as a money lender in Hong Kong must obtain a money lender licence. CR is responsible for monitoring licensed money lenders' compliance with MLO and the licensing conditions in the money lender licences. CR has been monitoring the licensed money lenders' compliance through conducting onsite inspections and offsite monitoring. CR adopts a risk-based approach for its supervision of licensed money lenders. Commencing in November 2022, periodic risk profiling exercises are conducted on all licensed money lenders to determine the priority and level of supervisory engagement for each licensed money lender (paras. 3.13 to 3.15). Audit examination found the following areas for improvement:
- (a) ***Need to complete annual risk profiling exercises on licensed money lenders on time.*** There were delays in completing the annual risk profiling exercises. In one round of exercise, there was a delay of 14 months in

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completing it. Consequently, there was a delay in commencing the following round of exercise, which was still in progress as at 30 June 2025. For these two rounds of exercises with delays in completion, the results of the previous round of exercise were used to determine the risk levels of licensed money lenders. Consequently, the risk levels of the licensed money lenders may not be accurately reflected for appropriate level of supervision in a timely manner (paras. 3.16 and 3.17); and

- (b) ***Need to consider reviewing risk profile of new licensed money lenders upon granting of first money lenders licences.*** The current practice of determining the priority and level of supervisory engagement for each licensed money lender in batches during the annual risk profiling exercises will lead to delays in determining the risk profiles of new licensed money lenders, which may hinder effective monitoring. For example, the risk profiles of new licensed money lenders with new applications for money lenders licences received after the cut-off time for conducting the annual risk profiling exercise would not be reflected until the completion of next annual risk profiling exercise. Therefore, these new licensed money lenders may not be subject to any routine onsite monitoring during the intervening period (para. 3.18).

9. ***Onsite inspections of TCSP licensees.*** According to AMLO, a person carrying on a trust or company service business in Hong Kong must obtain a TCSP licence and comply with the relevant requirements of AMLO, conditions of TCSP licences and other requirements promulgated by CR (para. 3.23). Audit examined CR records and found that:

- (a) ***Need to stipulate in internal guidelines the timeframe for issuing warning letters to TCSP licensees.*** According to CR's internal guidelines, for minor deficiencies identified during onsite inspections, a warning letter will be issued to the TCSP licensee to inform the licensee about the deficiencies and the remedial actions to be taken, and the timeframe for remediation. While the internal guidelines have not specified the time allowed to issue a warning letter after an onsite inspection, Audit examination found that in 2024-25, CR took an average of 854 days (ranging from 237 to 1,389 days) to issue the 31 warning letters (paras. 3.25 and 3.26); and
- (b) ***Need to expedite TCSP Licensing System enhancements to incorporate Alert List.*** To support the licensing and enforcement work, CR makes use

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of the TCSP Licensing System and the Alert List to process TCSP applications, supervise TCSP licensees and identify unlicensed TCSPs. The Alert List includes information of persons and companies under investigation or with conviction under AMLO and referrals by law enforcement agencies and other sections in CR, etc. Audit noted that the Alert List was maintained in the form of a spreadsheet protected by a shared password. The absence of an audit trail function might expose the Alert List to risks of unauthorised modification. With a view to addressing the security issue of the Alert List, in June 2022, CR committed to carry out a study on system enhancements to incorporate the List into the TCSP Licensing System. However, after a lapse of three years, there had been no progress on the system enhancements as of June 2025 (paras. 3.29 to 3.31).

Information system and technology application

10. ***Revamping of Integrated Companies Registry Information System (ICRIS)***. CR has implemented ICRIS since 2005 to fully computerise its core business activities and enable electronic delivery of services. To remain responsive to evolving business needs and meet public expectations for more stable, secured and efficient services, CR launched the revamped ICRIS together with a new single integrated online platform known as the e-Services Portal in December 2023 (paras. 1.8 and 4.2). Audit examination found the following areas for improvement:

- (a) ***Need to keep in view and take measures to improve e-take-up rate for e-Filing services.*** With the e-Services Portal, users can access e-Filing services through the e-Services Portal to deliver forms and documents in electronic form to the Registrar of Companies. When developing the revamped ICRIS in June 2021, the e-take-up rate for e-Filing services (i.e. the percentage of all electronic documents received out of all electronic and paper documents received during the reporting period) was projected at 70% in Year 1 (assuming 2024) and 100% in Year 10 (assuming 2033) after the launch of the system. However, CR had not conducted any review on the e-take-up rate for e-Filing services since the launch of the revamped ICRIS, and the actual e-take-up rate was 26% in 2024-25, which was far below the projected rate of 70% (paras. 4.3 to 4.6); and

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- (b) ***Need to rectify deficiencies of optical character recognition (OCR) in revamped ICRIS.*** In response to a recommendation from its information technology planning study in 2016, CR launched a Shareholder Information Database (SIDB) in August 2022 by engaging service providers for designing, implementing and maintaining SIDB with the use of OCR technology to capture shareholder information from document image of the forms submitted by companies, and verifying, correcting and updating shareholder information extracted via OCR to ensure continuous SIDB updates. The service agreements with the service providers were expected to end by the launch of the revamped ICRIS, which was December 2023. However, the OCR function in the revamped ICRIS demonstrated unsatisfactory performance with low data accuracy, particularly affecting the processing of annual returns which constituted over 50% of forms requiring data processing by CR and the extraction of shareholder information therefrom. This resulted in significant backlogs in the registration of general documents. Audit examination found that CR discontinued OCR processing for annual return forms in the revamped ICRIS in January 2024, and requested one of the service providers of SIDB to assist in clearing the backlogs at a total cost of \$798,000 (paras. 4.17 and 4.18).
11. ***Chatbot of CR.*** In June 2021, CR launched a new chatbot on its website to answer customer enquiries by using artificial intelligence technology. The chatbot analyses inputted text to understand users' needs and find suitable information for the users (para. 4.23). Audit examination found the following areas for improvement:
- (a) ***Need to improve performance of chatbot.*** Chatbot users have been prompted to rate the chatbot's performance upon closing their chat sessions. Users who express any level of dissatisfaction are further asked to indicate reasons for their dissatisfaction from a set of pre-defined reasons. While CR expected that over 80% of the chatbot users would rate the chatbot's performance as satisfied or higher, Audit reviewed the survey results on the performance of chatbot collected from August 2021 to June 2025 and found that of the 9,006 responses received:
- (i) only 3,779 (42%) responses were of satisfied or higher rating, falling 38 percentage points short of the expected level; and

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- (ii) among the remaining 5,227 (58%) responses with dissatisfied or lower ratings, 2,177 responses were of extremely dissatisfied rating, and the most common reasons for dissatisfaction were “ability to understand queries” and “clarity of responses” (paras. 4.25 and 4.26); and
- (b) *Need to consider expanding scope of services provided by chatbot.* Currently, the chatbot has been trained to find information relating to incorporation and major statutory filing of local limited companies only. Other types of questions, such as questions on electronic search services are currently not included in the chatbot’s service scope (para. 4.28).

Audit recommendations

12. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Registrar of Companies should:**

Provision of services

- (a) **draw on the experience gained from the implementation of new services and new specified forms for better manpower and service planning in future, and endeavour to meet the performance pledges (para. 2.15(a));**
- (b) **maintain proper documentary records to justify the proposed adjustments to the service standards and performance targets of performance pledges (para. 2.15(c));**
- (c) **take a proactive approach to conduct periodic reviews on the eligibility of user accounts subscribing to WI/PI search services (para. 2.25(a));**
- (d) **continue the efforts in completing the processing of applications for withholding PI from public inspection as soon as possible (para. 2.25(b));**
- (e) **ascertain the reasons for the inconsistent information on money lenders disseminated to the public by the e-Search services and CR’s website (para. 2.32(a));**

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- (f) take measures to ensure that the information on the Register of Money Lenders is accurate and up-to-date for public inspection (para. 2.32(b));
- (g) step up efforts to encourage TCSP licensees to submit renewal applications before renewal due dates (para. 2.41);

Compliance monitoring

- (h) continue the efforts in monitoring and enhancing compliance with the requirement for delivery of annual returns by companies (para. 3.11(a));
- (i) make further efforts in meeting the planned number of NCOs to be issued to private companies (para. 3.11(b));
- (j) evaluate the effectiveness of existing follow-up actions and consider the need of stepping up measures in following up with the companies defaulting in delivery of annual returns (para. 3.11(c));
- (k) complete the annual risk profiling exercises on licensed money lenders on time to avoid further delays in future (para. 3.21(a));
- (l) consider reviewing the risk profile of the new licensed money lenders upon granting of the first money lenders licences (para. 3.21(b));
- (m) stipulate in CR's internal guidelines the timeframe for issuing warning letters to TCSP licensees after receiving legal advice (para. 3.33(a));
- (n) expedite the TCSP Licensing System enhancements to incorporate the Alert List (para. 3.33(b));

Information system and technology application

- (o) keep in view the e-take-up rate for e-Filing services and take measures to improve the rate (para. 4.21(a));

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- (p) **rectify the deficiencies of OCR in the revamped ICRIS as soon as possible (para. 4.21(e));**
- (q) **improve the performance of chatbot taking into consideration the reasons for dissatisfaction from chatbot users (para. 4.30(a)); and**
- (r) **consider expanding the service of chatbot to a wider scope to address users' different needs (para. 4.30(b)).**

Response from the Government

13. The Registrar of Companies agrees with the audit recommendations.

