

PAPER IV – LEGAL ENVIRONMENT

Objectives of the paper

Students are expected to have an understanding of the different core areas of company law likely to be encountered in the working environments. This includes an understanding of the structure of the Hong Kong legal system, the concept of separate legal entity, formation, administration and financing of companies.

Syllabus	Competency level
Understand the overall structure of the Hong Kong legal system	1
<ul style="list-style-type: none">• The system of courts and the administration of justice• Case law and legislation• Precedent and statutory interpretation• The work of solicitors and barristers• Bribery and corruption laws• Basic Law	
Understand the nature of a limited company and the concept of separate legal entity and their significance in a business environment	2
<ul style="list-style-type: none">• The limited company - distinguished from other types of business organisations• The consequences of separate legal entity• The relationship of legal entity to limited liability	
Understand basic features of company law so as to understand the essential framework of a limited company	2
<ul style="list-style-type: none">• Business Registration Ordinance• Formation of a company and the nature of its constitution• Memorandum and articles of association• Ultra vires• The formalities and the role of the Registrar• Registration of shares, charges, directors and directors' shareholdings.• The contractual capacity of a company• Statutory books, record and returns• Registration of overseas companies	
Understand the capital and financing of companies	2
<ul style="list-style-type: none">• Share capital: issue and transfer of shares; purchase and redemption of shares; dividends including script dividend and changes to capital• Loan capital: borrowing powers; types of debenture and their creation; company charges; registration, including overseas companies; remedies of loan creditors• Prospectuses• Transfer of Business (Protection of Creditors) Ordinance• Share Repurchase Code (for public companies).	

Understand the legal obligations of the management in relation to the administration of the company

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- Directors: appointment and termination of office; duties and powers; contractual capacity of directors; conflicts of interests; shareholder remedies; board of directors and division of power between the board and general meetings
- Company Secretary: appointment; role and duties
- Shareholders: majority control and the rights of minorities
- Auditors: appointment and re-appointment; duties, removal, resignation and replacement
- Company meetings (annual and extraordinary general meetings): quorums, resolutions, votes, proxies
- Requirements of the content and format of the company's accounts: statutory contents of companies accounts; Stock Exchange listing rules and accounting related issues

Recommended reading list

The Hong Kong Association of Accounting Technicians Study Manual, Professional Bridging Examination Paper IV: Legal Environment, The Financial Training Company Ltd, 1st Edition, 2006.

Dobinson, Ian and Roebuck, Derek, Introduction to the Law in Hong Kong SAR, 2nd Edition, Sweet & Maxwell, 2001.

Stott, Vanessa, Hong Kong Company Law, 11th Edition, Longman, 2005.

Srivastava D.K., Business Law in Hong Kong, Sweet & Maxwell Asia, 2002.

Butterworths Hong Kong Company Law Handbook, 5th Edition.