

Contents

<i>Preface</i>	v
<i>Acknowledgment</i>	ix
<i>Table of Cases</i>	xxi
<i>Table of Legislation</i>	xxxix
Chapter 1 : Introduction to Hong Kong Company Law	1
Development of Company Law in Hong Kong	1
Introduction	1
Forms of Association in Hong Kong	2
Sole Proprietorships and Partnerships	3
Associations	4
Joint Ventures	5
Limited Liability Companies	6
Development of the Companies Ordinance	7
Structure of the Companies Ordinance	7
Legislative History	8
Current Reform	13
Nature and Characteristics of a Company	16
Registration of a Company	16
Effect of Incorporation	17
Separate Legal Personality	17
Powers of a Company	18
Types of Companies	19
Meaning of Company and Corporation	19
Types of Companies	20
Public and Private Companies	20
Company Limited by Shares	22
Company Limited by Guarantee	24

Unlimited Companies	25
Listed Companies	25
Oversea Company	27
Groups of Companies	28
Unregistered Companies	28
Chapter 2 : Corporate Personality	29
The Concept of 'Corporate Personality'	29
The Characteristics of the Corporate Legal Entity	35
Lifting of the Corporate Veil under Common Law	39
Holding Companies and Subsidiaries	50
Lifting the Corporate Veil by Statute	55
Section 31 of the Companies Ordinance	55
Section 93(5) of the Companies Ordinance	55
Section 344A(6) of the Companies Ordinance	56
Section 275(1) of the Companies Ordinance	57
Group Accounts	58
Section 124(1) of the Companies Ordinance	58
Pre-Incorporation Contracts	60
Chapter 3 : Constitution of the Company	62
Introduction	62
Memorandum of Association	63
Name Clause	64
Objects Clause and the Ultra Vires Doctrine	65
Reform of the Ultra Vires Doctrine	72
United Kingdom	72
Hong Kong	73
Alteration of the Memorandum	74
Company name and share capital	75
Objects of a company	75
Restrictions on Statutory Power to Alter	76
The Contractual Effect of the Articles	76
Alteration of the Articles	91
Informal alteration	93
Restriction upon the power of the majority to alter the articles	93
Conceptual difficulties	96

Chapter 4 : The General Meeting	102
Introduction	102
General Meetings	103
Annual General Meetings	104
Extraordinary General Meetings	105
Shareholders	106
Liquidators, Official Receiver and Auditors	106
Court	107
Class Meetings	114
Period of Notice	115
Content of the Notice	116
Voting and Proxies	118
Voting by Shareholders	118
Limits on Shareholders' Freedom to Vote	119
Voting by Show of Hands and Voting by Poll	120
Proxies	122
Formalities	123
Quorum	124
Role of the Chairman	124
Adjournment of Meetings	125
Irregularities	129
Rule in <i>Foss v Harbottle</i>	129
Unanimous Consent	129
Resolutions	135
Special Resolutions	135
Ordinary Resolutions	138
Requisitions of Resolutions at AGM	138
Chapter 5 : The Board of Directors	139
Introduction	139
Proceedings at Board Meetings	140
Notice	141
Quorum	143
Disinterested Quorum	144
Division of Powers between General Meeting and Board	145
Extent of Members' Control over Board of Directors	146
UK Companies Act 1985	147
Problems in Interpreting art 82, Table A	148
Default Powers of Members	163

Board of Directors cannot/will not Exercise its Powers	163	Disqualification of Unfit Directors: Section 168H	222
Directors acting beyond Powers	165	Disqualification on Conviction of Indictable Offence: Section 168E	223
Company's Relations with Outsiders	166	Disqualification for Persistent Breaches of Ordinance: Section 168F	224
Constructive Notice Doctrine	166	Disqualification for Fraud in Winding Up: Section 168G	224
Indoor Management Rule	168	Applications for Disqualification Orders	224
Restrictions on the Indoor Management Rule	170	Consequences of Disqualification Orders	228
Abolition of the Constructive Notice Doctrine in Hong Kong	173	Articles of the Company	230
Application of Agency Principles to Companies	174		
Actual Authority	175	Chapter 7 : Duties and Obligations of Directors	231
Apparent Authority	176	Introduction	231
Corporate Governance and the Cadbury Report	185	Duties are Owed to the Company	232
Code of Best Practice, Stock Exchange of Hong Kong	193	Duties Owed to Shareholders	232
Model Code for Securities Transactions by Directors of Listed Companies	194	Duties Owed to Creditors	233
		Duties Owed to Employees	234
Chapter 6 : Directors	197	Takeover Bids	235
Introduction	197	Non-Executive Directors	235
Definition of Director	197	Duty of Care, Skill and Diligence	236
Shadow Directors	198	Is the Common Law Standard of Care and Skill Too Low?	237
Executive and Non-Executive Directors	199	Ratification of Directors' Negligent Conduct	238
Report of the Committee on the Financial Aspects of Corporate Governance ('The Cadbury Report') 1992	200	Fiduciary Duties	248
Appointment of Directors	201	To Act Bona Fide in Company's Best Interests	248
Appointment by Members	202	Proper Purposes – One Duty or Two?	249
Appointment by Board of Directors	203	No Secret Profits	256
Register of Directors	204	Corporate Opportunity Doctrine	257
Defective Appointment	204	Resignation from Directorship	259
Remuneration of Directors	205	Maturing Business Opportunity?	261
Terms of Remuneration and Quantum Meruit Claim	206	No Conflict Rule – Conflicting Loyalties	267
Delegation of Directors' Powers	215	Statutory Duties	269
Delegation to Committees	215	Companies Ordinance	269
Delegation to Managing Directors	215	Other Statutory Obligations	270
Removal of Directors	216	Relief from Liability	272
Section 157B	217	Ratification	272
Restraints on Removal of Directors	218	Disclosure under the Articles	273
Disqualification of Directors	220	Statutory Disclosure of Interests	274
Disqualification Orders: Sections 168C–168T	221	Effect of Non-Disclosure	275
		Form of Disclosure	276

Relief from Court Directors' Negligence	277 277
Chapter 8 : Insider Dealing	278
Introduction	278
Development of Insider Dealing Legislation in Hong Kong	279
Securities Ordinance	279
Securities (Insider Dealing) Ordinance	281
Reasons for Regulating Insider Dealing	283
Overview of the Securities (Insider Dealing) Ordinance	288
When Insider Dealing Takes Place: Section 9	289
Persons Connected with a Corporation (Insiders): Section 4	290
Possession of Relevant Information: Sections 5 and 8	290
Dealing in Securities: Section 6	292
Related Corporation: Section 2	292
Counselling and Procuring: Section 9(1)(a)	292
Extension of Insider Dealing: Section 9(1)(b)-(f)	293
Extension of Insider Dealing outside Hong Kong: Section 9(2)	294
Transactions Exempt from Insider Dealing: Section 10	295
Exempt Transactions: Section 10(1)	295
Chinese Walls: Section 10(2)	295
Transactions Otherwise than for Profit or Avoidance of Loss: Section 10(3)	296
Agency: Section 10(4)	297
Off-Market Transactions: Section 10(5)	297
Caveat Emptor or Buyer Beware: Section 10(6)	298
Application of Exemptions to Counselling or Procuring?	298
Duty of Officers of Corporation: Sections 13 and 24	299
Avoidance of Contracts for Illegality	299
Insider Dealing Tribunal	300
Standard of Proof	301
Powers of the Tribunal	302
Report of the Tribunal: Section 22	303
Orders of the Tribunal: Section 23	303

Order for Payment of Costs of Inquiry: Section 27	306
Appeals	307
Impact of the Bill of Rights	307
Securities (Disclosure of Interest) Ordinance	312
Model Code of the Listing Rules of the Stock Exchange	314
Hong Kong Code on Takeovers and Mergers	315
Chapter 9 : Capital and Dividends	317
General Principles	317
Issue of Shares at a Discount	319
Share Premium	321
Non-Cash Consideration	324
Purchase by a Company of its own Shares Table A – a practical problem	325 331
Redeemable Shares	331
Financial Assistance by a Company for the Purchase of its own Shares	332
Subsidiary's Membership of Holding Company	336
Alteration of Capital	337
Dividends	339
Capitalization of Unrealised Profits	342
Chapter 10 : Shares	345
Introduction: Nature and Classification of Shares	345
Preference Shares	347
Variation of Rights	353
Transfer of Shares	365
Share Certificates	368
Restrictions upon Transfer	372
Pre-emption	375
Valuation of Shares	376
Chapter 11 : Borrowing and Charges	379
Introduction	379
The Nature of a Floating Charge	381

Fixed or Floating	385	Both Elements of Unfairness and Prejudice must	
Crystallisation	394	Co-exist for Section 168A to be Applicable	475
Registration	402	Section 168A may be Applicable in 'Quasi-Partnership'	
Late Registration	406	Situations	476
Foreign Corporations and Registration of Charges	408	Section 177(1)(f) of the Companies Ordinance	497
Statutory Restrictions against Floating Charges	410		
Section 79(1)	412		
Priority	415	Chapter 14 : Foreign Corporations	510
Charge over Bank Deposit	419	Introduction	510
Validity of a Charge: Corporate Capacity and		Oversea Companies and Part XI	512
Directors' Authority	420	Representative Offices and Part XI	515
'Quasi' Security	421	RSC Order 65, rule 3	520
Reform	422	Foreign Companies Holding Assets in Hong Kong	522
Abolition of Constructive Notice	423	Foreign Companies and Registration of Charges	523
		Foreign Corporations Ordinance	523
Chapter 12 : Minority Shareholders' Protection		Shareholders' Remedies	523
at Common Law	424	Creditors' Remedies and Winding Up	525
Introduction	424	Documents under Seal	529
The Rule in <i>Foss v Harbottle</i>	424		
Exceptions to the Rule in <i>Foss v Harbottle</i>	429	Chapter 15 : Chinese Company Law	530
Where the Act Complained of is Ultra Vires	429	Introduction	530
Where the Company Acts by Ordinary Resolution		Historical Development of the Company Law	531
rather than by a Special Majority; Where the Act		Overview of the Company Law	532
complained of Infringes Members' Personal Rights	431	'Limited Companies' and 'Joint Stock Companies'	532
Where there is Fraud on the Minority and the		Management of a Company	533
Wrongdoers are in Control	438	Transfer of Shares	534
The Concept of 'Control'	452	Foreign Companies	534
There is No Exception to the <i>Foss v Harbottle</i> rule			
based on 'the interests of justice'	459	Chapter 16 : Insolvency	548
Derivative Actions and Personal Actions	459	Introduction	548
Derivative Actions: Some Procedural Considerations	460	The Current Corporate Insolvency Regime: An Overview	550
		Corporate Rescue	554
Chapter 13 : Minority Shareholders' Protection:		Unfair Preferences	555
Statutory Remedies	463		
Introduction	463	Index	557
Minority Shareholders' Protection under Section 168A of			
the Companies Ordinance	469		
The Test of Unfairness is an Objective Not a Subjective			
Test	473		