

**PCLL Conversion Examination**  
**June 2025 Examiner's Comments**  
**Business Associations**

**General comments**

The overall standard of papers in this sitting of the Business Associations Conversion Examination was on par with previous years. The majority of the candidates completed the paper.

The questions were designed to test the candidates' ability to identify legal issues that practitioners encounter in practice and to apply relevant company law principles to those issues. However, some candidates merely recited general principles without applying them to the relevant issues, resulting in poor performance.

Comments on how candidates answered each question are set out below:

**Question 1**

This question tests the candidates' knowledge on company law regarding (1) pre-incorporation contracts and (2) the enforceability of the articles of association. First, on pre-incorporation contracts: most candidates correctly identify the relevant issues and analysed accordingly. However, some misunderstood the question and simply discussed the issues from the perspective of partnership law. While partnership law is relevant and a good discussion could earn extra merits, the question explicitly required advice under company law.

Second, regarding the enforceability of articles of association: some candidates mistakenly focused on whether the articles could be properly amended. This is not the relevant issue for this question. Overall, this question highlights the need for some candidates to improve their ability to identify the proper legal issues.

**Question 2**

This question concerned piercing the corporate veil, a fundamental legal doctrine that delineates the boundaries of limited liability. Candidates generally demonstrated a basic understanding of the concept. Very few candidates, however, truly excelled, particularly regarding in applying the legal principle accurately to the specific facts of the scenario. Some candidates also conflated agency principles with the piercing doctrine, leading to confusion.

**Question 3**

This question centers on corporate contracting, focusing on two distinct issues: (1) capacity of the company to enter into a contract, and (2) the authority of the company's agent to enter into a contract on behalf of the company. Candidates generally performed well regarding authority but some struggled with capacity. Notably, a few candidates could not distinguish the two

principles and addressed the capacity issue entirely through the lens of the authority principle. In the analysis of the authority issue, some candidates also confused by related but distinct legal principles such as indoor management rule, apparent authority and s.117 of the Companies Ordinance (CO). Only a few candidates correctly applied these principles with precision.

#### **Question 4**

Almost no candidates attempted this question. The legal capital rule remains one of the key company law principles regarding the protection of creditors' interest. To answer this question effectively, candidates are expected to first discuss the potential agency costs for creditors. They should then summarise the existing Hong Kong company law on legal capital rules, followed by a critical assessment on the effectiveness of the regime.