

**2025 OVERSEAS LAWYERS
QUALIFICATION EXAMINATION**

**HEAD III: COMMERCIAL
AND COMPANY LAW**

Monday, 17 November 2025



2025 Overseas Lawyers Qualification Examination

Head III: Commercial and Company Law

Question 1 (25 marks)

Part A

Diamond Holding Limited (“Diamond”) is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Sapphire Development Company (“Sapphire”), a company incorporated in the British Virgin Islands with limited liability, proposed to acquire all of the shares Mr. King Fung (“Mr. Fung”), the controlling shareholder and the chairman of the board of Diamond, owns in Diamond (the “Acquisition”), and proposed to make a general offer for all the outstanding shares of Diamond. The proposal was first indicated in an email to Mr. Fung and Ms. Sue Leung (“Ms. Leung”) on 22 February 2025.

At all material times, Ms. Leung was the company secretary of Diamond and she was copied in all the emails in connection with the due diligence of Diamond and the negotiations of the terms of a sale and purchase agreement. On 3 March 2025, there was an all-party meeting to finalise the terms of a sale and purchase agreement relating to the Acquisition and on 4 March 2025, trading in Diamond’s shares was suspended pending the release of an announcement to be made under the Takeovers Code. The announcement about the Acquisition was released on 6 March 2025 and the trading in Diamond resumed on 7 March 2025.

Mr. Oscar Lee (“Mr. Lee”) is the husband of Ms. Leung. In mid-February 2025, Ms. Leung told Mr. Lee about the Acquisition and asked him to acquire 300,000 shares in Diamond. Mr. Lee had not traded in Diamond’s shares before. During the period from 24 February to 28 February 2025, Mr. Lee acquired 300,000 of Diamond’s shares

(See over the page for a continuation of Question 1)

through his own securities account at an average price of HK\$2.00 per share. From 11 March 2025 to 14 March 2025, he disposed of these 300,000 Diamond's shares through his securities account at an average price of HK\$2.50 per share (the "Disposal"). Mr. Lee deposited 50% of the net proceeds from the Disposal into his own bank account and transferred the remaining 50% to Ms. Leung's bank account.

Question:

- (a) Are there any issues or concerns under the Securities and Futures Ordinance, Cap. 571 arising from Ms. Leung's and Mr. Lee's conduct? Give reasons for your answers.**

(13 marks)

Part B

Marco Kwan ("Marco") is a director of Loyal Trade US, which is a broker-dealer registered with the U.S. Securities and Exchange Commission that provides online trading services in U.S. securities to its customers. Loyal Trade US is not licensed with the Securities and Futures Commission of Hong Kong ("SFC"). Loyal Trade US plans to partner with Quick Trade HK, which is a Hong Kong incorporated company and a securities dealer licensed with the SFC, to conduct direct marketing (through mass media, on the public transport and online) and provide online trading services in U.S. securities to the Hong Kong public.

Marco asks you if Loyal Trade US needs any licences for carrying out the above activities, and, if required, the legislative, procedural and licensing requirements involved.

(See the next page for a continuation of Question 1)

Question:

- (b) Prepare a memorandum of advice for Marco to advise on the legislative, procedural and licensing requirements involved, if required.

(9 marks)

Part C

Mr. Lawrence Fan (“Lawrence”) is a “finfluencer”. He is a licensed representative of Good Money Securities Limited which is a SFC licensed corporation in Hong Kong, with Type 1 and Type 4 licences at the relevant time. In his personal capacity and as a freelancer, he hosts a subscription-based chat group on the platform Telegram where he often shares insights and gives investment advice to the group’s subscribers in respect of various Hong Kong listed securities.

Question:

- (c) Are there any issues or concerns under the Securities and Futures Ordinance, Cap. 571 arising from Lawrence’s conduct? Give reasons for your answers.

(3 marks)

[25 marks in total]

Question 2 (25 marks)

Mega Materials Holdings Limited (“Mega Materials”) is a company incorporated in Hong Kong. Mega Materials’ ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, with a market capitalisation of HK\$250,000,000. Its business is the manufacturing and sale of cement and other building materials in Mainland China. The founder of Mega Materials is Lily Li (“Lily”) who currently holds 500,000,000 issued shares in Mega Materials. The remaining 500,000,000 issued shares are all held by the public.

Lily is the chairperson of the board of directors (comprising Lily and four other directors). Lily is also an executive director and the chief executive officer of Mega Materials. She has been running the business for over 20 years. In the past five years, the business of Mega Materials has been deteriorating – revenue has dropped substantially and the business is loss-making. Below is extracted from the latest financial statements in respect of the latest financial year published by Mega Materials:

	HK\$
Revenue	150,000,000
Gross Profit	5,000,000
Net Loss	(200,000,000)
Total assets	800,000,000

Lily is considering diversification of the business of Mega Materials. A financial adviser has reached out to her with a proposal. The proposal is that Mega Materials will acquire (the “Acquisition”) from Wayne Wang (“Wayne”) 100% of the issued shares (the “Target Shares”) of a company incorporated in the British Virgin Islands (the “Target Company”) which is principally engaged in the research, development and application of artificial intelligence (“AI”) and big data in South East Asia. Below is extracted from

(See the next page for a continuation of Question 2)

the unaudited management accounts of the Target Company in respect of the latest financial year provided by Wayne:

	HK\$
Revenue	200,000,000
Gross Profit	60,000,000
Net Profit	2,000,000
Total assets	400,000,000

Wayne is a young and bright entrepreneur who obtained a PhD in AI from a reputable university. The financial adviser said Wayne is keen to join hands with Lily and turn Mega Materials into a leading AI company within a short period of time. Lily is also keen to make this deal happen, but she is concerned about financing. The financial adviser proposes that Mega Materials may settle the purchase price for the Target Shares, being HK\$500,000,000, by issuing 250,000,000 new shares of Mega Materials to Wayne (the “Consideration Shares”). Upon completion of the Acquisition, while Lily will remain as a director of Mega Materials, Wayne will become a shareholder and an executive director of Mega Materials, which will be renamed as Mega Data Holdings Limited.

Lily thought the above is exactly what she wanted. She reached out to you for advice from a Listing Rules perspective.

Question:

Advise Lily of the issues and concerns from a Listing Rules perspective regarding the proposed acquisition of the Target Company. Assume no adjustments to the amounts stated in the extracts to the financial statements are required.

[25 marks in total]

Question 3 (25 marks)

Part A

Tony wholly owns a company called Tony's Computer Supplies Limited ("Tony's Computers"), a private company incorporated under the Companies Ordinance, Cap.622 of the laws of Hong Kong ("CO"), which operates a retail shop in Wan Chai, Hong Kong and also has a number of business clients which it provides computer consultancy services to.

Approximately 6 months ago, Tony's Computers bought all of the shares in Patrick's Computers Limited ("Patrick's Computers") from Patrick for HK\$10,000,000. Patrick's Computers is a private company incorporated under the CO. It was appointed as an exclusive distributor in Hong Kong by Ramberg Computer Systems GmbH ("Ramberg"), for its computers under an exclusive distribution agreement. Patrick's Computers has a retail shop in Mong Kok, Hong Kong, but does not have any business clients. One of the main drivers for the acquisition is that Tony can leverage the business customer base of Tony's Computers with a view to business customers being supplied with Ramberg's computing products going forward. After the acquisition of Patrick's Computers, Patrick remained a board director and the CEO of Patrick's Computers. Tony was appointed to the board of Patrick's Computers at completion.

Patrick's Computers has a share capital of HK\$5,000,000. It was incorporated only 2 years ago and has just started to break even after incurring losses in its first two years of operation. Patrick's Computers has 3 full-time employees.

For operational reasons, Tony wanted the businesses of Tony's Computers to be operated out of Patrick's Computers. Approximately 1 month ago, Patrick and the other employees of Patrick's Computers transferred over to Tony's Computers. Ramberg and Patrick's Computers mutually agreed to terminate the exclusive distribution agreement.

(See the next page for a continuation of Question 3)

After termination, Ramberg and Tony's Computers entered into a new exclusive distribution agreement. The landlord of the retail premises in Mong Kok agreed with Patrick's Computers to terminate the existing lease. After termination, the landlord and Tony's Computers entered into a new lease agreement in respect of the same retail premises. Patrick's Computers sold all of its inventory (valued at HK\$3,000,000) to Tony's Computers for a nominal sum of HK\$1.

Tony and Patrick agreed that the retail business operating out of the Mong Kok premises would use the tradename "Patrick's Electronics", even though it will in fact be conducted by Tony's Computers.

Tony has just received a letter from solicitors acting for Silver Bank. The letter states that Silver Bank lent HK\$11,000,000 to Patrick's Computers and that Patrick's Computers is in default of the loan. The proceeds of the loan were used to buy inventory from Ramberg. The total outstanding amount (including interest) is approximately HK\$12,300,000. Silver Bank is demanding repayment of this total amount from Patrick's Computers and Tony's Computers. Patrick's Computers does not have any assets following the sale of inventory referred to above. Tony confronts Patrick with the demand letter and Patrick admits that Patrick's Computers did take out the loan from Silver Bank, even though the loan was never recorded as a liability in the accounts of Patrick's Computers.

Question:

(a) Advise Tony.

(17 marks)

(See over the page for a continuation of Question 3)

Part B

Notwithstanding the experience Tony had with Patrick's Computers, he tells you that he is interested in pursuing another acquisition. Tony's Computers is in the process of acquiring all of the shares in a competitor company called Cheung Sha Distributors (Hong Kong) Limited ("Cheung Sha"). Tony tells you that as soon as possible following completion, he will want to transfer the business of Cheung Sha to Tony's Computers so that all business are operated out of, and all of Cheung Sha's employees are employed by, Tony's Computers. Cheung Sha has no undisclosed liabilities.

Question:

(b) Advise Tony on the ways to achieve his objective.

(8 marks)

[25 marks in total]

Question 4 (25 marks)

Part A

Great Value Company Ltd (the “Company”) is a private company incorporated under the Companies Ordinance, Cap.622 of the laws of Hong Kong in 2015. Upon incorporation, the Company adopted without modification the Model articles for private companies limited by shares set out in Schedule 2 to the Companies (Model Articles) Notice (Cap. 622H) as its articles of association.

On incorporation, the initial share capital of the Company was HK\$2,000,000 divided into 20,000 shares, all of which were issued equally to Michael Chow and his wife, Lydia Chow and were fully paid up. Michael and Lydia were the first directors. The shareholding and Board composition remain unchanged. The Company has not adopted a common seal.

The Company performed quite well in the first few years after its incorporation. However, in 2019, it experienced serious cash flow problems. In order to keep the business of the Company afloat, Michael and Lydia approached their friend, Jimmy Yu (“Jimmy”), a wealthy businessman, for support. Jimmy agreed to invest HK\$4,500,000 in the Company by subscribing for new shares (the “Shares”) on the agreed net asset value of the Company being HK\$3,000,000.

Question:

- (a) **Michael and Lydia now engage you to advise them on the steps the Company should take to issue the Shares to Jimmy including any corporate reporting requirements and stamp duty payable.**

(15 marks)

(See over the page for a continuation of Question 4)

Part B

Assume for this part that you have never advised or acted for Michael, Lydia and the Company.

In August 2024, Jimmy passed away unexpectedly. He bequeathed in his will all his assets (including the Shares) to his daughter, Jay. Jay has just obtained a grant of probate as the executrix of Jimmy's estate.

Question:

- (b) Jay now engages you to advise her as to how she may become a registered shareholder in the Company. Advise Jay.**

(10 marks)

[25 marks in total]

Question 5 (25 marks)

Part A

Nelson, Daniel and Clara have known each other since childhood. After graduating from university in 1997, they each pursued their own careers. In 2015, they set up New Venture Limited (“New Venture”), a private company limited by shares incorporated under the Companies Ordinance, Cap 622 of the laws of Hong Kong. New Venture has adopted as its articles of association, the current version of the Model Articles set out in Schedule 2 of the Companies (Model Articles) Notice, Cap. 622H of the law of Hong Kong. New Venture’s articles have not been amended since incorporation.

The present shareholding of New Venture is as follows:

- Nelson: 400,000 shares
- Daniel: 300,000 shares
- Clara: 300,000 shares

Nelson, Daniel and Clara are the only directors in New Venture and they have not appointed any alternate directors. They are also co-signatories on New Venture’s bank accounts.

In addition, they have made the following interest-free shareholder loans to New Venture:

- Nelson: HK\$400,000
- Daniel: HK\$300,000
- Clara: HK\$300,000.

(See over the page for a continuation of Question 5)

These shareholder's loans have not been repaid in full.

Nelson, Daniel and Clara have not entered into a shareholders' agreement in respect of New Venture, as they trusted each other.

New Venture presently operates ten French restaurants under the brand name "La Maison" across different districts of Hong Kong. New Venture holds several leases and employs dozens of staff. The liquor licence for each restaurant is issued in the name of one person. The Liquor Licensing Board has issued a liquor licence to Nelson for the flagship restaurant in Central and the liquor licences for the other restaurants to various New Venture employees. The business has been profitable, with earnings split roughly equally between food and beverages, but in recent years, New Venture has faced cash flow difficulties due to higher rents and labour costs, as well as fewer local consumers staying in Hong Kong over weekends and holidays.

Nelson is pessimistic about the future of the business. He has found a buyer, Jerry (his former wine-tasting teacher), who is willing to buy all of Nelson's shares in New Venture for HK\$400,000 and to acquire his shareholder loan at its face value, i.e., dollar-for-dollar. The total consideration paid for the transfer of the shares and shareholder's loan is about 10% higher than the combined value of Nelson's shareholding (based on net asset value) and the face value of his shareholder loan. They have agreed that the liquor licence issued to Nelson may be transferred to Jerry or, alternatively, Jerry may apply for a new licence, in each case subject to the approval of the Liquor Licensing Board.

Nelson and Jerry then met with Daniel and Clara to introduce Jerry and explain his intention to exit. Daniel and Clara voiced no objection to the proposed sale to Jerry. Seeing an opportunity to take some profit from their investment in New Venture, Daniel and Clara each proposed to sell 100,000 of their own shares to Jerry for HK\$100,000.

(See the next page for a continuation of Question 5)

Jerry accepted this offer and therefore ended up agreeing to acquire 600,000 shares in total (Nelson's 400,000 shares and 200,000 shares split between Daniel and Clara). Jerry did not agree to acquire any of Daniel and Clara's shareholder loans. Daniel and Clara agreed that as Jerry will become the majority shareholder in New Venture, he should have a "bigger say" on the New Venture board of directors.

Questions:

- (a) **Advise Jerry on the key documents required for the transaction, including those that must be signed and delivered on completion, and the main provisions that should be included to protect Jerry's interests. You are not required to advise on the procedures for the transfer or application of liquor licences.**

(16 marks)

- (b) **Advise Jerry which of the transaction documents are chargeable to stamp duty, the consideration which would be subject to stamp duty, how such stamp duty will be assessed and the basis for such assessment. You are not required to calculate the chargeable amount of stamp duty.**

(4 marks)

Part B

After reviewing New Venture's accounts and cash flow projections, Jerry discovered that New Venture holds some idle cash in the amount of HK\$400,000. He wants to use the HK\$400,000 to fund the purchase price for the shares. Jerry intends to repay the HK\$400,000 back to New Venture when its business improves. The HK\$400,000 exceeds 5% of the paid-up share capital and reserves of New Venture as shown in its latest audited financial statements. Jerry, Daniel and Clara have no objection to this proposal.

(See over the page for a continuation of Question 5)

Question:

- (c) **Advise Jerry how he can legally use HK\$400,000 of New Venture's idle cash to fund the purchase of the shares and repay New Venture in the manner he described. Explain the steps that would be required to effect this.**

(5 marks)

[25 marks in total]

END OF TEST PAPER