

Please note that this is NOT a full set of sample paper. The sample questions are selected to help candidates familiarise themselves with the form and style of questions which they may see in the examination. The best answers are highlighted in bold for your reference only. The sample questions and answers should be used with caution as the content may not have been updated to reflect any changes in legislations or cases.

The full set of Aptitude Test - Hong Kong Law paper comprises multiple-choice questions with a total of 100 marks which are all compulsory. The total time allowed for this paper is 1 hour and 45 minutes.

Answer ALL multiple choice questions. Choose the best answer for each question. Marks will NOT be deducted for incorrect answers.

1. Under Article 8 of the Basic Law of the HKSAR, the laws previously in force in Hong Kong that shall be maintained are: (1 mark)
- A customary law.
 - B ordinances and subordinate legislation.
 - C the common law and rules of equity.
 - D all of the above laws.**
2. Which of the following statements best explains the golden rule of statutory interpretation? (1 mark)
- A Under the golden rule, the judge is required to consider what the legislation actually says.
 - B Under the golden rule, the judge is required to look at the dictionary meaning of the words in the legislation.
 - C The golden rule is used when it appears that the application of the literal rule will result in an obviously absurd result.**
 - D Under the golden rule, the judge should give words in the legislation their plain, ordinary meaning.
3. Corporations formed with a non-profit making purpose like religious organisations or charities are usually formed as: (1 mark)
- A companies limited by shares.
 - B companies limited by guarantee.**
 - C private unlimited companies.
 - D public companies.
4. There are provisions under the Companies Ordinance that may be regarded as piercing the corporate veil and holding a "responsible person" criminally liable. Which of the following persons could be a responsible person(s) of a body corporate? (2 marks)
- (i) The director of the body corporate.
 - (ii) Company secretary of the body corporate.
 - (iii) Majority shareholder of the body corporate.
 - (iv) Shadow director of the body corporate.
- A (ii) only.
 - B (ii) and (iii) only.
 - C (i), (ii) and (iii) only.
 - D (i), (ii) and (iv) only.**

5. Which of the following methods may a public listed company employ to raise further capital? (2 marks)

- (i) Rights offer.
- (ii) Payment of dividend.
- (iii) Public placing.
- (iv) Bonus issue.

A (i) and (iii) only.

B (i), (ii), (iii), and (iv).

C (ii) and (iii) only.

D (i) and (iv) only.

6. Which of the following procedures are required to bring about a change of a company's name? (3 marks)

- (i) Paying off all the company's debts and ensuring that all moneys owing to the company are paid.
- (ii) A special resolution.
- (iii) An ordinary resolution.
- (iv) A statutory declaration.
- (v) Giving notice to the Registrar of Companies within 15 days of passing the relevant resolution.

A (i), (ii) and (iv) only.

B (i), (iii) and (iv) only.

C (iii) and (v) only.

D (ii) and (v) only.

Based on the following scenario, answer Questions 7 and 8:

When a company issues debenture stock or a series of debentures, whether or not the stock is secured, a trust deed may be drawn up.

7. What is the effect of such a trust deed? (1 mark)

- A All rights in respect of the debentures vest in trustees.
- B Beneficial rights in respect of the debentures vest in trustees.
- C Legal rights in respect of the debentures vest in trustees.**
- D None of A, B or C above is correct.

8. Such a trust deed usually gives the trustees the power to appoint a receiver if the company defaults in repayment or is otherwise in breach of the loan agreement. If the debenture stock is secured and a receiver is appointed, his role is primarily: (1 mark)
- A to wind up the company.
 - B to realise the company's assets comprised in the debenture holder's security.**
 - C to liquidate the company.
 - D to appoint a manager to take over control of the company from the company's directors.

Based on the following scenario, answer Questions 9 and 10:

DD Ltd was formed as a private company in July 2014 by Doug and Den. They had just graduated from a business school in the USA and returned to Hong Kong with the intent of setting up a business specialising in selling US made pure popcorn and other healthy snack foods.

Doug's father lent Doug and Den HK\$500,000 as a means to purchase stock and to generally get the business started. They also required storage rooms and so approached B Bank for a HK\$2 million loan to fund the purchase of a small warehouse in the New Territories. B Bank was impressed with the business plan that Doug and Den had drawn up and agreed to lend to DD Ltd to fund the purchase secured by a fixed charge over the warehouse. That charge was duly registered.

Unfortunately, DD Ltd's business had proved to be very slow in returning a profit. The warehouse was full of imported food stuff but Hong Kong retailers were reluctant to purchase them. There were vast amounts of similar products available in Hong Kong and the retailers were not persuaded that DD Ltd's products were any healthier than those of other sellers.

So Doug and Den borrowed more funds to finance a massive advertising campaign focusing on the health benefits of DD Ltd's products. Den's father lent DD Ltd HK\$300,000 but required a guarantee from DD Ltd of repayment in full within one year.

9. Which of the following statements accurately describe the various loan transactions in this scenario? (3 marks)
- (i) Doug's father is an unsecured creditor of DD Ltd.
 - (ii) Den's father is the holder of unregistrable security and thereby an unsecured creditor of DD Ltd.
 - (iii) B Bank is a secured creditor of DD Ltd.
 - (iv) B Bank is presently not a secured creditor of DD Ltd, but will become secured when its charge crystallises.
- A (i) and (iv) only.
 - B (i), (iii) and (iv) only.
 - C (ii) and (iii) only.**
 - D (i) and (ii) only.

10. If DD Ltd is ordered to be wound up on the grounds of being unable to pay its debts. Which of the following statements accurately explain(s) the relevant process? (2 marks)
- (i) Given that Den and Doug have not acted fraudulently they may apply to the Court to be appointed as DD Ltd's liquidators.
 - (ii) If a committee of inspection is set up, Doug may insist on being a member of the committee.
 - (iii) DD Ltd will automatically become a dormant company.
 - (iv) The business of DD Ltd may be sold in the process of winding up but DD Ltd will ultimately be dissolved.
- A (iv) only.**
B (ii), (iii) and (iv) only.
C (ii) and (iii) only.
D (i) and (ii) only.
11. Which of the following statements concerning the company secretary of a listed company is **TRUE**? (1 mark)
- A The company secretary must be one of the directors.
 - B The company secretary must hold qualification shares.
 - C The company secretary must hold a relevant professional qualification.**
 - D The company secretary must be named in the articles of association.
12. A shadow director is best described as: (1 mark)
- A an alternate director.
 - B an accountant in accordance with whose instructions the directors are accustomed to act.
 - C some person in accordance with whose instructions the directors are accustomed to act.**
 - D a reserve director.
13. The profits of XYZ Co Ltd have been dropping continuously for three years and the members want to wind up the company voluntarily. At present, the company is solvent and is not in any financial difficulties. Which type of resolution should be passed to achieve this end? (1 mark)
- A The company resolves by special resolution that the company be wound up by the Court.
 - B The company passes an ordinary resolution requiring the company to be wound up voluntarily.
 - C The company resolves by special resolution that the company be wound up voluntarily.**
 - D The company resolves by special resolution to the effect that it cannot by reason of its liabilities continue its business, and that it is advisable to wind up.

Based on the following scenario, answer Questions 14 and 15:

MM Co Ltd ("MMCL") is a private company formed and registered in Hong Kong. Mo originally held five of MMCL's issued shares, the other five shares were held by Man. Mo and Man set up MMCL, having previously been partners, on the basis that they would both be appointed as its directors, run the company together and take equal responsibility for all aspects of the business. Last year Mo's son, Kol, who had just graduated with a degree in computer science, joined MMCL. Mo and Man each transferred one of their shares to Kol hoping this would provide the necessary incentive for Kol to take over all the technological aspects of MMCL's business.

Man was very disappointed with Kol's performance. It seemed to Man that Kol had no understanding of the business world and was making decisions that were detrimental to MMCL's profits. He also sensed that Mo and Kol were excluding him from dealings with new clients and other important decisions. Whenever Man requested a meeting Mo and Kol would claim they had prior engagements. Man has decided that he wants "out" of the management of the company and wants to set up a new business on his own.

14. Given Man's decision, which of the following statements present a feasible option for Man to pursue? (3 marks)

- (i) Man could petition the Court to wind up MMCL. If the Court grants the petition it will appoint a liquidator and all of MMCL's assets would be sold.
- (ii) Man could ask Mo and Kol to buy his shares in MMCL and, with their agreement, appoint its accountant or valuer to value MMCL's shares.
- (iii) Man could resign as a director and cease to be involved in running the business but keep his shares in the hope of receiving future dividends.
- (iv) Man could petition the Court on the ground that MMCL's affairs are being conducted in a manner unfairly prejudicial to his interests as a member of MMCL and seek a Court order for Mo and Kol to purchase his shares.

- A (i) and (iv) only.
- B (iii) and (iv) only.
- C (ii) and (iii) only.
- D (i), (ii), (iii) and (iv).**

15. If Man petitions to wind up MMCL, on what grounds could he base the petition? (3 marks)

- (i) That MMCL was formed on the basis of a "quasi partnership" and that relationship has broken down.
- (ii) That it is just and equitable that MMCL be wound up.
- (iii) That Mo has acted in a manner unfairly prejudicial to Man.
- (iv) That Kol is not competent to be a member of MMCL.
- (v) The MMCL's main object has failed.

- A (i) and (v) only.
- B (iii), (iv) and (v) only.
- C (i) and (ii) only.**
- D (iv) and (v) only.

16. The Hong Kong Government has proposed a number of measures that seek to promote Hong Kong as a preferred location for multinational and mainland enterprises to establish corporate treasury centres. Which of the following bodies is responsible for such a promotion? (1 mark)
- A The Securities and Futures Commission.
 - B The Hong Kong Monetary Authority.**
 - C The Insurance Authority.
 - D The Stock Exchange of Hong Kong Limited.

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