

**PCLL Conversion Examination**  
**January 2017**  
**Examiner's Comments**  
**Business Associations**

**Overall comments**

1. Candidates attempted the full range of questions.
2. The answers generally displayed a basic knowledge of the law of business associations.
3. Some candidates showed either no or poor knowledge of the relevant case law when the questions required a discussion of the cases.
4. Some candidates struggled in applying their knowledge to the facts presented.

**Specific comments**

**Question 1**

1. Most candidates were able to state the law on separate legal personality and the circumstances under which the veil can be pierced.
2. But many candidates did not discuss how the law has been applied in group corporate structures. And many candidates did not distinguish (or analogise) the facts in *Adams v Cape Industries* to those in the problem question.
3. With regards to compensating Happy Ltd, almost none of the candidates mentioned *Williams v Natural Life Health Foods* which is the relevant case.

**Question 2**

1. Most candidates were able to state the law on directors' fiduciaries duties correctly.
2. But many candidates did not discuss whether there should still be liability given that the scope of business of Gucci is different from that in the hedge fund and multi-vitamin business: *Aas v Benham*; *Poo Ka Ma Jason v Cheng Wai Tao*; but see *Re Allied Business & Financial Consultants Ltd*.
3. Many candidates omitted analysis of remedies.

**Question 3**

A number of candidates knew that this question concerned the application of the law on unfair prejudice and derivative action. But nearly all failed to notice that the fact pattern in the question is similar to that in the important House of Lords decision in *O'Neill v Phillips*.

**Question 4**

Many candidates knew that this question concerned partnership and was able to apply the law to the facts. But a number of candidates did not discuss unfair preference under s 50 of the Bankruptcy Ordinance.