

**SCHEDULE**

**[Rule 4(e)]**

**Corporate Practices  
(Model Memorandum and Articles of Association)**

The enclosed Model Memorandum and Articles of Association comprising the following titles have been drawn up by the solicitors of the Hong Kong Institute of Certified Public Accountants (the HKICPA) and issued by the Council of the HKICPA on 2 August 1996 pursuant to section 51 of the Professional Accountants Ordinance Cap. 50 (PAO).

- A. Model Memorandum of Association for All Types of Corporate Applicants/Corporate Practices
- B.(I) Model Articles of Association for Sole Practising Member Corporate Applicants / Corporate Practices Qualified for Registration Under Section 28D(2)(c)(i)(B) of the Professional Accountants Ordinance (Cap. 50, Laws of Hong Kong)
- B.(II) Model Articles of Association for Corporate Applicants/Corporate Practices Qualified for Registration Under Section 28D(2)(b) Or Section 28D(2)(c)(i)(A) of the Professional Accountants Ordinance (Cap. 50, Laws of Hong Kong)
- C.(I) Model Articles of Association (Transmission of Shares) for Corporate Applicants / Corporate Practices Qualified for Registration Under Section 28D(2)(b) Or Section 28D(2)(c)(i)(A) of the Professional Accountants Ordinance (Cap. 50, Laws of Hong Kong)
- C.(II) Model Articles of Association (Transmission of Shares) for Sole Practising Member Corporate Applicants/Corporate Practices Qualified for Registration Under Section 28D(c)(i)(B) of the Professional Accountants Ordinance (Cap. 50, Laws of Hong Kong)

Adherence to the Model Memorandum and Articles would ensure conformance with the requirement of the Council regarding the constitution of the corporate practice. However, the HKICPA accepts no responsibility for the Memorandum and Articles being suitably drafted as regards the interests of the members of the corporate practice or as being suitable in a particular situation. The model is issued on the understanding that the HKICPA is not engaged in giving legal advice. If legal assistance is required as regards the particular interests of the corporate practice or its members, the advice of a competent professional person should be sought. Provided always that any addition to or variation from the Model Memorandum and Articles does not contradict or operate inconsistently with the provisions of the Model Memorandum and Articles.

# **A. MODEL MEMORANDUM OF ASSOCIATION**

## **FOR ALL TYPES OF CORPORATE APPLICANTS/CORPORATE PRACTICES**

1. The name of the company is [ ] limited].
2. The registered office of the company will be situated in Hong Kong.
3. The objects for which the company is established are:
  - (a) to the extent not prevented by any law, decree, order, ordinance, rule, regulation or similar enactment which may be in force in Hong Kong from time to time, to carry on the business and to perform any of the functions of a certified public accountant (practising) ;
  - (b) whether gratuitously or otherwise, to undertake the office of and to act as trustee of any trust to execute trusts of any kind and to exercise, perform and discharge all powers, functions and duties arising from and incidental thereto;

[here other object clause(s) as are considered appropriate may be specified provided that such object clause(s) is not, in any respect, inconsistent with or contradictory to the object clauses stipulated hereinabove]; and

  - (c) to do all such things as are incidental or conducive to the attainment of the preceding objects of the company.
4. The liability of the members is limited.
5. The share capital of the company is [currency and amount] divided into [ ] shares of [currency and amount] each.

WE, the several persons whose names and addresses are subscribed, are desirous of being formed into a company, in pursuance of this Memorandum of Association, and we respectively agree to take the number of shares in the capital of the company set opposite our respective names.

Names, Addresses and Descriptions of Subscribers	No. of Share(s) taken by each Subscriber
1. [ ] of [ ], [ ]	[1]
2. [ ] of [ ], [ ]	[1]
Total shares taken:	
[2]	
=====	

Dated the [ ] day of [ ] 20[ ].

Witness to the above signatures:  
[ ]

**B. (I) MODEL ARTICLES OF ASSOCIATION**

**FOR SOLE PRACTISING MEMBER CORPORATE APPLICANTS/  
CORPORATE PRACTICES QUALIFIED FOR REGISTRATION UNDER  
SECTION 28D(2)(c)(i)(B) OF THE PROFESSIONAL ACCOUNTANTS  
ORDINANCE (CAP. 50, LAWS OF HONG KONG)**

**THE COMPANIES ORDINANCE (CAP. 32, LAWS OF HONG KONG)**

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**COMPANY LIMITED BY SHARES**

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**ARTICLES OF ASSOCIATION OF**

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**Preliminary and Interpretation**

1. (1) Subject to sub-regulation (2) below, the regulations contained in Part I of Table A in the 1st Schedule to the Companies Ordinance (Cap. 32, Laws of Hong Kong) ("the Ordinance") shall apply to the company, save and except in so far as they are hereby expressly excluded or are, in any way, inconsistent or conflict with the regulations set out hereinbelow. In particular, but without limiting the generality of the foregoing, regulations 2, 7, 8, 12, 17, 23, 24, 29 - 33, 37, 47A, 47B, 48, 51, 56 - 60, 65, 72, 73, 76, 77, 79, 81 - 87, 90 - 99, 102, 103, 109, 122 and 133 shall not apply to the company.
- (2) In the event that the "B" share referred to in regulation 4(a) hereinbelow is, for any reason and in any manner whatsoever, sold or transferred or transmitted to an Eligible Person (as defined in regulation 4(b) hereinbelow), the regulations contained in the Model Articles of Association for Corporate Applicants/Corporate Practices qualified for Registration under section 28D(2)(b) or section 28D(2)(c)(i)(A) of the Professional Accountants Ordinance (Cap. 50, Laws of Hong Kong), issued or to be issued by the Council (as the same may be amended and/or supplemented from time to time) shall apply to the company in substitution for the regulations herein.
2. Unless the context expressly provides or otherwise requires, the words or expressions "certified public accountant (practising)", "corporate practice", "Council", "practising certificate", "certified public accountant", "Registrar" and "Institute" shall have the same meanings ascribed to each of them under section 2 of the Professional Accountants Ordinance (Cap. 50, Laws of Hong Kong) (as the same may be amended and/or supplemented from time to time).

**Private Company**

3. The company is a private company and accordingly:
  - (a) the right to transfer shares is restricted in manner herein prescribed;

- (b) the number of members of the company (exclusive of persons who are in the employment of the company and of persons who having been formerly in the employment of the company were while in such employment and have continued after the determination of such employment to be members of the company) is limited to 50;
- (c) any invitation to the public to subscribe for any shares or debentures of the company is prohibited; and
- (d) the company shall not have power to issue share warrants to bearer.

## **Share Capital**

4. Notwithstanding anything to the contrary contained in these regulations:

- (a) The first share subscribed for in the share capital of the company shall be known as the "A" share and the second share so subscribed shall be known as the "B" share.
- (b) No person shall be eligible to become or remain the legal and/or beneficial owner of the "A" share unless he is:
  - (i) a natural person;
  - (ii) a member of the Institute who holds a current practising certificate; and
  - (iii) not prohibited from qualifying or acting as a director under the Ordinance

AND a person eligible in the terms of this sub-regulation is in these regulations referred to as "an Eligible Person".

- (c) A person who is a natural person and who has been granted a permission by the Council which has not for the time being been withdrawn and who is not prohibited from qualifying or acting as a director under the Ordinance is eligible to become or remain the legal holder of the "B" share

AND a person eligible in the terms of this sub-regulation is in these regulations referred to as "a Permitted Person".

- (d) The number of the members of the company shall, at all times, be two.
  - (e) The ultimate beneficial ownership of all the issued share capital of the company shall be vested in the holder of the "A" share.
5. Each of the said "A" share and "B" share shall confer on the holder thereof the following rights and be subject to the following restrictions:
- (a) So long as the holder of the "A" share shall remain an Eligible Person:
    - (i) he shall at all times be the managing director having the day to day management of the company; and
    - (ii) he shall have a second or casting vote at any meeting of the company's board of directors.
  - (b) If the holder of the "A" share ceases to be an Eligible Person, he shall forthwith on so ceasing transfer the "A" share together with all the other shares in the company held by him (if any) to an Eligible Person and if he defaults in so doing, the holder of the "B" share shall be deemed to have been appointed the agent of the holder of the "A" share and shall execute a transfer of the "A" share together with all the other shares in the company (if any) in favour of an Eligible Person.

- (c) If the holder of the "B" share ceases to be a Permitted Person, the holder of the "A" share shall be deemed to have been appointed the agent of the holder of the "B" share and shall execute a transfer of the "B" share in favour of a Permitted Person or an Eligible Person.
6. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the company may from time to time by ordinary resolution determine provided that no special rights of any nature (whether preferred or otherwise) shall, at any time, be conferred upon the holder of the "B" share.
7. Every person whose name is entered as a member in the register of members shall be entitled without payment to receive within two months after allotment or lodgement of transfer (or within such other period as the conditions of issue shall provide) one certificate for all his shares or several certificates each for one or more of his shares upon payment of \$5 for every certificate after the first or such less sum as the directors shall from time to time determine. Every certificate shall be under the seal, or under the official seal kept by the company under section 73A of the Ordinance, and shall specify the shares to which it relates and the amount paid up thereon.

### **Lien**

8. Subject to any other regulations contained herein, the company may sell, in such manner as the directors think fit, any shares on which the company has a lien, but no sale shall be made unless such shares shall be sold to an Eligible Person or Permitted Person (in case of the "B" share) or an Eligible Person (in case of all the other shares (including the "A" share)) nor unless a sum in respect of which the lien exists is presently payable, nor until the expiration of 14 days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the person entitled thereto by reason of his death or bankruptcy.

### **Transfer of Shares**

9. Subject to such of the restrictions of these regulations as may be applicable, any member may transfer all or any of his shares by instrument in writing in any usual or common form or any other form which the directors may approve. For the avoidance of doubt, the holder of the "A" share shall not be entitled to transfer any of his share(s) (including the "A" share) to any person other than an Eligible Person whereas the holder of the "B" share shall not be entitled to transfer the "B" share to any person other than an Eligible Person or a Permitted Person.
10. The directors may in their sole and absolute discretion decline to register any transfer of shares whether or not fully paid up without assigning any reason therefore and shall so decline if in their opinions the registration thereof would or might be in breach of any other regulations contained herein.

### **Transmission of Shares**

11. (Please refer to Part (II) of Model Articles of Association (Transmission of Shares)).

### **Forfeiture of Shares**

12. A forfeited share may be sold or otherwise disposed of subject to any other regulations contained herein on such terms and in such manner as the directors think fit and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the directors think fit. For the avoidance of doubt, such forfeited share shall not be sold to any person other than an Eligible Person or a Permitted Person (in case the forfeited share is the "B" share) or an Eligible Person (in case the forfeited share is any other share (including the "A" share)).

### **Purchase of Own Shares**

13. Subject to sections 49 to 49S of the Ordinance, the company may purchase its own shares (including any redeemable shares).
14. Subject to sections 49I to 49O of the Ordinance, the company may make a payment in respect of the redemption or purchase of its own shares otherwise than out of the distributable profits of the company or the proceeds of a fresh issue of shares.

### **Allotment of Shares**

15. The directors shall not exercise any power conferred on them to allot shares in the company without the prior approval of the company in general meeting where such approval is required by section 57B of the Ordinance. In the event that the directors are so authorised to allot any share in the company, they shall allot such share to the holder of the "A" share only.

### **General Meetings**

16. The directors may, whenever they think fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition, or in default, may be convened by such requisitionists, as provided by section 113 of the Ordinance. If at any time there are not within Hong Kong sufficient directors capable of acting to form a quorum, the holder of the "A" share may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the directors.

### **Proceedings at General Meetings**

17. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved; in any other case, it shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time and place as the directors may determine.
18. The director holding the "A" share shall preside as chairman at every general meeting of the company.
19. The chairman may adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
20. At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:
  - (a) by the chairman; or
  - (b) by the members present in person or by proxy; or
  - (c) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
  - (d) by a member or members holding shares in the company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll be so demanded a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost and an entry to that effect in the book containing the minutes of the proceedings of the company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

The demand for a poll may be withdrawn.

### **Appointment of Proxy**

21. An instrument appointing a proxy shall be in the following form or a form as near thereto as circumstances admit:

"  
I \_\_\_\_\_, of \_\_\_\_\_ Limited  
\_\_\_\_\_, being a member of the above-named  
company, hereby appoint \_\_\_\_\_ of \_\_\_\_\_, or failing  
him, \_\_\_\_\_ of \_\_\_\_\_, as my proxy to vote for me on my behalf at the  
[annual or extraordinary, as the case may be] general meeting of the company to be held on  
the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_, and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_."

22. Where it is desired to afford members an opportunity of voting for or against a resolution the instrument appointing a proxy shall be in the following form or a form as near thereto as circumstances admit:

"  
I \_\_\_\_\_, of \_\_\_\_\_ Limited  
\_\_\_\_\_, being a member of the above-named  
company, hereby appoint \_\_\_\_\_ of \_\_\_\_\_, or failing  
him, \_\_\_\_\_ of \_\_\_\_\_, as my proxy to vote for me on my behalf at the  
[annual or extraordinary, as the case may be] general meeting of the company to be held on  
the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_, and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

This form is to be used \*in favour of / against the resolution.

Unless otherwise instructed, the proxy will vote as he thinks fit.  
\*Strike out whichever is not desired."

### **Directors**

23. The members of the company shall become the company's directors and the number of the directors of the company shall, at all times, be two.
24. The shareholding qualification for each of the company's directors shall be at least one share.

### **Borrowing Powers**

25. The director holding the "A" share may exercise all the powers of the company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock, and, subject to section 57B of the Ordinance, convertible debentures and convertible debenture stock, and other securities whether outright or as security for any debt, liability or obligation of the company or of any third party:

Provided that the amount for the time being remaining undischarged of moneys borrowed or secured by the director as aforesaid (apart from temporary loans obtained from the company's bankers in the ordinary course of business) shall not at any time, without the previous sanction of the company in general meeting, exceed the nominal amount of the share capital of the company for the time being issued, but nevertheless no lender or other person dealing with the company shall be concerned to see or inquire whether this limit is observed. No debt incurred or security given in excess of such limit shall be invalid or ineffectual except in the case of express notice to the lender or the recipient of the security at the time when the debt was incurred or security given that the limit hereby imposed had been or was thereby exceeded.

## **Powers and Duties of Directors**

26. The director holding the "A" share shall have the management and control of the company and all the powers, authorities and discretions vested in directors generally and he may exercise all such powers and do all such acts and things as may be exercised or done by the company except any which by law or by the other regulations contained herein are required to be exercised or done by the company in general meeting, subject, nevertheless, to any of these regulations, to the provisions of the Ordinance and to such regulations, being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the company in general meeting; but no regulation made by the company in general meeting shall invalidate any prior act of the director holding the "A" share which would have been valid if that regulation had not been made and the director holding the "B" share shall be bound to conform to his directions.
27. The director holding the "A" share may from time to time and at any time by power of attorney appoint any company, firm or person or body of persons, whether nominated directly or indirectly by the director holding the "A" share, to be the attorney or attorneys of the company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the director holding the "A" share under these regulations) and for such period and subject to such conditions as he may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the director holding the "A" share may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him.
28. The company may exercise the powers conferred by section 35 of the Ordinance with regard to having an official seal for use abroad, and such powers shall be vested in the director holding the "A" share.
29. The company may exercise the powers conferred upon the company by sections 103 and 104 of the Ordinance with regard to the keeping of a branch register, and the director holding the "A" share may (subject to the provisions of those sections) make and vary such regulations as he may think fit respecting the keeping of any such register.
30.
  - (1) A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract (being a contract of significance in relation to the company's business) with the company shall, if his interest in the contract or proposed contract is material, declare the nature of his interest at a meeting of the directors in accordance with section 162 of the Ordinance.
  - (2) A director shall be entitled to vote as a director in respect of any contract, arrangement or dealing in which he is interested or upon any matter arising out thereof, and if he shall so vote, his vote shall be counted and he shall be taken into account in determining the quorum for the meeting at which any such contract, arrangement or dealing is to be considered.



- (3) A director may hold any other office or place of profit under the company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the director holding the "A" share may determine and no director or intending director shall be disqualified by his office from contracting with the company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the company in which any director is in any way interested, be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the company for any profit realised by any such contract or arrangement by reason of such director holding that office or of the fiduciary relation thereby established.
  - (4) A director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other director is appointed to hold any such office or place of profit under the company or whereat the terms of any such appointment are arranged, and he may vote on any such appointment or arrangement other than his own appointment or the arrangement of the terms thereof.
  - (5) Any director may act by himself or his firm in a professional capacity for the company, and he or his firm shall be entitled to remuneration for professional services as if he were not a director; provided that nothing herein contained shall authorise a director or his firm to act as auditor to the company.
31. (1) All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for moneys paid to the company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the directors shall from time to time by resolution determine, but any client's audit report shall be signed by the director holding the "A" share, or by an authorised person being a certified public accountant (practising) duly authorised by the board of directors and approved by the Council,
- (a) in the event of death, incapacity or disqualification of the director holding the "A" share, during the period commencing from the death, incapacity or disqualification to the date upon which the "A" share is sold or transferred to an Eligible Person or the incapacity or disqualification ends, or
  - (b) in the event of involuntary absence of the director holding the "A" share, during the period of such absence.
- (2) In addition to applying for the purposes of regulation 11(7), sub-regulation (7)(b) of regulation 11 shall apply for the purposes of this regulation.
- (3) For the purposes of this regulation, the expression "involuntary absence", in relation to the director holding the "A" share, means the absence of such person as a result of any extraordinary event(s) or circumstance(s) which are beyond his/her reasonable contemplation or control and which prevent him/her from attending to the business of the corporate practice.
32. The directors shall furnish to the Registrar for the time being of the Institute full details of the directors and members of the company and of the authorised person referred to in regulation 31 at such times as may be required by the Registrar and shall supply to the Registrar such further information in relation to the company as the Registrar shall reasonably require for the purpose of or in connection with the registration or continued registration of the company as a corporate practice.
33. (1) The directors shall notify the Registrar in writing of any proposal to amend, in any manner whatsoever, the Memorandum and Articles of Association of the company not later than the day on which notice is given to the members of the company at which the amendment(s) is to be considered.

- (2) The directors shall notify the Registrar in writing of any amendment to the Memorandum and Articles of Association of the company before the expiration of a period of 21 days beginning on the day on which the relevant special resolution approving and authorising such amendment is passed.

### **Disqualification of Directors**

34. The office of director shall be vacated if the director:
- (a) ceases to be a director by virtue of section 155 of the Ordinance; or
  - (b) becomes bankrupt or makes any arrangement or composition with his creditors generally; or
  - (c) becomes prohibited from being a director by reason of any disqualification order made under Part IVA of the Ordinance; or
  - (d) becomes of unsound mind; or
  - (e) resigns his office by notice in writing to the company given in accordance with section 157D(3)(a) of the Ordinance; or
  - (f) ceases to be eligible to become or remain a member of the company; or
  - (g) in the case of the director holding the "A" share, ceases to be or remain an Eligible Person; or
  - (h) in the case of the director holding the "B" share:
    - (i) devolves the "B" share to any other person; or
    - (ii) ceases to be or remain a Permitted Person.

### **Removal of Director**

35. The company may by special resolution remove the director holding the "B" share before the expiration of his period of office notwithstanding anything in these regulations or in any agreement between the company and such director. Such removal shall be without prejudice to any claim such director may have for damages for breach of any contract of service between him and the company. Such director so removed shall, with immediate effect from such removal, cease to be or remain as a member of the company and shall transfer the "B" share to an Eligible Person or a Permitted Person as soon as possible but, in any event, not later than 60 days after such removal Provided That, upon request in writing on the part of such director, the Council may, in its sole and absolute discretion, agree to extend such 60 day period for a further period as it may think fit.

### **Proceedings of Directors**

36. The holder of the "A" share shall, at all times, be the chairman of any meeting of the company's directors.

### **Managing Director**

37. The director holding the "A" share shall be appointed by the directors as the managing director so long as the director holding the "A" share shall remain a director of the company and on such other terms as they think fit. His appointment shall be automatically determined if he ceases for any cause to be a director.

**Dividends and Reserve**

38. Any dividend, bonus, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or to such person and to such address as the holder may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

**B. (II) MODEL ARTICLES OF ASSOCIATION**

**FOR CORPORATE APPLICANTS/CORPORATE PRACTICES  
QUALIFIED FOR REGISTRATION UNDER SECTION 28D(2)(b)  
OR SECTION 28D(2)(c)(i)(A) OF THE PROFESSIONAL  
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**THE COMPANIES ORDINANCE (CAP. 32, LAWS OF HONG KONG)**

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**COMPANY LIMITED BY SHARES**

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**ARTICLES OF ASSOCIATION OF**

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**Preliminary and Interpretation**

1. (1) The regulations contained in Part I of Table A in the 1st Schedule to the Companies Ordinance (Cap. 32, Laws of Hong Kong) shall apply to the company, save and except in so far as they are hereby expressly excluded or are, in any way, inconsistent or conflict with the regulations set out hereinbelow. In particular, but without limiting the generality of the foregoing, regulations 12, 23, 24, 29 - 33, 37, 47A, 47B, 48, 76, 77, 79, 85, 86(2), 87, 90 - 99 and 102 shall not apply to the company.
- (2) In the event that, for any reason and in any manner whatsoever, the company has, for the time being, two members only and either of them is not a member of the Institute (as defined in regulation 2 hereinbelow) holding a current practising certificate, the regulations contained in the Model Articles of Association for Corporate Applicants/Corporate Practices qualified for Registration under section 28D(2)(c)(i)(B) of the Professional Accountants Ordinance (Cap. 50, Laws of Hong Kong), issued or to be issued by the Council (as the same may be amended and/or supplemented from time to time) shall apply to the company in substitution for the regulations herein.
2. Unless the context expressly provides or otherwise requires, the words or expressions "certified public accountant (practising)", "corporate practice", "Council", "practising certificate", "certified public accountant", "Registrar" and "Institute" shall have the same meanings ascribed to each of them under section 2 of the Professional Accountants Ordinance (Cap. 50, Laws of Hong Kong) (as the same may be amended and/or supplemented from time to time).

**Private Company**

3. The company is a private company and accordingly:
  - (a) the right to transfer shares is restricted in manner herein prescribed;

- (b) the number of members of the company (exclusive of persons who are in the employment of the company and of persons who having been formerly in the employment of the company were while in such employment and have continued after the determination of such employment to be members of the company) is limited to 50 Provided That where two or more persons hold one or more shares in the company jointly, they shall for the purpose of this regulation be treated as a single member;
- (c) any invitation to the public to subscribe for any shares or debentures of the company is prohibited; and
- (d) the company shall not have power to issue share warrants to bearer.

### **Share Capital**

- 4. No person shall be eligible to become or remain the legal and/or beneficial holder of any share in the company unless he is:
  - (a) a natural person;
  - (b) a certified public accountant who satisfies the requirements from time to time of the Institute; and
  - (c) not prohibited from qualifying or acting as a director under the Ordinance;

AND a person eligible in the terms of this regulation is in these regulations referred to as "an Eligible Person".

- 5. Notwithstanding anything to the contrary contained in these regulations, not less than two-third of the ultimate beneficial ownership of the issued share capital of the company carrying voting rights shall be held by members of the Institute who hold current practising certificates.

### **Lien**

- 6. Subject to any other regulations contained herein, the company may sell, in such manner as the directors think fit, any shares on which the company has a lien, but no sale shall be made unless such shares shall be sold to any Eligible Person(s) nor unless a sum in respect of which the lien exists is presently payable, nor until the expiration of 14 days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the person entitled thereto by reason of his death or bankruptcy.

### **Transfer of Shares**

- 7. Subject to such of the restrictions of these regulations as may be applicable, any member may transfer all or any of his shares by instrument in writing in any usual or common form or any other form which the directors may approve. For the avoidance of doubt, any member shall not be entitled to transfer any of his share(s) to any person other than any Eligible Person(s) (including any existing member(s) of the company).
- 8. The directors may in their sole and absolute discretion decline to register any transfer of shares whether or not fully paid up without assigning any reason therefor and shall so decline if in their opinions the registration thereof would or might be in breach of any other regulations contained herein.

## **Transmission of Shares**

9. (Please refer to paragraph (I) of Model Articles of Association (Transmission of Shares)).

## **Forfeiture of Shares**

10. A forfeited share may be sold or otherwise disposed of subject to any other regulations contained herein on such terms and in such manner as the directors think fit and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the directors think fit. For the avoidance of doubt, such forfeited share shall not be sold to any person other than an Eligible Person (including any existing member of the company).

## **Purchase of Own Shares**

11. Subject to sections 49 to 49S of the Ordinance, the company may purchase its own shares (including any redeemable shares).
12. Subject to sections 49I to 49O of the Ordinance, the company may make a payment in respect of the redemption or purchase of its own shares otherwise than out of the distributable profits of the company or the proceeds of a fresh issue of shares.

## **Allotment of Shares**

13. The directors shall not exercise any power conferred on them to allot shares in the company without the prior approval of the company in general meeting where such approval is required by section 57B of the Ordinance. In the event that the directors are so authorised to allot any share in the company, they shall allot such share to an Eligible Person (including any existing member of the company).

## **Directors**

14. The members of the company shall become the company's directors, all of whom shall be members of the Institute and at least two-third holding current practising certificates.
15. Each of the company's directors shall be a registered holder (whether solely or jointly with others or otherwise) in at least one share in the company.

## **Powers and Duties of Directors**

16. The company may exercise the powers conferred upon the company by sections 103 and 104 of the Ordinance with regard to the keeping of a branch register, and the directors may (subject to the provisions of those sections) make and vary such regulations as they may think fit respecting the keeping of any such register.
17. A director shall be entitled to vote as a director in respect of any contract, arrangement or dealing in which he is interested or upon any matter arising out thereof, and if he shall so vote, his vote shall be counted and he shall be taken into account in determining the quorum for the meeting at which any such contract, arrangement or dealing is to be considered.
18. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for moneys paid to the company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the directors shall from time to time by resolution determine, but any client's audit report shall be signed by any director holding a current practising certificate.

19. The directors shall furnish to the Registrar for the time being of the Institute full details of the directors and members of the company at such times as may be required by the Registrar and shall supply to the Registrar such further information in relation to the company as the Registrar shall reasonably require for the purpose of or in connection with the registration or continued registration of the company as a corporate practice.
20. (1) The directors shall notify the Registrar in writing of any proposal to amend, in any manner whatsoever, the Memorandum and Articles of Association of the company not later than the day on which notice is given to the members of the company at which the amendment(s) is to be considered.
- (2) The directors shall notify the Registrar in writing of any amendment to the Memorandum and Articles of Association of the company before the expiration of a period of 21 days beginning on the day on which the relevant special resolution approving and authorising such amendment is passed.

### **Disqualification of Directors**

21. The office of director shall be vacated if the director:
- (a) ceases to be a director by virtue of section 155 of the Ordinance; or
  - (b) becomes bankrupt or makes any arrangement or composition with his creditors generally; or
  - (c) becomes prohibited from being a director by reason of any disqualification order made under Part IVA of the Ordinance; or
  - (d) becomes of unsound mind; or
  - (e) resigns his office by notice in writing to the company given in accordance with section 157D(3)(a) of the Ordinance; or
  - (f) shall for more than six months have been absent without permission of the directors from meetings of the directors held during that period; or
  - (g) ceases to be eligible to become or remain a member of the company; or
  - (h) ceases to be or remain an Eligible Person.

### **Removal of Directors**

22. The company may by special resolution remove any director before the expiration of his period of office notwithstanding anything in these regulations or in any agreement between the company and such director. Such removal shall be without prejudice to any claim such director may have for damages for breach of any contract of service between him and the company. Such director so removed shall, with immediate effect from such removal, cease to be or remain as a member of the company and shall transfer his share(s) to any Eligible Person(s) (including any existing member(s) of the company) as soon as possible but, in any event, not later than 60 days after such removal Provided That, upon request in writing on the part of such director, the Council may, in its sole and absolute discretion, agree to extend such 60 day period for a further period as it may think fit.

**C. MODEL ARTICLES OF ASSOCIATION (TRANSMISSION OF SHARES)**

**(I) For Corporate Applicants/Corporate Practices qualified for Registration under Section 28D(2)(b) or Section 28D(2)(c)(i)(A) of the Professional Accountants Ordinance (Cap. 50, Laws of Hong Kong)**

- "9. (1) In case of the death of a member, the survivor(s) where the deceased was a joint holder or the legal personal representative(s) of the deceased where he was a sole holder (as the case may be) shall be the only person(s) recognised by the company as having any title to the deceased's interest in his share(s) in the company, but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.
- (2) Any person becoming entitled to a share in consequence of the death of a member shall, forthwith upon becoming so entitled and upon such evidence being produced as may from time to time properly be required by the directors and subject as hereinafter provided:
- (a) in case such person is, for the time being, an Eligible Person, elect either to be registered himself as holder of the share(s) owned by such deceased member or to have other Eligible Person(s) (including any existing member(s) of the company) nominated by him registered as the transferee(s) thereof; or
- (b) in case such person is, for the time being, not an Eligible Person, nominate any Eligible Person(s) (including any existing member(s) of the company) to be registered as the transferee(s) thereof,
- but the directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of any transfer of the share(s) by that member before his death, as the case may be.
- (3) If the person so becoming entitled and being an Eligible Person shall elect to be registered himself as the transferee of the relevant share(s), he shall deliver or send to the company a notice in writing signed by him stating that he so elects. If such person or the person so becoming entitled and not being an Eligible Person (as the case may be) shall nominate any Eligible Person(s) to be so registered, he shall execute transfer(s) of the share(s) in favour of such Eligible Person(s). All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer(s) as aforesaid as if the death of the member had not occurred and the notice or transfer(s) were transfer(s) signed by that member.



- (4) In the event that, within a period of 60 days after the death of the member of the company, the person so becoming entitled and being an Eligible Person fails to deliver or send to the company a notice in writing signed by him stating that he has elected to be registered himself as the transferee of the relevant share(s) or the person so becoming entitled and not being an Eligible Person fails to execute transfer(s) of share(s) in favour of the Eligible Person(s) duly nominated by him to be so registered, such person shall be deemed to have duly appointed and authorised any one of the surviving member(s) of the company as his agent who shall immediately, for and on his behalf and with intent so as to bind him, (as the case may be) register such person as the transferee of the relevant share(s) by way of serving upon the company a notice in writing stating so or nominate any Eligible Person(s) to be so registered and execute transfer(s) of share(s) in favour of such Eligible Person(s), in any manner whatsoever as such agent may, in his sole and absolute discretion, think fit Provided That, upon request in writing on the part of such person, being the person becoming entitled to the deceased's interest in regulation 9(1), the Council may, in its sole and absolute discretion, agree to extend such 60 day period for a further period as it may think fit.

- (5) A person becoming entitled to share(s) by reason of the death of the holder shall be entitled to the same dividends and other advantages (if any) to which he would be entitled if he were the registered holder of the share(s), except that he shall not, before being registered as a member in respect of the share(s), be entitled in respect of such share(s) to exercise any right conferred by membership in relation to meetings of the company.

Provided always that the directors may at any time give notice requiring any such person to elect either to be registered himself as the transferee of the share(s) or to transfer such share(s), and if the notice is not complied with within 90 days, the directors may thereafter withhold payment of all dividends, bonuses or other moneys (if any) payable in respect of the share(s) until the requirements of the notice have been complied with.

- (6) Any person to whom the right to any shares in the company has been transmitted by operation of law shall, if the directors refuse to register the transfer(s), be entitled to call on the directors to furnish a statement of the reason(s) for the refusal within 28 days after his request therefor.

- (7) (a) In the event that a member of the company suffers from incapacity or disqualification and such incapacity or disqualification continues for a period of 60 days, such incapacitated or disqualified member shall be deemed to have duly appointed and authorised any one of the other member(s) of the company as his agent who shall immediately, for and on his behalf and with intent so as to bind him, sell or transfer to any Eligible Person(s) the incapacitated or disqualified member's share(s) in the company upon any terms and conditions whatsoever and in any manner whatsoever as such agent may, in his sole and absolute discretion, think fit Provided That, upon request in writing on the part of such member, the Council may, in its sole and absolute discretion, agree to extend such 60 day period for a further period as it may think fit.

- (b) For the purposes of this sub-regulation:
- (i) the expression "incapacity", in relation to a member of the company, means any incapacity or incompetence certified by two qualified medical practitioners in writing due to the fact that such member of the company is incapacitated or incompetent, whether through illness, old age, accident or otherwise, for carrying on accountancy practice or business of a certified public accountant (practising) in a proper and effective way; and
  - (ii) the expression "disqualification", in relation to a member of the company, means any disqualification for being a director of the company by reason of the occurrence of any one of the events set out in regulation 21."

**(II) For Sole Practising Member Corporate Applicants/Corporate Practices qualified for Registration under Section 28D(2)(c)(i)(B) of the Professional Accountants Ordinance (Cap. 50, Laws of Hong Kong)**

- "11. (1) In case of the death of a member, the legal personal representative(s) of the deceased shall be the only person(s) recognised by the company as having any title to the deceased's interest in his share(s) in the company.
- (2) Any person becoming entitled to a share in consequence of the death of a member shall, forthwith upon becoming so entitled and upon such evidence being produced as may from time to time properly be required by the directors and subject as hereinafter provided:
- (a) in case such person is, for the time being, a Permitted Person (in relation to the "B" share) or an Eligible Person (in relation to the other share(s) (including the "A" share)), elect either to be registered himself as holder of the share(s) owned by such deceased member or to have any Eligible Person(s) or Permitted Person(s) (in relation to the "B" share) or any Eligible Person(s) (in relation to the other share(s) (including the "A" share)) nominated by him registered as the transferee(s) thereof; or
  - (b) in case such person is, for the time being, not a Permitted Person (in relation to the "B" share) or an Eligible Person (in relation to the other share(s) (including the "A" share)), nominate any Eligible Person(s) or Permitted Person(s) (in relation to the "B" share) or any Eligible Person(s) (in relation to the other share(s) (including the "A" share)) to be registered as the transferee(s) thereof, but the directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of any transfer of the share(s) by that member before his death, as the case may be.

- (3) If the person so becoming entitled and being a Permitted Person (in relation to the "B" share) or an Eligible Person (in relation to the other share(s) (including the "A" share)) shall elect to be registered himself as the transferee of the relevant share(s), he shall deliver or send to the company a notice in writing signed by him stating that he so elects. If, as the case may be, such person or the person so becoming entitled and not being a Permitted Person (in relation to the "B" share) or an Eligible Person (in relation to the other share(s) (including the "A" share)) shall nominate any Eligible Person(s) or Permitted Person(s) (in relation to the "B" share) or any Eligible Person(s) (in relation to the other share(s) (including the "A" share)) to be so registered, he shall execute transfer(s) of the share(s) in favour of such Eligible Person(s) or Permitted Person(s) (in relation to the "B" share) or such Eligible Person(s) (in relation to the other share(s) (including the "A" share)). All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer(s) as aforesaid as if the death of the member had not occurred and the notice or transfer(s) were transfer(s) signed by that member.
- (4) In the event that, within a period of 60 days after the death of the member of the company, the person so becoming entitled and being a Permitted Person (in relation to the "B" share) or an Eligible Person (in relation to the other share(s) (including the "A" share)) fails to deliver or send to the company a notice in writing signed by him stating that he has elected to be registered himself as the transferee of the relevant share(s) or the person so becoming entitled and not being a Permitted Person (in relation to the "B" share) or an Eligible Person (in relation to the other share(s) (including the "A" share)) fails to execute transfer(s) of share(s) in favour of the Eligible Person(s) or Permitted Person(s) (in relation to the "B" share) or the Eligible Person(s) (in relation to the other share(s) (including the "A" share)) duly nominated by him to be so registered, such person shall be deemed to have duly appointed and authorised the holder of the "A" share (in case the deceased member is the holder of the "B" share) or the holder of the "B" share (in case the deceased member is the holder of the "A" share) as his agent who shall immediately, for and on his behalf and with intent so as to bind him, (as the case may be) register such person as the transferee of the relevant share(s) by way of serving upon the company a notice in writing stating so or nominate such Eligible Person(s) or Permitted Person(s) (in relation to the "B" share) or such Eligible Person(s) (in relation to the other share(s) (including the "A" share)) to be so registered and execute transfer(s) of share(s) in favour of such Permitted Person(s) or Eligible Person(s) (as the case may be), in any manner whatsoever as such agent may, in his sole and absolute discretion, think fit Provided That, upon request in writing on the part of such person, being the person becoming entitled to the deceased's interest in regulation 11(1), the Council may, in its sole and absolute discretion, agree to extend such 60 day period for a further period as it may think fit.
- (5) A person becoming entitled to share(s) by reason of the death of the holder shall be entitled to the same dividends and other advantages (if any) to which he would be entitled if he were the registered holder of the share(s), except that he shall not, before being registered as a member in respect of the share(s), be entitled in respect of such share(s) to exercise any right conferred by membership in relation to meetings of the company.

Provided always that the directors may at any time give notice requiring any such person to elect either to be registered himself as the transferee of the share(s) or to transfer such share(s), and if the notice is not complied with within 90 days, the directors may thereafter withhold payment of all dividends, bonuses or other moneys (if any) payable in respect of the share(s) until the requirements of the notice have been complied with.

- (6) Any person to whom the right to any shares in the company has been transmitted by operation of law shall, if the directors refuse to register the transfer(s), be entitled to call on the directors to furnish a statement of the reason(s) for the refusal within 28 days after his request therefor.
- (7)
  - (a) In the event that a member of the company suffers from incapacity or disqualification and such incapacity or disqualification continues for a period of 60 days, such incapacitated or disqualified member shall be deemed to have duly appointed and authorised the holder of the "A" share (in case the incapacitated or disqualified member is the holder of the "B" share) or the holder of the "B" share (in case the incapacitated or disqualified member is the holder of the "A" share) as his agent who shall immediately, for and on his behalf and with intent so as to bind him, sell or transfer to any Eligible Person(s) or Permitted Person(s) (in relation to the "B" share) or any Eligible Person(s) (in relation to the other share(s) (including the "A" share)) the incapacitated or disqualified member's share(s) in the company upon any terms and conditions whatsoever and in any manner whatsoever as such agent may, in his sole and absolute discretion, think fit Provided That, upon request in writing on the part of the holder of the "A" share or the holder of the "B" share (as the case may be), the Council may, in its sole and absolute discretion, agree to extend such 60 day period for a further period as it may think fit.
  - (b) For the purposes of this sub-regulation:
    - (i) the expression "incapacity", in relation to a member of the company, means that any incapacity or incompetence certified by two qualified medical practitioners in writing due to the fact that such member of the company is incapacitated or incompetent, whether through illness, old age, accident or otherwise, for carrying on accountancy practice or business of a certified public accountant (practising) in a proper and effective way; and
    - (ii) the expression "disqualification", in relation to a member of the company, means any disqualification for being a director of the company by reason of the occurrence of any one of the events set out in regulation 34."