



Response of the Company and Financial Law Committee of the Law Society of Hong Kong to letter of 4 March 2003

The Company and Financial Law Committee has reviewed the letter from the Clerk to the Bills Committee dated 4 March 2003. As the Administration has pointed out, the proposed new sections reflect changes made to the Companies Ordinance in 1984, to the effect that any guarantee or security given by a company to support a loan to a director is not enforceable. In practice, the Committee is not aware of any serious injustice caused to mortgagees/chargees by virtue of these provisions.

The new section 157H extends the prohibition (against a company providing a guarantee or security for a loan to a director) to cover more modern forms of credit. The Committee supports this proposal and believes it is in natural consequence that section 157I is amended to be consistent with the extension.

The Law Society of Hong Kong
Company and Financial Law Committee

12 March 2003