

## **PCLL CONVERSION EXAMINATION JUNE 2025**

Title of Paper : Commercial Law – Part A  
Date : 17 June 2025  
Time : 1:00 p.m. – 1:10 p.m. (Reading Time)  
1:10 p.m. – 2:10 p.m.

### **Instructions**

1. This is an open book examination.
2. Write your **candidate number** on the cover of each answer book.  
Do **NOT** write your name in the answer book.
3. Start the answer to each question or sub-question on a separate page of the answer book.
4. Write your answers only in the answer books provided.
5. This is a one-hour examination.
6. Reading time for this paper is 10 minutes. Do **NOT** begin writing in your answer books during this period until you are instructed to do so.
7. This paper consists of 5 pages, including two questions. Candidates are only required to answer **ONE** question out of two. A total of 100 marks may be awarded. Candidates will score zero mark if they answer more than one question.
8. The passing mark for this paper is 50 marks.

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**PCLL Conversion Examination June 2025**  
**Commercial Law**

**Part A: Sale of Goods**

**Question 1 (100 marks) (Answer all parts)**

**Advise the respective buyers, in each of the following different situations, as to their rights, if any, under the Sale of Goods Ordinance (Cap 26).**

- (a) AA entered into a contract to supply BB with 10,000 tons of soya beans priced at HK\$5,000 per ton. Delivery was to be made on 1 April 2025. On 1 March 2025 AA informed BB that it would not be delivering any soya beans to BB. On this date the market price for soya beans was HK\$6,000 per ton. BB had resold the beans to CC at HK\$10,000 per ton. The market price on 1 April 2025 was HK\$7,000 per ton. AA and BB are in dispute about the amount of damages BB can claim. AA considers it should be HK\$1,000 per ton – the difference between the contract price and the market price on 1 March 2025, but BB considers it should be HK\$5,000 per ton, its loss of profit on its sale to CC.

**Advise BB.**

**(20 marks)**

- (b) AA delivered the soya beans to BB on 1 April 2025. The contract price was HK\$5,000 per ton. BB then delivered the goods to its sub-buyer CC without any inspection, as CC was insisting on quick delivery. On delivery CC found 30% of the kernels were broken. As a result the soya beans were mouldy and acidic and therefore unfit for any commercial purpose. CC informed BB it was rejecting the goods. The market value of the soya beans delivered to BB was HK\$100 per ton.

**Advise BB as to its remedies against AA.**

**(20 marks)**

- (c) Angus purchased a Mercedes-Benz EQB car from his friend Bert, an accountant, who lives next door and is selling the car in order to help pay for his daughter's wedding. The contract price of the car is HK\$400,000. Before making the contract, Angus inspected the car and noted that the milometer reading was 30,000 miles and that the bodywork and interior of the car seemed to be in a very good condition. Three months after the car was delivered to Angus, the car broke down and Angus was informed that the car had a very serious defect, which was probably there when he bought the car, which will cost him HK\$100,000 to repair. Also, Angus has discovered the mileage reading was incorrect, the true mileage at the time of the sale being 100,000 miles. The market value of a 100,000-mile Mercedes-Benz EQB is HK\$300,000. Angus wishes to end the contract and obtain a refund of the purchase price.

**Advise Angus.**

**(30 marks)**

- (d) Alice purchased a car from Miser Finance on hire purchase terms. The price is payable in 24 instalments. After paying the first 10 instalments Alice experienced financial difficulty. Alice sold the car to Barry for HK\$500,000 and disappeared. Barry later sold the car to Cedric for HK\$300,000. Cedric used the car for one year and then received an email from Miser Finance stating the car belongs to them and Cedric must return it. Cedric informs Barry he is terminating the contract with Barry and that he wants a refund of the purchase price.

**Advise Cedric.**

**(20 marks)**

- (e) **Would your advice in (d) above differ in any way if Alice reappeared and paid off the balance owing to Miser Finance before Cedric terminated the contract?**

**(10 marks)**

**Question 2 (100 marks) (Answer all parts)**

- (a) Amanda runs a business selling antique jewellery in Hong Kong. She has premises in Sheung Wan.

**Advise the relevant parties in each of the following different situations.**

- i) One of Amanda's regular customers, Beth, comes to her premises with a necklace. Beth tells Amanda *"I own what I believe to be a very valuable 19<sup>th</sup> century necklace. I am thinking of selling it, can you check with any experts you know in Hong Kong to confirm it is genuine?"* Amanda agrees and takes possession of the necklace. However she ignores Beth's instructions and sells the necklace to Carol.

**Advise Carol as to whether she has obtained good title to the necklace. (20 marks)**

- ii) Amanda owns an antique bracelet and sells it to Brenda. Brenda tells Amanda *"Please keep the bracelet in your possession until I return from a three months' business trip."* As Amanda is having financial difficulties she sells the bracelet to Cindy and emails her saying *"You must be delighted to know that you are now the owner of such a valuable bracelet. Please collect it next week when you return from holiday."*

**Advise Cindy as to whether she has obtained good title to the bracelet. (20 marks)**

- iii) Amanda purchases a necklace from Bob who came to her Sheung Wan premises but, unknown to Amanda, Bob was a thief who had stolen the necklace from Betty after breaking into her flat. Amanda sells the necklace to Candy, after Candy invites Amanda to bring some jewellery to Candy's hotel room when Candy is visiting Hong Kong.

**Advise Candy whether she obtains good title to the necklace where (i) the sale takes place at Candy's hotel room and (ii) the sale takes place at Amanda's Sheung Wan premises. (15 marks)**

- (b) Jack is a collector of exotic animals. He wanted to buy an Aldabra Giant Tortoise. He went to World Pets ("WP"), a Hong Kong business specialising in selling exotic animals. WP told Jack that they could obtain such a tortoise from the Seychelles. Jack entered into an agreement with WP to purchase an Aldabra Giant Tortoise for HK\$300,000. The price was to include transportation costs of the tortoise to Hong Kong and delivery to Jack. Two weeks after the contract was made WP sent Jack an email and video attachment with the message *"Here is the tortoise we have purchased for you. His name is Tony and he is 5 years old. Don't you agree he is a beauty?"* Last week WP informed Jack *"We are sorry but there has been a bit of a disaster. Tony the tortoise arrived in Hong Kong yesterday and everything was fine until we placed Tony in our van for transportation to our shop. Unfortunately the van was involved in a road accident on the way back from the airport and Tony was killed."*

Jack now wishes to obtain a refund of the purchase price from WP but they are refusing to do so, informing Jack *"We are legally entitled to keep the money."*

- i) **Advise Jack. (35 marks)**

- ii) **In what way, if any, would your advice differ if Jack had bought Tony from WP's shop and Tony had died in a road accident when WP were transporting Tony to Jack?** (10 marks)

**~ End of Examination Paper ~**

## **PCLL CONVERSION EXAMINATION JUNE 2025**

Title of Paper : Commercial Law – Part B  
Date : 17 June 2025  
Time : 2:30 p.m. – 2:40 p.m. (Reading Time)  
2:40 p.m. – 3:40 p.m.

### **Instructions**

1. This is an open book examination.
2. Write your **candidate number** on the cover of each answer book. Do **NOT** write your name in the answer book.
3. Start the answer to each question or sub-question on a separate page of the answer book.
4. Write your answers only in the answer books provided.
5. This is a one-hour examination.
6. Reading time for this paper is 10 minutes. Do **NOT** begin writing in your answer books during this period until you are instructed to do so.
7. This paper consists of 4 pages, including two questions. Candidates are only required to answer **ONE** question out of two. A total of 100 marks may be awarded. Candidates will score zero mark if they answer more than one question.
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**PCLL Conversion Examination June 2025**  
**Commercial Law**

**Part B: Personal Property**

**Question 1 (100 marks) (Answer all parts)**

**Question 1(a)**

ABC Logistics ("ABC"), a freight company, entered into a contract with XYZ Electronics ("XYZ") to transport high-value electronic goods from one city to another. During transit, one of ABC's trucks was involved in an accident, causing damage to the goods. Following this incident, XYZ seeks your advice in relation to the recovery of the cost of the damaged goods from ABC.

**Advise XYZ.**

**(20 marks)**

**Would your answer to Question 1(a) above be different in the following different situations:**

- i. A contract between ABC and XYZ was entered into regarding the transportation of the goods. The contract provided that ABC would only be liable for any damage to the goods if the cause of the damage was intentional. **(15 marks)**
- ii. Instead of engaging ABC, XYZ asked Jon, a XYZ employee, to transport the goods. As the destination was close to Jon's house no further instructions nor any payment was given. **(20 marks)**

**Would your answer to Question 1(a) ii above be different if:**

- iii. When Jon agreed to transport the goods for XYZ, XYZ told Jon he must deliver them personally and by no one else. However, Jon engaged SF Delivery to deliver the goods and it was SF Delivery's truck that was involved in the accident. **(5 marks)**

**Question 1(b)**

In a separate transaction, XYZ had previously pledged some of its inventories as security for a loan from True Bank. The inventories and documents of title were stored in a warehouse owned by XYZ. After hearing about the accident (as referred to in 1(a) above), True Bank would like to enforce the security, but a third-party creditor of XYZ is also asserting a claim against the same inventories due to a prior lien on them.

**Explain the difference between a pledge and a lien, and advise XYZ on the true nature of the security over the relevant inventories in favour of True Bank by XYZ. **(20 marks)****

**Question 1(c)**

XYZ was successful in its claim against ABC in Question 1(a) above and ABC, as the judgement debtor, has been ordered to pay XYZ HK\$500,000 as damages. As ABC has yet to pay the damages, XYZ is now facing financial difficulties and is trying to assign its inventories, including those that had been secured to True Bank, to Wind Bank as security for a new loan. Further, XYZ agreed to assign HK\$300,000 of ABC's judgement debt to MoneyLender Ltd. as security for an additional loan.

**Assuming that all security documents were properly registered, advise Wind Bank and MoneyLender Ltd. of matters that affect their priority against XYZ in the event of XYZ's liquidation.** (20 marks)



**Question 2 (100 marks) (Answer all parts)**

**Question 2(a)**

Alex is a small business owner of a company, AS Ltd., which operates an art studio. In order to expand the business, AS Ltd. applied for a loan from BankCorp and a loan of HK\$50,000 was approved. After receiving the funds, AS Ltd. used part of the loan to purchase oil paints and canvases from Supplier Ltd. and paid a deposit. The contract between the parties, *inter alia*, contains the following clauses:

*“Clause 2.1 The ownership of the Goods shall remain the sole and absolute ownership of Supplier Ltd. until such time as AS Ltd. has paid in full the agreed price.*

*Clause 2.2 The property of the Goods shall remain with Supplier Ltd. until full payment of the purchase price and if the Goods are processed, combined and/or mixed with other goods, Supplier Ltd. has the entire ownership of the new goods.*

*Clause 2.3 If any Goods combined, mixed or otherwise have been sold, the proceeds of the sale also belong solely to Supplier Ltd.”*

Alex created an amazing piece of artwork (the “Artwork”) from the canvas purchased from Supplier Ltd. and Emily, a friend of Alex, was so impressed that she insisted on buying the Artwork for HK\$50,000 and also investing in AS Ltd. Emily drew two cheques from her personal account, one for HK\$50,000 as payment for the Artwork and another HK\$100,000 as an investor’s loan in AS Ltd. After Alex received and deposited the money from Emily, AS Ltd. suffered a downturn in sales and struggled to meet the debt obligations to both BankCorp and Supplier Ltd. Due to the default in payment, BankCorp set off AS Ltd.’s loan against, and charged a ‘service fee’ of HK\$1,000 in, Alex’s personal account. Supplier’s Ltd. took possession of the Artwork saying that the Artwork belonged to Supplier Ltd. pursuant to Clauses 2.1 to 2.3.

**Advise Alex and Emily of their rights and obligations against BankCorp and Supplier Ltd. (70 marks)**

**Question 2(b)**

Following on from Qu 2(a), as AS Ltd. was unable to deliver the Artwork to Emily, Alex felt so bad that he returned the HK\$100,000 which was said to be an investor’s loan to Emily. Two months later, AS Ltd. started its liquidation procedures, and the appointed liquidators of AS Ltd. found that there were still some unused oil paints on AS Ltd.’s premises and HK\$80,000 in AS Ltd.’s bank account with AS Ltd.’s running capital and money from the sale of one painting made with Supplier Ltd.’s canvas.

**Advise the liquidators of AS Ltd. (30 marks)**

**~ End of Examination Paper ~**

## **PCLL CONVERSION EXAMINATION JUNE 2025**

Title of Paper : Commercial Law – Part C  
Date : 17 June 2025  
Time : 4:00 p.m. – 4:10 p.m. (Reading Time)  
4:10 p.m. – 5:10 p.m.

### **Instructions**

1. This is an open book examination.
2. Write your **candidate number** on the cover of each answer book.  
Do **NOT** write your name in the answer book.
3. Start the answer to each question or sub-question on a separate page of the answer book.
4. Write your answers only in the answer books provided.
5. This is a one-hour examination.
6. Reading time for this paper is 10 minutes. Do **NOT** begin writing in your answer books during this period until you are instructed to do so.
7. This paper consists of 3 pages, including two questions. Candidates are only required to answer **ONE** question out of two. A total of 100 marks may be awarded. Candidates will score zero marks if they answer more than one question.
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**PCLL Conversion Examination June 2025**  
**Commercial Law**

**Part C: Consumer Credit and Protection**

**Question 1 (100 marks) (Answer all parts)**

Adventure Pro Limited (“AP”) operates adventure tours in Hong Kong. Sam read some very good reviews on a travel blog about a kayaking tour in Mui Wo operated by AP. After Sam has made some enquiries with AP on its website using live chat, he decided to join a one-day kayaking tour with his wife. Sam entered into a contract with AP on AP’s website to join this one-day tour which, as stated in its itinerary, will include 5 hours of kayaking throughout the day in Mui Wo.

On the day of the tour, it was raining when Sam and his wife were on their way to the meeting point at the pier in Central. When they arrived at the pier, they were told by the tour guide that AP had decided to cancel the kayaking as the Hong Kong Observatory had predicted thundery showers in the outlying islands. The tour guide said he would take the tour party to Mui Wo for a hike instead. Sam and his wife were very upset when they heard about the change in itinerary and refused to go to Mui Wo with the rest of the tour party, so they left.

Sam went to the office of AP the next morning and asked for a refund for the tour. Sam told the Office Manager that the salesperson he chatted with in the live chat on AP’s website had reassured him that *“this tour definitely includes kayaking and even if there’s adverse weather, the kayaking tour will be rescheduled to another day”* before he decided to join the tour.

The Office Manager pointed Sam to the following clauses in the terms and conditions of the contract which Sam had agreed to (by clicking the *“I have read and agreed with the terms and conditions”* box) when he purchased the tour on AP’s website.

**Advise Sam as to the legal implications of the following clauses with respect to the possible claim(s) which Sam may have against AP.**

- (a) *“AP has the sole discretion in changing the itinerary of, or rescheduling, any tour as it sees fit.”* **(60 marks)**
  
- (b) *“The Customer acknowledges and agrees that, in entering into this Contract, the Customer has not relied and is not relying on any representations or statements made in writing or orally by AP or its agents or representatives other than those expressly set out in the terms and conditions of this Contract (other than such representations or statements made fraudulently).”* **(40 marks)**

**Question 2 (100 marks) (Answer all parts)**

Sue owns a successful flower shop and decided to expand her business by creating an online store for selling exotic plants.

In order to fund her business expansion, Sue pawned a valuable antique vase with Goldleaf Pawnshop (the “**Pawnshop**”), a licensed pawnbroker in Hong Kong, on 3 July 2024 in return for a HK\$100,000 loan at an interest rate of 3.5% per month, together with a redemption fee of HK\$10,000 which is payable upon redemption of the vase.

On 2 November 2024, Sue went back to the Pawnshop and told the Manager, Mr Kwan, that she needed more time to repay the loan. Mr Kwan agreed to extend the loan for another 3 months after Sue had settled the interest payment then due and informed her she must redeem the vase within this 3-month period. Mr Kwan asked Sue to keep the original pawn ticket and said to her discreetly *“if you have cash flow issues and need help, I have some extra cash that I can lend you, here’s my number, you can call me. Don’t worry, I do this all the time for my friends and some good customers of this shop like yourself”*.

Two weeks later, Sue continued to have cash flow issues as she had spent a lot of money in sourcing exotic plants to sell online. She decided to give Mr Kwan a call and they met at a cafe the next day. Sue borrowed HK\$80,000 from Mr Kwan at an interest rate of 46% per annum repayable in 4 months on 16 March 2025, and she signed a note which set out her personal details and the terms of the loan.

- (a) **In respect of the pawn arrangement between the Pawnshop and Sue, advise them as to their rights and obligations under the Pawnbrokers Ordinance (Cap. 166) in light of the facts above? (50 marks)**
- (b) **Advise Sue as to the legal effect of the Money Lenders Ordinance (Cap. 163) in respect of the loan advanced by Mr Kwan to Sue. (50 marks)**

**~ End of Examination Paper ~**