

## **REGULATIONS AND SUPERVISION OF PAWNBROKING BUSINESS IN HONG KONG**

A person carrying on business as a pawnbroker in Hong Kong must obtain a Pawnbrokers Licence. The licensing of pawnbrokers and regulation of pawnbroking transactions are governed by the Pawnbrokers Ordinance and the Pawnbrokers Regulations. The Pawnbrokers Ordinance provides provisions for:

- (a) the licensing of persons carrying on business as pawnbrokers;
- (b) the control and regulation of pawnbrokers and pawnbroking transactions; and
- (c) the power of court in respect of goods pawned and the power of entry and inspection by the police in Hong Kong.

In Hong Kong, the Commissioner of Police is responsible for carrying out investigation in respect of applications for and endorsements on Pawnbrokers Licences, complaints against pawnbrokers and enforcement of the Pawnbrokers Ordinance.

### **Licensing requirements**

The Pawnbrokers Ordinance states that no person shall carry on business as a pawnbroker without a Pawnbrokers Licence, at any place other than the premises specified in such Pawnbrokers Licence. Every Pawnbrokers Licence shall authorise the person and/or entity named therein to conduct business as a pawnbroker for a period of 12 months from the day it is granted. Except as provided in the Pawnbrokers Ordinance, Pawnbrokers Licences are not generally transferrable. For the renewal application, a licensee may apply for the renewal of the Pawnbrokers Licence not more than 2 months and not less than one month prior to the expiry date.

### **Documents to be submitted for application or renewal of Pawnbrokers Licence**

For application for or renewal of Pawnbrokers Licence, an applicant shall submit an application form in prescribed form and upon payment of a prescribed fee to the Commissioner of Police.

Personal, business and banking information, corporate or partnership information and details of the directors or partners of the corporate applicant or partnership (if applicable) shall be provided to the Commissioner of Police for his consideration when applying for or renewing the Pawnbrokers Licence. Such information and details to be provided to the Commissioner of Police include the following:

- Personal details — (i) the name and identity card number of the applicant, (ii) commercial code number; (iii) the address and telephone number of the applicant; (iv) the date and place of birth and nationality of the applicant; and (v) whether the applicant has been convicted for offences other than traffic offence in Hong Kong or elsewhere and the details of any such conviction(s).

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- Partnership information (if applicable) — (i) date of partnership formed; (ii) personal particulars of the partners (including their names, Hong Kong identity card numbers, residential addresses and dates of birth).
- Corporate information (if applicable) — (i) the name of the body corporate; (ii) its date and place of incorporation; (iii) the address of its registered office; and (iv) personal particulars of the directors of the body corporate (including their names, Hong Kong identity card numbers, residential addresses, dates of birth and periods of services as directors of the applicant).
- Banking information — (i) the name of each of the banks; (ii) the address of each of the banks; (iii) the number of accounts maintained at each of the banks; and (iv) the date of opening of such accounts.

The Commissioner of Police may conduct an investigation on the applicant including but not limited to, conducting site visits to the offices at which the applicant operates or intends to operate, interviewing the principal officers of the applicant and making inquiries on the applicant's operations of the pawnbroking business, for the purpose of determining whether, in the opinion of the Commissioner of Police, there exists any ground for objecting to the application.

### **Qualification criteria**

The Commissioner of Police shall not grant a Pawnbrokers Licence to an applicant unless he is satisfied:

- (a) that the applicant is a fit and proper person to carry on business as a pawnbroker;
- (b) that the applicant has complied with the provisions of the Pawnbrokers Ordinance and Pawnbrokers Regulations relating to the application; and
- (c) that in all the circumstances the grant of the Pawnbrokers Licence is not contrary to public interest.

### *Conditions of Pawnbrokers Licence*

A Pawnbrokers Licence shall be subject to the following conditions as stipulated under the Pawnbrokers Regulations and shown below:

- (a) requires that where the pawnbroker has reasonable cause to suspect that any property which is being offered or delivered to him in pawn is stolen property, he shall, if he can in all reasonable safety do so, apprehend the person offering the same, and shall take possession of the property so offered and if he does so, shall thereafter immediately inform the nearest police station;

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- (b) the pawnbroker shall during the continuance of his Pawnbrokers Licence carry on no trade or occupation at his place of business other than that of a pawnbroker and of the sale of goods that have become the property of the pawnbroker under the Pawnbrokers Ordinance;
- (c) the pawnbroker shall cause to be painted and kept painted in large and legible English letters and Chinese characters, over the door of his place of business, his or his firm's name at length, with the addition of the word "Pawnbroker" after the English name and the character "押" after the Chinese name; and
- (d) the pawnbroker shall maintain, in a conspicuous place at his place of business, a clearly legible sign in both English and Chinese stating:
  - (i) the rate of interest of 3.5% per lunar month as specified in the Pawnbrokers Ordinance; and
  - (ii) that the liability of the pawnbroker for any loss or damage shall not exceed under the Pawnbrokers Ordinance, in respect of any one article pawned, the sum of HK\$100,000.

### *Cancellation or refusal to renew of Pawnbrokers Licence*

The Commissioner of Police may cancel or refuse to renew a Pawnbrokers Licence at any time, if in his opinion:

- (a) any false or misleading statement or information was made or furnished in connection with the application to obtain or renew the Pawnbrokers Licence;
- (b) the person to whom the Pawnbrokers Licence was granted is convicted of an offence under the Pawnbrokers Ordinance or any regulations made thereunder;
- (c) a condition of the Pawnbrokers Licence is contravened, whether or not any person has been convicted of an offence under section 8(2) of the Pawnbrokers Ordinance;
- (d) the person whom the Pawnbrokers Licence was granted has ceased to be a fit and proper person to carry on business as a pawnbroker; or
- (e) the public interest so requires.

### **Our Group's compliance with the Pawnbrokers Ordinance**

#### *Licensing history of our Group*

Wai Wah Pawnshop commenced its pawnbroking business in 1975. Hing Wah Pawnshop commenced its pawnbroking business in 1986. Oi Wah HK commenced its pawnbroking business upon the granting of the Pawnbrokers Licence to Mr. Edward Chan for Ho Wah Pawnshop by the Commissioner of Police in 2000. Subsequently, Oi Wah HK obtained the Pawnbrokers Licences for its other Pawnshops. Since the granting of its first

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Pawnbrokers Licence and up to the Latest Practicable Date, our Group has not received any objection from, nor has been the subject of any investigation in relation to its applications for and renewals of Pawnbrokers Licences by the Commissioner of Police.

Our Pawnbrokers Licences for all of our Pawnshops have been renewed every year since our commencement in 1975. The Commissioner of Police would normally conduct site visit to a new pawnshop as part of their investigation process when we apply for a new Pawnbrokers Licence for the operation of pawnbroking transactions. In addition, the Commissioner of Police may visit our Pawnshop during the application for renewal of the relevant Pawnbrokers Licence.

### **Regulation of pawnbroking transactions**

#### ***(i) Pawnbrokers Ordinance***

The Pawnbrokers Ordinance imposes a number of regulations on the transactions and arrangement which may be conducted by a pawnbroker. These include, but are not limited to, the matters set out below:

##### *Interest on loans*

Section 11 of the Pawnbrokers Ordinance stipulates that the agreement for the loan of a sum of money on security of goods pawned shall be unenforceable if the pawnbroker demands or take (i) simple interest in excess of 3.5% per lunar month, or (ii) compound interest, or any payment other than principal and interest.

Any pawnbroker who contravenes this section commits an offence and is liable to a fine of HK\$20,000 and to imprisonment for 1 year.

##### *Ticket to be given to borrower*

Section 13 of the Pawnbrokers Ordinance stipulates that it is illegal for a pawnbroker not on the date of advancing any money on loan deliver to the borrower a ticket in the prescribed form under the Pawnbrokers Ordinance.

Any pawnbroker who contravenes this section commits an offence and is liable to a fine of HK\$5,000.

##### *Unredeemed goods to become the property of pawnbroker*

Upon expiration of 4 lunar months from the date of advancing any money on loan, if the goods pawned are not redeemed, then they shall become the property of the pawnbroker. However, if before the expiration of 4 lunar months from the date of advancing any money on loan, the borrower wishes to continue the loan, the pawnbroker shall allow on his paying the interest then due and in any such case a new ticket shall be delivered to the borrower and a new entry shall be made in the general book. The date of advancing of money on loan shall be the date when then new ticket is delivered.

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### *Probation on pawnbrokers when receiving goods in pawn*

Pursuant to section 21 of the Pawnbrokers Ordinance, which stipulates that it is illegal for the pawnbroker to receive in pawn any goods (a) from anyone under the age of 17 years; (b) from anyone without his proof of identity being inspected; and (c) having any mark or indication on them indicating to be or have been the property of the State, Urban Council or any other statutory body or authority.

Further, it is also illegal for the pawnbroker to demand or accept the following goods as security (a) identity card under the Registration of Person Ordinance or any other form of documentation establishing the identity or nationality of the holder; (b) bank savings or deposit account book; and (c) photograph, whether developed or not, of the borrower or owner of the goods or any of their family member.

Any pawnbroker who contravenes this section commits an offence and is liable to a fine of HK\$5,000 and to imprisonment for 6 months.

### *Seizure of unlawful goods by the police*

Pursuant to section 20 of the Pawnbrokers Ordinance, a Magistrate shall, upon written information on oath being laid before him that there are probable grounds for believing that any goods have been pawned without the authority of their owners, issue his warrant for searching any place where the goods may appear to him to be; and if any of the goods are discovered upon such search, the person executing the warrant shall take them or cause them to be taken into safe keeping.

If the police has probable grounds for believing that unlawful goods have been pawned, the police may seize the unlawful goods from any pawnshop pursuant to section 20 of the Pawnbrokers Ordinance.

### ***(ii) Pawnbrokers Regulations***

The Pawnbrokers Regulations constitute a piece of subsidiary legislation of the Pawnbrokers Ordinance. They mainly govern the administrative matters in relation to the operation of pawnbroking business such as the form of general book and ticket to be used by pawnbrokers and fees and forms for application and renewal of Pawnbrokers Licence. Our Group has to follow such prescribed forms when making relevant applications and conducting its pawnbroking business.

### REGULATIONS AND SUPERVISION OF MONEY LENDING BUSINESS IN HONG KONG

A person carrying on business as a money lender in Hong Kong must obtain a Money Lenders Licence. The licensing of money lenders and regulation of money lending transactions are governed by the Money Lenders Ordinance and the Money Lenders Regulations. The Money Lenders Ordinance contains provisions for:

- (a) the control and regulation of money lenders and money lending transactions;
- (b) the appointment of the Registrar of Money Lenders and the licensing of persons carrying on business as money lenders; and
- (c) the protection and relief against excessive interest rates and extortionate stipulations in respect of loans.

The governing authorities of the money lending industry in Hong Kong include:

- Licensing Court — responsible for determination of applications for and granting of Money Lenders Licences
- Registrar of Money Lenders — responsible for processing applications for Money Lenders Licences, endorsement on Money Lenders Licences and maintaining a register of money lenders for inspection by members of the public
- Commissioner of Police — responsible for carrying out investigation in respect of applications for and endorsements on Money Lenders Licences, complaints against money lenders and enforcement of the Money Lenders Ordinance

#### Licensing requirements

The Money Lenders Ordinance states that no person shall conduct business as a money lender without a Money Lenders Licence, at any place other than the premises specified in such Money Lenders Licence or otherwise than in accordance with the conditions of a Money Lenders Licence. Every Money Lenders Licence shall authorise the person and/or entity named therein to conduct business as a money lender for a period of 12 months from the day it is granted. A Money Lenders Licence is not generally transferrable and a licensee may apply for the renewal of its Money Lenders Licence within three months prior to the expiration of its Money Lenders Licence.

#### Documents to be submitted for application or renewal of licence

For application for or renewal of Money Lenders Licence, an applicant shall submit an application form and a statement in prescribed form together with application fee to the Registrar of Money Lenders. For a corporate applicant, evidence of authorisation shall be submitted to prove that the application for or renewal of the Money Lenders Licence is made by a person authorised on behalf of such applicant.

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Corporate and banking information and details of the directors, past directors, management, controllers and shareholders of the corporate applicant shall be provided to the Registrar of Money Lenders for its consideration when applying for or renewing the Money Lenders Licence. Such information and details to be provided to the Registrar of Money Lenders include the following:

- Corporate information — (i) the name and any former names (in English and Chinese) of the applicant; (ii) its date and place of incorporation (in the case of application for licence); (iii) the date of compliance with Part XI of the Companies Ordinance if the applicant is a non-Hong Kong company (in the case of application for licence); (iv) the address of its registered office; and (v) the address and telephone number of each of the place at which the applicant's money lending business is carried on.
- Banking information — (i) the name of each of the banks; (ii) the address of each of the banks; (iii) the number of account maintained at each of the banks; and (iv) the date of opening of the account.
- Personal particulars of the directors of the applicant — (i) their English and (if applicable) Chinese names and codes; (ii) their residential addresses; (iii) period of services as directors of the applicant (in the case of application for licence); (iv) their Hong Kong identity card numbers; and (v) whether they have been convicted for offences other than traffic offence in Hong Kong or elsewhere and the details of any such conviction(s).
- Particulars of six principal shareholders (or all the shareholders if less than six) — (i) their English and (if applicable) Chinese names and codes; (ii) their residential addresses; (iii) details of their shareholding in the applicant; and (iv) particulars of the beneficial owners (if the principal shareholders of the applicant are not the beneficial owners of the shares of the applicant).

Application for or renewal of a Money Lenders Licence is made to the Registrar of Money Lenders, and such application is copied to the Commissioner of Police. The Commissioner of Police may conduct an investigation on the applicant including but not limited to, conducting site visits to the offices at which the applicant operates or intends to operate, interviewing the principal officers of the applicant and making inquiries on the applicant's operations of the money lender business, for the purpose of determining whether, in the opinion of the Commissioner of Police, there exist any ground for objecting to the application. The Commissioner of Police may in writing require the applicant to produce for inspection such books, records or documents or to furnish such information relating to the application or any business conducted or intended to be conducted by him as the Commissioner of Police may specify.

### **Investigation and lodgment of application**

Prior to the date on which 60 days after the date on which the application is made expires or the date on which the Commissioner of Police notifies the Registrar of Money Lenders that any investigation carried out in respect of the application has been completed (the “**material date**”), the application shall only be registered by the Registrar of Money Lenders. Where the Registrar of Money Lenders or the Commissioner of Police intends to object an application, he shall not later than seven days after the material date serve notice on the applicant of his intention to object and of the ground of such objection. Upon expiry of a period of seven days after the material date in respect of any application, the Registrar of Money Lenders shall lodge the application with the Licensing Court together with any notice of objection served on the applicant.

Where a licensee intends to conduct business as a money lender at other premises in addition to the premises specified in his licence, he may apply to the Licensing Court to have such additional premises endorsed on his licence.

### **Determination of application for or renewal of licence by Licensing Court**

The Licensing Court comprises a Magistrate sitting alone in a Magistrates’ Court and is empowered to hear and determine whether to grant or renew the Money Lenders Licence.

### **Qualification criteria**

The Licensing Court shall not grant a Money Lenders Licence to an applicant who is convicted of an offence under the Money Lenders Ordinance and whom there is in force an order made by a court disqualifying such person from holding a Money Lenders Licence. In addition, the Licensing Court shall not grant a licence upon application for or renewal of, which has been subject to an objection by the Registrar of Money Lenders or the Commissioner of Police or any other person who has served notice of his intention to object or any other person who is granted leave by the Licensing Court to make such objection unless the Licensing Court is satisfied:

- (a) that the applicant is a fit and proper person to carry on business as a money lender;
- (b) in the case of a company, that any person who controls such company or in accordance with whose directions or instructions the directors thereof are accustomed to act is a fit and proper person to be associated with the business of money lending;
- (c) that any person responsible or proposed to be responsible for the management of the business or any part thereof, or in the case of a company, any director, secretary or officer thereof, is a fit and proper person to be associated with the business of money lending;
- (d) that the name under which the applicant applies to be licensed is not misleading or otherwise undesirable;



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- (e) that the premises to which the application relates and situation thereof, are suitable for the carrying on of the business of money lending;
- (f) that the applicant has complied with the provisions and regulations relating to the application; and
- (g) that in all the circumstances the granting of Money Lenders Licence is not contrary to public interest.

### *Conditions of Money Lenders Licence*

The Licensing Court may impose conditions on licence granted or renewed as it deems fit.

### *Grounds of revocation or suspension of Money Lenders Licence*

The Licensing Court may determine its own procedure subject to the Money Lenders Ordinance. On the application of the Registrar of Money Lenders or the Commissioner of Police, the Licensing Court may make an order to revoke or suspend any Money Lenders Licence granted if, in its opinion:

- (a) the licensee has ceased to become a fit and proper person to conduct business as a money lender; or
- (b) the premises specified in the Money Lenders Licence have ceased to be suitable for the carrying on of the business of money lending; or
- (c) the licensee has been in serious breach of any condition of the Money Lenders Licence or has ceased to satisfy any other condition relating to his business as a money lender in respect of which the Licensing Court is required to be satisfied; or
- (d) the business of the licensee has been carried on at any time or on any occasion since the date on which the Money Lenders Licence was granted by recourse to the use of any methods, or in any manner, contrary to public interest.

### **Our Group's compliance with the Money Lenders Ordinance**

#### *Licensing history of our Group*

Oi Wah HK, one of the operating subsidiaries of our Group, commenced its money lending business upon the granting of its Money Lenders Licence by the Licensing Court in 2001. Subsequently, Oi Wah HK has successfully received endorsement on its Money Lenders Licence for the operations of money lending transactions at the respective addresses of all of our Pawnshops and our Customer Service Centre.

Since the first granting of the Money Lenders Licence up to the Latest Practicable Date, Oi Wah HK has not received any objection from the Registrar of Money Lenders or the Commissioner of Police, nor has it been the subject of any investigation by the Registrar

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of Money Lenders or the Commissioner of Police in relation to its applications for and renewal of Money Lenders Licences. Most recently, our Money Lenders Licence was renewed and shall be valid until 17 May 2013.

The Commissioner of Police would normally conduct site visit to any new address as part of their investigation process when we apply for endorsement of our Money Lenders Licence for the operations of money lending transactions. In addition, the Commissioner of Police may visit some of the above addresses during the application for renewal of our Money Lenders Licence.

### **Regulations of money lending transactions**

#### ***(i) Money Lenders Ordinance***

The Money Lenders Ordinance imposes a number of regulations on the transactions and arrangements which may be conducted by a licensed money lender. These include, but are not limited to, the matters set out below:

##### *Requirement of a written agreement*

Section 18 of the Money Lenders Ordinance stipulates that, any agreement entered into by a money lender for the repayment of money, the payment of interest on money so lent and any security given in respect of such agreement or loan shall be unenforceable unless a note or written memorandum of the agreement (containing the information specified in the Money Lenders Ordinance) is signed personally by the borrower within seven days after making of the agreement and a copy of such note or memorandum is given to the borrower at the time of signing.

The note or memorandum shall contain all the terms of the agreement and in particular shall set out:

- (a) the name and address of the money lender;
- (b) the name and address of the borrower;
- (c) the name and address of the surety, if any;
- (d) the amount of the principal of the loan in words and figures;
- (e) the date of the making of the agreement;
- (f) the date of the making of the loan;
- (g) the terms of repayment of the loan;
- (h) the form of security for the loan, if any;

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- (i) the rate of interest charged on the loan expressed as a rate per cent per annum or the rate per cent per annum represented by the interest charged as calculated in accordance with Schedule 2 of the Money Lenders Ordinance; and
- (j) a declaration as to the place of negotiation and completion of the agreement for the loan.

Section 18(3) of the Money Lenders Ordinance states that, if the court before which the enforceability of any agreement comes in question is satisfied that in all the circumstances it would be inequitable that any such agreement which does not comply with section 18 should be held not to be enforceable, the court may order that such agreement is enforceable to such extent, and subject to such modifications or exceptions, as the court considers equitable.

Pursuant to sections 32 and 29 of the Money Lenders Ordinance, any money lender who contravenes this section commit an offence and is liable to a fine of HK\$100,000 (being the maximum penalty for committing each offence by breaching section 18 of the Money Lenders Ordinance) and to imprisonment for 2 years.

*Time limitation for making any complaint pursuant to section 18 of the Money Lenders Ordinance*

Section 26 of the Magistrates Ordinance provides that for offences, other than an indictable offence (being any crime or offence for which a Magistrate is authorised or empowered or required to commit the accused person to prison for trial before the Court), unless any other law which provides otherwise, complaint in respect of the breach to any relevant government authority shall be made within 6 months from the time when the matter of such complaint arose.

As advised by our Legal Counsel, an offence pursuant to section 18 of the Money Lenders Ordinance is not an indictable offence but a summary offence, and the relevant time limit for making any complaint under section 18 of the Magistrates Ordinance is 6 months under section 26 of the Magistrates Ordinance.

*Borrowers entitled to early repayment*

Borrowers are entitled at any time, by notice in writing to the money lender, to make early repayment of all amount payable as principal under any loan agreement together with interest computed up to the date of such payment.

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### *Terms rendering an agreement illegal*

Section 22 of the Money Lenders Ordinance states that any agreement made for the loan of money by a money lender shall be illegal if it provides directly or indirectly for (a) the payment of compound interest; (b) prohibiting the repayment of the loan by instalments; or (c) the rate or amount of interest being increased by reason of any default in the payment of sums due under the agreement; provided that provision may be made by any such agreement that if default is made in the payment upon the due date of any sum payable to the money lender under the agreement, whether in respect of principal or interest, the money lender shall be entitled, subject to Part IV of the Money Lenders Ordinance, to charge simple interest on that sum from the date of the default until the sum is paid at an effective rate not exceeding the effective rate payable in respect of the principal apart from any default, and any interest so charged shall not be reckoned for the purposes of the Money Lenders Ordinance as part of the interest charged in respect of the loan.

Notwithstanding the above, if the court is satisfied that in all the circumstances it would be inequitable that any such agreement which does not comply with this section should be held to be unenforceable, the court may order that such agreement is enforceable to such extent, and subject to such modifications or exceptions, as the court considers equitable.

### *Maximum interest rate chargeable by a money lender*

Section 24 of the Money Lenders Ordinance stipulates that it is a criminal offence to lend or offer to lend money at an effective rate of interest which exceeds 60% per annum. No agreement for the repayment of, or for the payment of interest on, any such loan and no security given in respect of any such agreement or loan shall be enforceable in any case.

Any money lender who contravenes this section commits an offence and is liable i) on summary conviction to a fine of HK\$500,000 and to imprisonment for 2 years; or ii) on conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for 10 years.

### *Authority of the court to re-open loan transactions as it may think fit*

Section 25 of the Money Lenders Ordinance provides that if in any proceedings for the recovery of any money lent or the enforcement of any agreement or security in respect of any loan, the court is satisfied that the transaction is extortionate, the court may re-open the transaction and make such orders and give such directions as it may think fit. A transaction is extortionate if it requires the borrower or a relative of the borrower to make payments which are grossly exorbitant or it otherwise grossly contravenes ordinary principles of fair dealing. Any agreement for the repayment of a loan or for the payment of interest on a loan in respect of which the effective rate of interest exceeds 48% per annum shall be presumed to be a transaction which is extortionate. If the court, having regard to all circumstances relating to the

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agreements, is satisfied that such rate is not unreasonable or unfair, the court may (except where such rate exceeds 60% per annum) declare that any such agreement is not extortionate.

### *Incidental charge for granting of loans not allowed*

Any agreement for the payment by the borrower to the money lender of any sum for or on account of costs, charges or expense (other than stamp duties or similar duties) incidental to or relating to the negotiations for or the granting of the loan or proposed loan or the guaranteeing or securing of the repayment thereof is illegal. It is also illegal for any money lender to charge, recover or receive any sum as for or on account of any such costs, charges or expenses (other than stamp duties or similar charges) or to demand or receive any remuneration or reward from a borrower for or in connection with or preliminary procuring, negotiating or obtaining any loan made or guaranteeing or securing the repayment of a loan.

### *Exempt loans from the provision of the Money Lenders Ordinance*

As detailed in Part 2, Schedule 1 of the Money Lenders Ordinance, certain types of loan granted by licensed money lenders are exempted from the provisions of the Money Lenders Ordinance (except sections 24 and 25 as described above, which apply to any person (whether a money lender or not)). These include, but are not limited to: (i) loans granted bona fide by an employer to its employee; (ii) loans made to a company secured by a mortgage, charge, lien or other encumbrance; (iii) loans made under bona fide credit card schemes; (iv) loans made to a company that has a paid up share capital of not less than HK\$1.0 million; and (v) loans made to a company the shares or debentures of which are listed on a recognised stock market.

### *Conviction of offence under the Money Lenders Ordinance*

Under section 32 of the Money Lenders Ordinance, where any person is convicted of an offence under the Money Lenders Ordinance, the Magistrate may order that such person shall be disqualified from holding a licence for such period not exceeding 5 years from the date of such conviction as may be specified in the order.

### ***(ii) Money Lenders Regulations***

The Money Lenders Regulations constitute a piece of subsidiary legislation of the Money Lenders Ordinance. They mainly govern the administrative matters in relation to the operation of money lender business such as regulating certain procedures, formats, fees etc. for applications and renewals of Money Lenders Licences. Our Group has to follow such prescribed forms and procedures etc. when making relevant applications and conducting its money lending business.

### OTHER REGULATIONS

There are certain legislations in Hong Kong (namely (1) Drug Trafficking (Recovery of Proceeds) Ordinance; (2) Organized and Serious Crimes Ordinance; and (3) United Nations (Anti-Terrorism Measures) Ordinance) which concern money laundering and stipulate that it is an offence to carry on a transaction or a series of transactions effected with the aim to conceal or change the identity of criminal proceeds or disguise the origin of funds. In essence, those legislations (i) prohibit a person from dealing with any property which directly or indirectly represents any person's proceeds of drug trafficking or an indictable offence; and (ii) require disclosure of a person's knowledge or suspicion of any terrorist property and property which directly or indirectly represents any person's proceeds of or usage (actual or intended) in connection with drug trafficking or an indictable offence. Our Directors confirm that we have been in compliance with these legislations.

Certain guidelines in respect of anti-money laundering have also been issued by different governmental or authoritative bodies such as HKMA and SFC. Although our Group, being a legal entity carrying on business in Hong Kong, is subject to the legislation prohibiting the money laundering activities, Pang & Co., legal advisers to our Company as to Hong Kong law, have advised us that the guidelines issued by HKMA and SFC for the prevention of money laundering activities (i.e. anti-money laundering measures) are not applicable to our Group since our Group is neither an authorised institution regulated by HKMA nor a licensed corporation under the SFO. Notwithstanding, we endeavour to conduct procedures recommended in the Guideline on Prevention of Money Laundering issued by the HKMA. These include adopting the "Know Your Customer" principle where we conduct checks on customers' origin and background, nature of their business or occupation, to ascertain whether they may pose risk of money laundering. We also maintain a system of record keeping for all our transactions. Staff is regularly reminded to be aware of anti-money laundering issues and relevant internal guidelines and training have been provided.

We regularly collect, hold, process and use personal data of our customers and potential customers due to the nature of our money lending business. We are therefore required to follow the fair information practices as stipulated in the data protection principles of the PDPO. We inform our customers of their rights under the said ordinance and the purpose for which their data may be used.

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Notwithstanding any duty of confidentiality owed by our Group to our customers and other laws and regulations on privacy and personal data (such as PDPO), our Group is entitled to report suspicious cases to the relevant authorities. The Hong Kong legislation which deals with money laundering specifically provides that disclosure of certain suspicious transactions to law enforcement agency pursuant to the legislation concerned shall not be treated as a breach of any restriction upon the disclosure of information imposed by contract or by any enactment, rule of conduct or other legislation provision and such disclosure shall not render the person who made it liable in damages for any loss arising out of the disclosure or any act done or omitted to be done in relation to the property concerned in consequence of the disclosure. Furthermore, section 58 of PDPO provides that if the personal data is used for any of the purposes referred to in section 58(1) of the PDPO (which include but not limited to prevention or detection of crimes, prosecution or detention of offenders and prevention, preclusion or remedying of unlawful or seriously improper conduct or dishonesty or malpractice by persons etc.) (“**Exempted Matters**”) and the application of the personal data protection principle in relation to such use would be likely to prejudice any of the Exempted Matters, then: (i) such personal data are exempted from the provisions of certain data protection principle; and (ii) if there is proceeding against any person for a contravention of any of those provisions of PDPO, it shall be a defence if that person can show that he has reasonable grounds for believing that failure to so use the data would have been likely to prejudice any of the Exempted Matters.