
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Prior to the completion of the [REDACTED] and the [REDACTED], Konew Group is interested in 100% of the equity interests of our Company through its wholly-owned subsidiary, Konew Fintech. Accordingly, each of Konew Group and Konew Fintech is a Controlling Shareholder of our Company.

Mr. Steven Lee through the Lee Trust, Chairman Lee, Mrs. Lee and Mr. Edwin Lee own 28.5%, 25.0%, 25.0%, and 21.5% respectively of the issued share capital of Konew Group which in turn indirectly holds [REDACTED] of the issued capital of our Company, immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or options which may be granted under the Share Option Scheme). Chairman Lee and Mrs. Lee are spouses and the parents of Mr. Steven Lee and Mr. Edwin Lee. Accordingly, Chairman Lee, Mrs. Lee, Mr. Steven Lee and Mr. Edwin Lee are regarded as a group of Controlling Shareholders of our Company, on the basis (i) of their family relationships of being close associates (spouses) and family members (parents, sons and siblings) of each other; and (ii) that Chairman Lee, Mrs. Lee, Mr. Steven Lee (through the Lee Trust) and Mr. Edwin Lee hold their shareholding interests collectively in our Company directly and indirectly via a common investment holding company (namely, Konew Group), and therefore be presumed to be a group of Controlling Shareholders pursuant to the Guidance Letter HKEX-GL89-16. Accordingly, each of Chairman Lee, Mrs. Lee, Mr. Steven Lee and Mr. Edwin Lee is a Controlling Shareholder of our Company.

Mr. Steven Lee is the chief executive officer and an executive Director of our Company. Chairman Lee is the chairman of our Board and a non-executive Director of our Company. Mrs. Lee is a non-executive Director of our Company. Further details of their background are set out in the section headed “Directors and Senior Management” of this document. Mr. Edwin Lee is not a Director or member of the senior management of our Company, and is not a director or member of senior management of any member of our Group. He has not been involved in the day-to-day operations and management of our Group throughout the Track Record Period.

EXCLUDED BUSINESS

The Directors have confirmed that to the best of their knowledge, information and belief, as of the Latest Practicable Date, save for Konew Group’s interests in the Secured Loan Business as mentioned in the section below, none of the Controlling Shareholders nor Directors and any of their respective close associates have interests in businesses, other than our Group’s Unsecured Loan Business, which may directly or indirectly compete with the Unsecured Loan Business of our Group and would require disclosure under Rule 8.10 of the Listing Rules.

THE EXCLUDED GROUP AND THE SECURED LOAN BUSINESS

The Excluded Group is controlled by the Lee’s Family and is principally engaged in the Secured Loan Business. The Secured Loan Business is mainly operated through Konew Capital, Maxcolm Finance and Honip Credit, each of them holds a Money Lenders License and are regulated by the Money Lenders Ordinance. An unsecured loan portfolio has been acquired by our Group from the Excluded Group on December 31, 2022. Likewise, an insignificant amount of subordinated loan portfolio has been transferred to the Excluded Group from our Group on the same date. For further details, see “Business — Key Financial and Operating Metrics — Receivables of Loan Principal”. The Excluded Group offers secured loan financings to customers in the ordinary and usual course of the Secured Loan Business. Properties are generally used as collaterals for the secured loan applications, which include (i) residential properties such as apartments, tenement houses, single houses and village houses; (ii) commercial properties such as retail and office premises; (iii) industrial units; (iv) car parking spaces; and (v) land.

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Details of the two types of secured loans offered by the Excluded Group are set out below:

First Mortgage Loans

The Excluded Group grants first mortgage loans to the First Mortgage Loan Applicants which are secured against real estate assets in Hong Kong.

The credit intelligence department of the Excluded Group will review the background of the First Mortgage Loan Applicant, including the First Mortgage Loan Applicant’s credit history and profile, the property type, profile and valuation and whether the property is subject to any encumbrance and the overall market conditions at the time of First Mortgage Loan application.

For the three years ended December 31, 2022 and five months ended May 31, 2023, the total interest income generated from the Excluded Group’s First Mortgage Loan business was approximately HK\$299.9 million, HK\$365.4 million, HK\$307.5 million and HK\$118.1 million, respectively.

Subordinated Mortgage Loans

The Excluded Group grants subordinated mortgage loans to the Subordinated Mortgage Loan Applicants who are property owners, and such loans are secured by second or lower ranking mortgages on their properties in favor of the Excluded Group which are subordinated to the first or higher ranking mortgage(s) charged on the same mortgaged properties.

For the three years ended December 31, 2022 and five months ended May 31, 2023, the total interest income generated from the Subordinated Mortgage Loan business from the Excluded Group was approximately HK\$354.5 million, HK\$346.6 million, HK\$300.3 million and HK\$126.0 million, respectively.

For the three years ended December 31, 2022 and five months ended May 31, 2023, the total interest income generated from Subordinated Mortgage Loan business from our Group was approximately HK\$0.8 million, HK\$0.5 million, HK\$0.5 million and nil, respectively.

Nature of the Relevant Market Segments

Our Directors believe that our Unsecured Loan Business and the Excluded Group’s Secured Loan Business belong to different market segments with different target customers, risk profile, financial needs and returns as set out below and there is no direct and/or indirect material competition between them.

Unsecured Loan Business

Personal Loans: As Personal Loan borrowers are not required to provide any security, a higher interest rate is charged and a shorter repayment period is given by licensed money lenders to make up for the higher inherent risk. The interest rate of our Personal Loans generally ranges from 10.0% to 48.0% during the Track Record Period. Since December 30, 2022, the effective rate of interest exceeding which a loan transaction would be considered extortionate has been lowered from 48% per annum to 36% per annum. However, the current extortionate rate of 36% per annum does not apply to loan agreement entered into before December 30, 2022. For further details on the statutory framework on the extortionate interest rate, see the “Regulatory Overview”.

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Unsecured Property Owner Loans: Unsecured property owner loans mainly target borrowers who need quick access to funds but have difficulty in obtaining mortgage loans. For example, in Hong Kong, owners of properties acquired under the HOS are generally subject to such terms and conditions that the Director of Housing of the Housing Authority may impose, which includes restrictions on refinancing. Even though no property is pledged to the lender of unsecured property owner loans, we believe the inherent risk of unsecured property owner loans is considered lower than the loans for individuals who do not own any properties and hence licensed money lenders would consider charging a lower interest rate for unsecured property owner loans as compared to unsecured personal loans to non-property owners.

SME Loans: The SME loan providers target SMEs which are unable to obtain financing for working capital and/or business expansion purposes from authorized institution such as banks due to delinquency risks or lack of tracked operating records. By offering greater flexibility and simplified procedures, we believe licensed money lenders can better serve SMEs' liquidity needs and have become an important alternative financing channel for SMEs in Hong Kong.

Secured Loan Business

Secured loan providers target the financing needs of the property owners. These borrowers can provide property as collateral and the licensed money lenders can liquidate the property collateral if the borrower defaults on the loan. Therefore, licensed money lenders are generally willing to offer lower interest rates and longer repayment periods to mortgage loan borrowers as compared to unsecured loan borrowers. According to Frost & Sullivan, the interest rate of a mortgage loan may range from 15.0% to 30.0% depending on the property loan types and property types. We believe Subordinated mortgage loans are subject to higher-ranked mortgage(s) and therefore usually have a higher credit risk than the first mortgage loans.

As the nature and characteristics of the relevant market segments are not overlapped and are substantially different with distinctive features, we believe our Unsecured Loan Business is clearly delineated from the Excluded Group's Secured Loan Business. Our Directors believe, for the reasons set out below, that there is clear business delineation between the Secured Loan Business and Unsecured Loan Business and there is no direct or indirect material competition between our business and the Excluded Group's business.

Business Delineation

There is a clear delineation between our Unsecured Loan Business and the Secured Loan Business operated by the Excluded Group. Our Directors are of the view that the Secured Loan Business operated by Excluded Group and our loan products are different business segments and are not of competing nature for the following major reasons:

Personal Loan segment and SME Loan segment

Loan applicants without properties are served by our Group: The Secured Loan Business, comprising the First Mortgage Loan business and the Subordinated Mortgage Loan business, requires their target customers to provide their properties as collateral. In contrast, applicants of Personal Loans and SME Loans, being the target customers of our Group, are generally not eligible to apply for the mortgage loans without properties. Therefore, applicants of Personal Loans and SME Loans without properties being provided as collateral can only be served by our Group. There will be in principle no direct competition between the Personal Loan business and SME Loan business of our Group and the Secured Loan Business of the Excluded Group.

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Unsecured HOS Property Owner Loan segment

Unsecured HOS Property Owner Loan applicants are served by our Group: The loan nature offered by our Group and the Excluded Group is also inherently different. Notwithstanding the fact that Unsecured Property Owner Loan Applicants are property owners, owners of Restricted HOS Properties are generally not eligible to offer their property as security based on the financial restriction imposed by the Director of Housing of the Housing Authority. For Unsecured Property Owner Loans granted by us, the majority of Unsecured Property Owner Loans are Unsecured HOS Property Owner Loans.

Unlike the First Mortgage Loan Applicants and the Subordinated Mortgage Loan Applicants who are owners of private properties and can decide whether to apply for Secured Loan or Unsecured Property Owner Loan based on their financing needs, HOS Property Owners are subject to additional restrictions and are not eligible to provide their HOS property as collateral for the Secured Loan application. Restricted HOS Properties are subject to alienation restrictions as stipulated in the terms, covenants and conditions contained in the Schedule to the Housing Ordinance and its subsequent amendments or the terms of the Deed of Assignment and the terms, covenants and conditions contained in the Government lease and are not allowed to be used as collateral for the mortgage loan. According to the Housing Ordinance, HOS Property Owners who wish to mortgage/remortgage their flats within the five-year restriction period or after the said period without paying the premium must obtain prior approvals from the Director of Housing who may impose such terms and conditions as he thinks fit.

In other words, if the HOS Property Owner wishes to dispose the HOS property or otherwise create an equitable charge to secure the granting and advancement of loan, the owner must first pay the premium stipulated in the schedule to the Housing Ordinance in full to obtain the Certificate for Removal of Alienation Restrictions (the “**Certificate**”) from the Housing Department, which certifies that the Premium has been paid and the alienation restrictions on the HOS property will be removed.

In this connection, by virtue of the restrictions of the HOS stipulated under the Housing Ordinance regarding the restriction to mortgage/remortgage the property within the five-year restriction period and the requirement to obtain prior approval from the Director of Housing to mortgage/remortgage without first making the land premium payment, the owners of Restricted HOS Properties are, in principle, not the target customers of the Excluded Group, whereas, our Unsecured HOS Property Owner Loan serves to facilitate the financing needs of these owners of Restricted HOS Properties. Therefore, the nature of the property owned by borrowers of Unsecured HOS Property Owner Loan and Secured Loan Business is different, and hence, there is a clear delineation between the target customers for the Secured Loan Business and the Unsecured HOS Property Owner Loan business.

Revenue contribution of Free HOS Property owner to Excluded Group is insignificant: Only an insignificant number of HOS Property Owners who have obtained the Certificate and converted the Restricted HOS Property to a free secondary market property (the “**Free HOS Property**”) made applications to the Excluded Group for Secured Loan. The loan principals in respect to the Secured HOS Loan offered by the Excluded Group ranges from HK\$50,000 to HK\$7.7 million. During the Track Record Period, the Secured HOS Loan contributed HK\$37.0 million, HK\$38.6 million, HK\$33.2 million and HK\$12.5 million, respectively, to the total revenue of the Secured Loan Business, representing 5.7%, 5.4%, 5.5% and 5.1% of the total revenue of the Secured Loan portfolio. For the loan balance, the Secured HOS Loan amounted to HK\$178.4 million, HK\$171.3 million, HK\$154.8 million and HK\$132.9 million, as of December 31, 2020, 2021 and 2022 and May 31, 2023, respectively, of the total balance of the Secured Loan portfolio, representing 5.3%, 5.1%, 4.8% and 4.1% of the total balance of the Secured Loan portfolio. During the Track Record Period, none of our borrowers of Unsecured HOS Property Owner Loans converted their loan to the Excluded Group’s Secured Loan during the application process by virtue of the removal of alienation restriction imposed on the HOS property.

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Based on the above, the Directors believe and the Joint Sponsors concur, that in principle, there is no material competition between the Excluded Group and the Personal Loan, SME Loan and Unsecured HOS Property Owner Loan segments respectively by virtue of the ineligibility of our targeted borrowers to apply for Secured Loan.

Unsecured Private Property Owner Loan

During the Track Record Period, our Group had engaged in a small portion of Unsecured Private Property Owner Loan business, accounting for 3.2%, 3.1%, 2.8% and 4.0% of our interest income during the Track Record Period. The segmental details on the Unsecured Property Owner Loan during the Track Record Period are as follows:

	Unsecured HOS Property Owner Loan				Unsecured Private Property Owner Loan			
	For the year ended/ As of December 31,		For the five months ended/As of May 31,		For the year ended/ As of December 31,		For the five months ended/As of May 31,	
	2020	2021	2022	2023	2020	2021	2022	2023
Interest income	HK\$176.7 million	HK\$161.3 million	HK\$140.1 million	HK\$65.4 million	HK\$9.9 million	HK\$8.3 million	HK\$6.7 million	HK\$4.2 million
Percentage of the total loan principal of our Unsecured Property Owner Loans	95.7%	95.9%	95.8%	92.4%	4.3%	4.1%	4.2%	7.6%
Typical interest rate range	20.4% – 42.0%				20.4% – 48.0%			

Size of the Unsecured Private Property Owner Loan is immaterial: For the three years ended December 31, 2022 and the five months ended May 31, 2023, the Unsecured Private Property Owner Loan only contributed HK\$9.9 million, HK\$8.3 million, HK\$6.7 million and HK\$4.2 million, respectively, to our interest income the Unsecured Private Property Owner Loan business, representing 4.3%, 4.1%, 4.2% and 7.6% of the total loan principal of the Unsecured Property Owner Loan portfolio. In contrast, the Unsecured HOS Property Owner Loan contributed significantly to the revenue of the Unsecured Private Property Owner Loan business, amounting to HK\$176.7 million, HK\$161.3 million, HK\$140.1 million and HK\$65.4 million, respectively, for the three years ended December 31, 2022 and the five months ended May 31, 2023, representing 95.7%, 95.9%, 95.8% and 92.4% of the total loan principal of the Unsecured Property Owner Loan portfolio.

Our Directors believe should there be any potential competition between the Secured Loan Business operated by the Excluded Group and the Unsecured Private Property Owner Loan business operated by our Group, the potential business competition is immaterial based on the following reasons:

Borrower’s needs are different: Even as a private property owner, whether or not to provide the property as a collateral in securing a loan depends on a number of factors, such as the purpose of the loan, the loan amount, the interest rate and repayment terms. Also, if the property is jointly owned by the borrower and other individuals, the borrower will typically be required to obtain consents from all joint owners of the property in order to obtain the mortgage.

Commercial terms are different: Even if a loan applicant’s financing needs can be served by both the Secured Loan Business of the Excluded Group and our Unsecured Private Property Loan business, the key commercial terms and conditions of the loans are not the same. In order to reflect the additional risk associated with the Unsecured Private Property Owner Loan as compared to the secured loan financings, the Unsecured Private Property Owner Loans, in the absence of collateral, will generally be subject to a higher interest rate. In contrast, for Secured Loan Applicants who are willing to provide property as collateral for the Secured Loan, the Secured Loan will generally be subject to a lower interest rate. For

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example, for an application of Unsecured Private Property Owner Loan with principal loan amount more than HK\$400,000, the interest rate offered by our Group typically ranged from 16.0% to 33.6% during Track Record Period with the median of the interest rate was 25.1% whereas, the interest rate offered by the Excluded Group for First Mortgage Loans typically ranged from 14.4% to 30.0% during Track Record Period with the median of the interest rate was 21.6% and the interest rate offered by the Excluded Group for Subordinated Mortgage Loans typically ranged from 16.8% to 33.6% during the Track Record Period and the median of the interest rate was 22.8%.

With these figures taking into account, the potential business competition only represents a relatively small portion of our Group, being the Duplicated Loan Range, representing the loan range from HK\$200,000 (being the lowest loan amount generally granted under the Secured Loan Business) to HK\$400,000 (being the highest loan amount generally granted under the Unsecured Private Property Owner Loan business). The summary table below sets out the (i) tenor; and (ii) interest rate of the Duplicated Loan Range for the Unsecured Private Property Owner Loan business and Secured Loan Business:

	<u>Unsecured Loan Business</u>	<u>Secured Loan Business</u>	
	<u>Unsecured Private Property Owner Loan</u>	<u>First Mortgage Loan</u>	<u>Subordinated Mortgage Loan</u>
Loan tenor	Typically not more than 60 months	Typically not more than 120 months	Typically not more than 120 months
Typical interest rate	Typically not less than 18.0% (for the amount within the Duplicated Loan Range)	Typically not less than 16.2% (for the amount within the Duplicated Loan Range)	Typically not less than 18.6% (for the amount within the Duplicated Loan Range)
	Typically not less than 18.8% (for the loan portfolio which is above HK\$400,000)	Typically not less than 15% (for the loan portfolio which is above HK\$400,000)	Typically not less than 16.8% (for the loan portfolio which is above HK\$400,000)

Principal loan receivable amounts are different: Although property owners can decide whether to make their loan application with or without their property as collateral, the range and average of principal loan amount offered by the Secured Loan Business and the Unsecured Private Property Owner Loan business are different. In particular, the typical limit of the principal loan receivable amount is different. A loan applicant who wishes to make a loan application for more than HK\$400,000 will normally apply for a mortgage loan rather than our Unsecured Property Owner Loan. Our Directors believe that it is because the borrower prefers to enjoy a lower interest rate that is offered under a mortgage loan application. During the Track Record Period, our Group only granted two, three and nil new Unsecured Private Property Owner Loan with principal loan amount more than \$400,000. Additionally, property owners are generally unwilling to make an application for secured loan if they do not have a certain extent of financing needs. During the Track Record Period, a Secured Loan Applicant who was willing to provide collateral would normally make an application for a principal loan amount of no less than HK\$200,000.

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As of each respective year or period end date during the Track Record Period⁽¹⁾, the different characteristics of the Unsecured Private Property Owner Loan, First Mortgage Loan and Subordinated Mortgage Loan are summarized below:⁽¹⁾

	<u>Unsecured Private Property Owner Loan</u>	<u>First Mortgage Loan</u>	<u>Subordinated Mortgage Loan</u>
Range of principal loan receivable amount	<u>Duplicated Loan Range</u> (representing approximately 2.9%, 3.0%, 3.0% and 3.7% of the total Unsecured Property Owner Loan portfolio)	<u>Duplicated Loan Range</u> (representing 3.2%, 2.4%, 1.8% and 2.2% of the total First Mortgage Loan portfolio)	<u>Duplicated Loan Range</u> (representing approximately 6.5%, 5.3%, 4.5% and 3.9% of the total Subordinated Mortgage Loan portfolio)
	<u>Below HK\$200,000</u> (representing approximately 3.2%, 2.7%, 2.3% and 2.5% of the total Unsecured Property Owner Loan portfolio)	<u>Below HK\$200,000</u> (representing approximately 0.6%, 0.4%, 0.4% and 0.3% of the total First Mortgage Loan portfolio)	<u>Below HK\$200,000</u> (representing approximately 1.0%, 0.7%, 0.6% and 0.5% of the total Subordinated Mortgage Loan portfolio)
	<u>Above HK\$400,000</u> (representing approximately 1.1%, 0.8%, 1.2% and 0.6% of the total Unsecured Property Owner Loan portfolio)	<u>Above HK\$400,000</u> (representing approximately 96.2%, 97.2%, 97.8% and 97.5% of the total First Mortgage Loan portfolio)	<u>Above HK\$400,000</u> (representing approximately 92.5%, 94.0%, 94.9% and 95.6% of the total Subordinated Mortgage Loan portfolio)
Average principal loan receivable amount	HK\$233,533, HK\$238,391, HK\$231,735 and HK\$251,171 (for the loan portfolio which is within the range of <u>Duplicated Loan Range</u>)	HK\$293,451, HK\$289,964, HK\$287,788 and HK\$293,618 (for the loan portfolio which is within the range of <u>Duplicated Loan Range</u>)	HK\$295,425, HK\$297,830, HK\$299,988 and HK\$299,144 (for the loan portfolio which is within the range of <u>Duplicated Loan Range</u>)
	HK\$82,454, HK\$83,506, HK\$83,452 and HK\$82,307 (for the loan portfolio which is <u>below</u> HK\$200,000)	HK\$91,860, HK\$96,724, HK\$96,637 and HK\$92,100 (for the loan portfolio which is <u>below</u> HK\$200,000)	HK\$100,062, HK\$102,832, HK\$98,551 and HK\$104,989 (for the loan portfolio which is <u>below</u> HK\$200,000)
	HK\$1,200,571, HK\$702,218, HK\$834,317 and HK\$584,672 (for the loan portfolio which is <u>above</u> HK\$400,000)	HK\$2,580,877, HK\$3,176,732, HK\$3,574,703 and HK\$3,218,610 (for the loan portfolio which is <u>above</u> HK\$400,000)	HK\$1,396,592, HK\$1,530,824, HK\$1,822,335 and HK\$2,189,056 (for the loan portfolio which is <u>above</u> HK\$400,000)

⁽¹⁾ As disclosed in “Business — Key Financial and Operating Metrics — Receivables of Loan Principal”, the Excluded Group had an insignificant amount of unsecured loan portfolio during the Track Record Period, and it has been acquired by our Group from the Excluded Group on December 31, 2022. Likewise, our Group had an insignificant amount of subordinated loan portfolio during the Track Record Period, and it has been transferred to the Excluded Group from our Group on the same date.

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In each year or period during the Track Record Period, our revenue from the Unsecured Private Property Owner Loans and the revenue generated from First Mortgage Loan and Subordinated Mortgage Loan by the Excluded Group for various loan principal ranges are set out below:

	<u>Unsecured Private Property Owner Loan</u>	<u>First Mortgage Loan</u>	<u>Subordinated Mortgage Loan</u>
Revenue	<p><u>Duplicated Loan Range</u> HK\$4.4 million, HK\$3.6 million, HK\$2.7 million and HK\$2.2 million (representing approximately 44.4%, 42.9%, 40.4% and 52.0% of our total revenue generated from Unsecured Private Property Owner Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023</p> <p><u>Below HK\$200,000</u> HK\$5.0 million, HK\$3.6 million, HK\$2.7 million and HK\$1.5 million (representing approximately 50.8%, 43.3%, 40.2% and 37.0% of our total revenue generated from Unsecured Private Property Owner Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023</p> <p><u>Above HK\$400,000</u> HK\$0.5 million, HK\$1.1 million, HK\$1.3 million and HK\$0.5 million (representing approximately 4.8%, 13.8%, 19.4% and 11.0% of our total revenue generated from Unsecured Private Property Owner Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023</p>	<p><u>Duplicated Loan Range</u> HK\$11.6 million, HK\$9.9 million, HK\$7.9 million and HK\$3.3 million (representing approximately 3.9%, 2.7%, 2.6% and 2.8% of the total revenue of the Excluded Group generated from First Mortgage Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023</p> <p><u>Below HK\$200,000</u> HK\$2.3 million, HK\$2.0 million, HK\$1.3 million and HK\$0.7 million (representing approximately 0.8%, 0.5%, 0.4% and 0.6% of the total revenue of the Excluded Group generated from First Mortgage Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023</p> <p><u>Above HK\$400,000</u> HK\$286 million, HK\$353 million, HK\$298 million and HK\$114.2 million (representing approximately 95.4%, 96.7%, 97.0% and 96.7% of the total revenue of the Excluded Group generated from First Mortgage Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023</p>	<p><u>Duplicated Loan Range</u> HK\$27 million, HK\$23 million, HK\$17 million and HK\$7 million (representing approximately 7.7%, 6.7%, 5.8% and 5.5% of the total revenue of the Excluded Group generated from Subordinated Mortgage Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023</p> <p><u>Below HK\$200,000</u> HK\$3.4 million, HK\$2.8 million, HK\$2.0 million and HK\$1.0 million (representing approximately 1.0%, 0.8%, 0.7% and 0.7% of the total revenue of the Excluded Group generated from Subordinated Mortgage Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023</p> <p><u>Above HK\$400,000</u> HK\$324 million, HK\$320 million, HK\$281 million and HK\$118 million (representing approximately 91.3%, 92.5%, 93.5% and 93.8% of the total revenue of the Excluded Group generated from Subordinated Mortgage Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023</p>

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In each year or period during the Track Record Period, our revenue from Unsecured Personal Loans and SME Loans with loan principal above HK\$400,000 and below HK\$200,000 are set out below:

	<u>Unsecured Personal Loan</u>	<u>SME Loan</u>
Revenue	<p><u>Above HK\$400,000</u> HK\$23.7 million, HK\$16.8 million, HK\$12.2 million and HK\$5.0 million (representing approximately 22.3%, 19.3%, 16.3% and 16.8% of our total revenue generated from Unsecured Personal Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023</p> <p><u>Below HK\$200,000</u> HK\$59.2 million, HK\$51.3 million, HK\$49.9 million and HK\$20.2 million (representing approximately 55.6%, 59.0%, 66.9% and 67.4% of our total revenue generated from Unsecured Personal Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023</p>	<p><u>Above HK\$400,000</u> HK\$10.2 million, HK\$11.9 million, HK\$10.9 million and HK\$4.7 million (representing approximately 97.3%, 92.1%, 90.6% and 93.2% of our total revenue generated from SME Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023</p> <p><u>Below HK\$200,000</u> HK\$70,000, HK\$190,000, HK\$140,000 and HK\$19,000 (representing approximately 0.7%, 1.5%, 1.1% and 0.4% of our total revenue generated from SME Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023</p>

Revenue contribution from Duplicated Loan Range is immaterial: The potential business competition in the Duplicated Loan Range only represents a relatively small portion of our Group. The Duplicated Loan Range contributed HK\$4.4 million, HK\$3.6 million, HK\$2.7 million and HK\$2.2 million to the total revenue generated from the Unsecured Private Property Owner Loan business for the years ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023, representing approximately 44.4%, 42.9%, 40.4% and 52.0% of our total revenue generated from Unsecured Private Property Owner Loans.

The revenue and loan balance of the First Mortgage Loan business and Subordinated Mortgage Loan business attributed from the Duplicated Loan Range are minimal. In respect of the First Mortgage Loan, the revenue generated from the Duplicated Loan Range business during the Track Record Period, are approximately HK\$11.6 million, HK\$9.9 million, HK\$7.9 million and HK\$3.3 million, respectively, representing approximately 3.9%, 2.7%, 2.6% and 2.8% of the overall First Mortgage Loan portfolio. In respect of the Subordinated Mortgage Loan, the revenue generated from the Duplicated Loan Range business during the Track Record Period are approximately HK\$27.4 million, HK\$23.3 million, HK\$17.3 million and HK\$6.9 million, respectively, representing approximately 7.7%, 6.7%, 5.8% and 5.5% of the overall Subordinated Mortgage Loan portfolio.

The target customers of the Excluded Group are mainly loan applicants with substantial financing needs, i.e. above HK\$400,000. In respect of the First Mortgage Loan business, the revenue generated from the loan granted above HK\$400,000 during the Track Record Period are approximately HK\$285.9 million, HK\$353.5 million, HK\$298.3 million and HK\$114.2 million, respectively, representing approximately 95.4% and 96.7%, 97.0% and 96.7% of the overall First Mortgage Loan portfolio. In respect of the Subordinated Mortgage Loan business, the revenue generated from the loan granted above HK\$400,000 for the Track Record Period are approximately HK\$323.7 million, HK\$320.4 million, HK\$280.9 million and HK\$118.2 million, respectively, representing approximately 91.1%, 92.5%, 93.5% and 93.8% of the overall Subordinated Mortgage Loan portfolio. Such revenue contribution has demonstrated different target customers of the Excluded Group and our Company, in which more than 90% of the revenue is generated from the loan applicants with collaterals for a principal amount of no less than HK\$400,000.

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From our perspective, the revenue generated from the Duplicated Loan Range of the Unsecured Private Property Owner Loan business only contributed an insignificant portion of the Unsecured Property Owner Loan business. During the Track Record Period, the revenue generated from the Duplicated Loan Range of the Unsecured Property Owner Loan business are approximately HK\$4.4 million, HK\$3.6 million, HK\$2.7 million and HK\$2.2 million, respectively, representing 1.4%, 1.3%, 1.2% and 2.1% of the overall Unsecured Property Owner Loan portfolio. Therefore, the potential competition from the Duplicated Loan Range, if any, would not have a material impact on our Group’s business and operation.

We expect the revenue generated by the Unsecured Private Property Owner Loan business will remain stable and will only contribute insignificant portion of our future revenue. Against such background, our Directors consider and the Joint Sponsors concur, that the potential competition arising from the Unsecured Private Property Owner Loan business is immaterial and there is an effective business delineation between our Group and the Excluded Group with the non-competition undertakings given by the Excluded Group and the Independent Business Opportunity Assessment Committee being established as discussed below.

Effective Business Referral Mechanism

In order to minimize any potential competition between the Excluded Group and our Group, the Excluded Group will offer the pre-emptive right for any lending business opportunity pursuant to the Excluded Group Non-Competition Undertaking (the “**Excluded Group NCU**”), to cover new business opportunities originating from applicants who are seeking to apply for a specified principal amount of secured private property loan which is within our typical loan range for Unsecured Private Property Owner Loan in the absence of collateral (the “**Referred Secured Loan Applicant**”).

In the event that the First Mortgage Loan Applicants and Subordinated Mortgage Loan Applicants are willing to provide their property as collateral to make a Secured Loan application below the upper limit of the Duplicated Loan Range, which is within the range of loan principal amount generally provided by us, the Excluded Group has provided the Excluded Group NCU with reference to the upper limit of the Duplicated Loan Range, i.e. HK\$400,000, covering these Unsecured Private Property Owner Loan business opportunities and shall grant the pre-emptive right to our Company who will be entitled to decide whether or not to take up such a business opportunity (the “**Referred Business Opportunity**”). A referral mechanism has been established, whereby if the Excluded Group receives a loan application from visiting the physical branches or online application from website or telephone hotline that is lower than the upper limit of the Duplicated Loan Range, i.e. HK\$400,000, the Excluded Group will not process the secured private property loan application and invite the loan applicant to consider the Unsecured Property Owner Loan of the Group. Based on the unsecured credit assessment procedure, the Group will offer loan terms without security for the Referred Secured Loan Applicant for consideration. Should the Referred Secured Loan Applicant refuse to take up our offer, we will return the application to the Excluded Group for further processing.

Therefore, the Excluded Group will not take up such secured private property loan application under HK\$400,000 unless (i) the Referred Secured Loan Applicant declines our loan offer; or (ii) our Group, after assessing the application of the Referred Secured Loan Applicant, declines the loan application in the absence of collateral. In the event that the Referred Secured Loan Applicant refuses to apply for the unsecured loans offered by our Group by virtue of, *inter alia*, (i) the interest rate offered; or (ii) the tenor offered by us is not in line with the Referred Secured Loan Applicant’s expectation, the Excluded Group will be allowed to take over the business opportunity.

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The Excluded Group has also undertaken to provide all information relating to the Referred Business Opportunity and all information necessary for the evaluation of the enforcement of the Excluded Group NCU as requested by the Independent Business Opportunity Assessment Committee from time to time, including the number of secured private property loan applications that fall within the ambit of the Referred Business Opportunity. The Excluded Group will also provide the Independent Business Opportunity Assessment Committee with the information relating to the Referred Business Opportunity in order for the Independent Business Opportunity Assessment Committee to observe the implementation status of the Excluded Group NCU. Therefore, the referral of the business opportunity and the pre-emptive right granted to our Group under the Excluded Group NCU will effectively minimize the potential competition of business between us and the Excluded Group and allow an objective numerical guideline to be implemented and to be enforced effectively.

Establishment of the Independent Business Opportunity Assessment Committee

In order to ensure that the Excluded Group NCU given by the Excluded Group will be implemented strictly and effectively, the Independent Business Opportunity Assessment Committee, a sub-committee of the Board is formed to review, assess and consider the matters related to the Excluded Group NCU. The Independent Business Opportunity Assessment Committee comprises 4 members, including 3 independent non-executive Directors and Ms. Wong Cheuk Sze, our executive Director and chief operating officer who does not have material interest in matters related to the Excluded Group NCU. The Independent Business Opportunity Assessment Committee is chaired by Mr. Mak Wing Sum Alvin, an independent non-executive Director. The independent non-executive Directors of the Independent Business Opportunity Assessment Committee will assess, among other things, whether or not our Group has taken up the Referred Business Opportunity and whether the Excluded Group NCU has been duly implemented.

Our Group will allow the independent non-executive Directors, upon receiving request, to appoint financial advisor or other professional expert to provide advice, at the cost of our Group, when necessary, in connection with the decision on whether to take on the Referred Business Opportunity.

Our Group will also adopt the following review and reporting procedures to ensure that the Excluded Group NCU is fully observed:

Periodic Review Mechanism: The Independent Business Opportunity Assessment Committee will be responsible for: (a) periodically reviewing the Referred Business Opportunities; and (b) periodically reviewing for the upward adjustment regarding the threshold of HK\$400,000 based on the business development of our Group and other relevant factors; (c) reviewing the decision of our Company based on the pre-set criteria for taking the Referred Business Opportunities as referred in the pre-emptive right granted by the Excluded Group.

Periodic Reporting Mechanism: Our Group will report periodically matters related to the Excluded Group NCU to the Independent Business Opportunity Assessment Committee, including:

- (i) our Company will prepare and provide report in relation to the information of the Referred Business Opportunities, *inter alia*, the decisions of our Company with details and analysis of the pre-set criteria and other matters as reported by our Company, to the Independent Business Opportunity Assessment Committee; and
- (ii) the Independent Business Opportunity Assessment Committee will hold quarterly meeting to oversee, review, assess and discuss the non-competition undertakings related matters, the periodic report and other relevant matters relate to Excluded Group NCU.

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Periodic Disclosure Mechanism: The Excluded Group will disclose periodically matters related to Excluded Group NCU, including:

- (i) the Independent Business Opportunity Assessment Committee will report in the interim report and annual report (a) their findings on the compliance of the Excluded Group in relation to Excluded Group NCU; (b) any decision for not taking the Referred Business Opportunities, and the basis of such decision; and (c) the review for the upward adjustment regarding the threshold of HK\$400,000 based on the business development of our Group and other relevant factors;
- (ii) if the Independent Business Opportunity Assessment Committee has any recommendations in relation to the Excluded Group NCU governing matters, details of which will be included in our interim report and annual report; and
- (iii) if any recommendations in relation to the non-competition undertakings governing matters have been provided by the Independent Business Opportunity Assessment Committee to our Group, our Group has undertaken to consider the recommendations and to implement such recommendations as soon as practicable in compliance with our Articles of Association as well as relevant laws and regulations, details and status of the implementations will also be included in the next available interim report and annual report so as to ensure transparency to the [REDACTED] public. Our Group will also disclose in our annual report and interim report for the said recommendations which have not been endorsed and implemented by the Board and provide the considered reasons and clear rationale for deviating from the recommendations (if applicable).

Reason for exclusion of the Secured Loan Business

Our Directors are of the view that it is commercially justifiable to exclude the Excluded Group and the businesses conducted by it due to the following reasons:

- (i) it is in the interest of our Group to focus on Unsecured Loan Business, in which we have a relatively long operational history and are one of the major players in the market. Our Group does not and has no intention to engage in the secured loan business which is currently conducted by the Excluded Group;
- (ii) given the differences in the assessment and approval processes involved in Secured Loan Business and Unsecured Loan Business in which that of the Secured Loan Business placed most of the emphasis on the provision of collaterals, whilst that of unsecured Loan Business is based on the overall credit assessment, focusing only on Unsecured Loan Business will allow our Group to gain direct access to the capital market for equity financing and to fund the existing operation and future expansion, such as the enhancement of technology by strengthening the credit risk control and management ability, thereby accelerating the expansion of and optimization of the operational and financial performance of the Unsecured Loan Business, which in turn will provide better return to the Shareholders;
- (iii) our Group's management team will be able to focus on the Unsecured Loan Business with a clearly delineated business objective from the Secured Loan Business, namely with our Group focusing on the Unsecured Loan Business market, we will be able to improve our Group's ability to recruit, motivate and retain key management personnel as well as to expediently and effectively materialize on any business opportunities that may arise in the Unsecured Loan Business; and

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- (iv) there is no direct or indirect material competition between our business and those of the Excluded Group.

As required under Rule 8.10(1)(a)(iv), our Controlling Shareholders confirm that they do not intend to inject the Excluded Group or businesses conducted by it into our Group in the future.

Our Directors confirmed that, to the best of their knowledge, during the Track Record Period, the Excluded Group (i) had not been subject to any material claims or litigation (whether actual or threatened) or involved in any negative publicity or material non-compliance incidents of material importance; and (ii) had not been and is not under investigation by the competent governing authority for any material adverse operation regulatory issues that would have a material and adverse effect on the business and financial of the Excluded Group.

Save as disclosed above, as of the Latest Practicable Date, none of our Controlling Shareholders, any of their respective close associates, nor our Directors, had interests in other businesses that may, directly or indirectly, compete with our business and would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKINGS BY OUR CONTROLLING SHAREHOLDERS

To avoid any actual or potential competition between the business of the Controlling Shareholders and our Company, each of Chairman Lee, Mrs. Lee, Mr. Steven Lee, Mr. Edwin Lee, Konew Group and Konew Fintech, as a covenantor (each a "**Covenantor**", and collectively the "**Covenantors**") provided non-competition undertakings in favor of us, pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken with our Company that at any time during the Relevant Period (as defined below), subject to certain exceptions and except as disclosed in this document, each of the Covenantors shall not, and shall procure its close associates (other than members of our Group) not to, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on its own account or with each other or in conjunction with or on behalf of any person or company, any business directly or indirectly in competition with or likely to be in competition with the Unsecured Loan Business.

For the above purpose, the "Relevant Period" means the period commencing from the [REDACTED] and until the earlier of: (i) the date on which our Shares cease to be [REDACTED] on the Stock Exchange; and (ii) the date on which such Covenantors (together with their respective close associates) cease to be our Controlling Shareholders.

The aforesaid undertaking does not apply with respect to the holding of or being interested in, directly or indirectly, by the Covenantors and/or their respective close associates, any shares in any company which conducts or is engaged in, directly or indirectly, any business directly or indirectly in competition with or likely to be in competition with the Unsecured Loan Business, provided that:

- (i) such shares are listed on a recognized stock exchange; and
- (ii) the total number of such shares held by any of the Covenantors and/or their respective close associates does not amount to more than 10% of the issued shares of that class of such company in question.

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Right of first refusal

Each of the Covenantors further undertakes with our Company that, if any new business opportunity relating to the Unsecured Loan Business arises (the "**Unsecured Loan Business Opportunity**"):

- (i) the Covenantors shall direct to our Company any such Unsecured Loan Business Opportunity by serving our Company a written notice; and
- (ii) such written notice shall include all information together with any documents possessed by it or its close associates in respect of the Unsecured Loan Business Opportunity to enable our Company to evaluate the merit of the Unsecured Loan Business Opportunity and all reasonable assistance as requested by our Company to enable our Group to secure the Unsecured Loan Business Opportunity.

Upon receipt of the written notice from the Covenantors, our Board (other than the interested Director, if any) will consider whether it is in the interest of our Company and our Shareholders as a whole to pursue the Unsecured Loan Business Opportunity. The Covenantors and their respective close associates (other than members of our Group) will not be entitled to pursue the Unsecured Loan Business Opportunity unless the Unsecured Loan Business Opportunity is declined by us, and the principal terms of which they and/or their close associates (other than members of our Group) invest or participate are no more favorable than those made available by our Company.

In addition, the non-competition undertakings provided by the Covenantors stipulate that if there is any disagreement between the Covenantors and our Company as to whether any Unsecured Loan Business Opportunity shall directly or indirectly compete or lead to competition with the Unsecured Loan Business, the matter shall be determined by our independent non-executive Directors whose decision shall be final and binding.

CORPORATE GOVERNANCE MEASURES

Our Company has adopted the following measures to manage the conflict of interest arising from competing businesses and to safeguard the interests of our Shareholders:

- (i) the decision-making mechanism of the Board as set out in the Articles of Association will include provisions to avoid conflicts of interest by providing, among other things, that Directors who are connected with the Excluded Group and involved in matters of a connected nature to be resolved at the Board meeting shall neither vote on such a resolution nor vote on behalf of other Directors. The Board meeting may proceed if more than half of the Directors who have no such connected relations are present and resolutions of the Board meeting may be adopted if approved by more than half of the Directors who have no such connected relations. Where the number of the Directors who have no such connected relations attending the Board meeting is less than 3, then the matters to be discussed at such meeting shall be submitted to the Shareholders' general meeting for consideration. Our Company will formulate and implement procedures on the management of related party transactions and connected transactions in the event of a conflict of interest; and where potential and actual conflicts arising from the related party/connected transaction(s) are considered, our Company will also comply with the applicable requirements of the Listing Rules and the relevant Directors who are related to/connected with the Excluded Group shall abstain from voting, and shall not vote on behalf of other Directors;

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- (ii) the independent non-executive Directors shall give their independent opinions to the Shareholders on the relevant related party/connected transaction(s) pursuant to the Listing Rules;
- (iii) Directors shall abstain from voting on any Board resolutions approving any contract or arrangement or any other proposal in which they or any of their close associates have a material interest. In such a situation, Directors who do not have any ongoing role with the Excluded Group shall vote and decide on such matters. In this context, a conflict, so far as our Company is concerned, will be taken to include any matter in which the Excluded Group has a direct or indirect interest;
- (iv) Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisors at our cost as and in accordance with the Code on Corporate Governance Practices and Corporate Governance Report as set out in Appendix 14 of the Listing Rules;
- (v) in accordance with Rule 3.10 of the Listing Rules, the Board will comprise of three independent non-executive Directors who are independent from the Excluded Group. The three independent non-executive Directors will be able to provide independent judgment on matters discussed by the Board, take the lead where potential conflicts of interests may arise and protect the interests of our Company and the Shareholders. All members of the audit committee (including the chairman), a majority of members of the nomination committee and a majority of the members of the remuneration committee of our Company will be independent non-executive Directors;
- (vi) the conflicting Director shall abstain from voting and will not be counted in the quorum at any board meeting where a conflict of interest arises, and in the event where there is an equality of votes by the remaining Directors on a resolution, the chairman presiding at such a Board meeting shall have a second or casting vote. In this context, a conflict will be taken to include any matter in which the Excluded Group has an interest (direct or indirect). Such corporate governance measures will be incorporated in the Articles of Association;
- (vii) all of the Directors will receive training on their responsibilities as directors, including on their fiduciary duties to act in the interests of our Company and the Shareholders as a whole;
- (viii) instances of actual and potential conflict(s) will be identified, minimized and regulated in accordance with the Listing Rules. Where the Board is required to determine matters in relation to the potential conflict(s) of interest or any connected transaction(s), such matter(s) will be referred to the independent non-executive Directors and/or to those Directors who do not have an interest (directly or indirectly) in the matter(s); and
- (ix) a regime for all of the continuing connected transactions will be established, with the on-going requirement that all such transactions (other than those qualifying for an exemption) shall be reviewed and reported on an annual basis to the independent non-executive Directors and the auditors of our Company in accordance with the Listing Rules.

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INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, the Directors believe and the Joint Sponsors concur, that our Group is and will remain to be capable of carrying on its business independently from our Controlling Shareholders and their respective close associates upon [REDACTED].

Management independence

Our Company has our own management team, of which most members are independent from our Controlling Shareholders. Our Board comprises two executive Directors, four non-executive Directors and three independent non-executive Directors.

Set out below is a table summarizing the positions held by our Director and senior management and their positions with the Excluded Group:

<u>Name</u>	<u>Position with our Group</u>	<u>Position with Excluded Group</u>
Mr. Lee Kun Tai Steven (李根泰)	executive Director and chief executive officer	director
Ms. Wong Cheuk Sze (黃卓詩)	executive Director and chief operating officer	none
Mr. Lee Sheung Shing (李常盛)	non-executive Director and chairman of the Board	director
Ms. Lee Pik Tsong (李碧葱)	non-executive Director	director
Ms. Chan Wing Sze (陳詠詩)	non-executive Director	chief operating officer
Ms. Kan Pui Yan (簡珮茵)	non-executive Director	chief financial officer
Prof. Hung Wai Man (洪為民)	independent non-executive Director	none
Mr. Mak Wing Sum Alvin (麥永森)	independent non-executive Director	none
Mr. Leung Ka Cheung (梁家昌)	independent non-executive Director	none
Ms. Lin Ching Man (林靜敏)	chief financial officer	none
Ms. Leung Ka Yee (梁嘉兒)	chief commercial officer	none

Save as disclosed above, none of our Directors or senior management held any position in the Excluded Group. Our Company has maintained and will maintain our management independence, with full rights to make all decisions on, and to carry out, our own business operation independently. Mr. Steven Lee, our executive Director and chief executive officer of the Group, is responsible for overall management and operations, strategic planning and business development of our Group. Ms. Wong Cheuk Sze, our executive Director and chief operating officer of the Group, is responsible for overseeing and managing the daily operations and activities of our Unsecured Loan Business. The Company and the Excluded Group are managed by separate management teams. Ms. Lin Ching Man, our chief financial officer, is responsible for the overall financial management of our Group. Ms. Leung Ka Yee, our chief commercial officer, is responsible for overseeing and supervising the corporate business department of our Group and managing the SME Loans and corporate partnership projects. Hence, we have sufficient

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senior management team members who do not hold any position in the Excluded Group, and are independent and have the adequate relevant experience to ensure the daily operation and management of the Group.

Our Directors are of the view that our Board and the senior management of our Group are capable of managing its business independently of the Controlling Shareholders and the Excluded Group for the following reasons:

- (i) our management personnel have clear reporting lines and ultimately the management team reports to our executive Directors who are responsible for reporting to the Board. The Board supervises and monitors the performance of our management team generally through the regular reports made by our executive Directors to the Board, regular meetings and interim meetings of the Board, and ad hoc meetings of the Board to consider, deliberate and approve major matters that exceed the delegated authorities of our management team, as well as the regular updates of operational and financial data and information that are provided to our Directors;
- (ii) save as disclosed in this section, none of our Directors or members of the senior management has any shareholding interest in our Controlling Shareholders;
- (iii) our non-executive Directors and independent non-executive Directors will not participate in our daily operations and management of our Company. Each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit and in the best interest of our Company and must not allow any conflict between his/her duties as a Director and his/her personal interest. If there is any potential conflict of interest arising out of any transactions to be entered into between our Group and our Directors or their respective close associates, the interested Director shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum;
- (iv) 3 out of 9 Directors, which is one third of our Board, are independent non-executive Directors. All 3 independent non-executive Directors are independently appointed to our Board, and none of the criteria affecting independence under Rule 3.13 of the Listing Rules applies to them. The independent non-executive Directors either have appropriate academic qualifications or extensive experience in their respectable specialty areas, or are appointed for the diversity in skills and background that they may add to our Board. Our independent non-executive Directors will be expected to bring impartial and independent judgment to our Board. In addition, the majority of the members of the audit committee, nomination committee, remuneration committee and the Independent Business Opportunity Assessment Committee of our Company are independent non-executive Directors;
- (v) all independent non-executive Directors and Ms. Wong Cheuk Sze, our executive Director and chief operating officer, will become a member of the Independent Business Opportunity Assessment Committee. The Independent Business Opportunity Assessment Committee will be responsible for periodically reviewing (i) the New Business Opportunities that are referred by the Excluded Group; (ii) the upward adjustment of the threshold of HK\$400,000 based on the business development of the Group and other relevant factors; and (iii) the decision of the Company based on the pre-set criteria as disclosed in this section for taking up New Business Opportunities; and

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- (vi) our Company will have in place the following arrangements and corporate governance measures to manage any actual or potential conflict of interest, ensure independent decision making, safeguard the protective measures stipulated in the non-competition undertakings provided by the Covenantors and, ultimately, protect the interests of our Shareholders. For details, see “Relationship with our Controlling Shareholders — Corporate Governance Measures” for further details.

Our Directors believe that the presence of directors and senior management from different backgrounds provides a balance of views and opinions and, having taking into account the above factors, our Company is satisfied that our Directors will be able to perform their roles in our Group independently.

Operational independence

We operate our business independently from our Controlling Shareholders and their close associates. We make operational decisions independently of our Controlling Shareholders and their close associates. We have our own organizational structure with self-governing departments, each with specific areas of responsibility. We also maintain a set of comprehensive internal control measures to facilitate the effective operation of our business. Our operating functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their close associates. We have our own employees to handle the day-to-day operation of our business and can independently manage our human resources. Taking into account of our independent corporate organs and departments and operation process from different perspectives, *inter alia*, (i) corporate structure and corporate governance; (ii) licenses and operation; (iii) customer portfolio; (iv) branding and deployment of promotion strategies; and (v) human resources and management team, our Directors believe that we can operate independently from our Controlling Shareholders and their close associates. Further details are listed as below:

In terms of corporate structure and corporate governance, our Company owns an organizational structure and departments independent from the Excluded Group. Our Company can make decisions and carry out our own business operations independently. We also maintain a comprehensive set of internal control procedures for promoting efficient business operation. With reference to relevant laws, regulations and rules, our Group developed and implemented a sound corporate governance practice and adopted the rules of procedure for the general meeting, board meeting, committee meeting and connected transactions regulations.

In terms of license and operation, our Company holds or enjoys the benefit of holding its own licenses necessary to exclusively operate the Unsecured Loan Business. Our loan management system has been designated to operate our Unsecured Loan Business. Our employees operate the loan management system with interfaces specifically designed for our business and with access to our set of loan information which is restricted to the operation of Unsecured Loan Business. For physical branches, explicit signs and logos have been erected for our branches to direct customers to our brands and loan products. Our Group has occupied designated areas of the physical branches to carry out our operations exclusively in which all client meetings, execution of agreements and contracts will only be done in our office and physical branches. Although we share the physical branch located at Shop A and Part of Shop B, Ground Floor, Shun Fat House, 54-66 Kau Yuk Road, Yuen Long, New Territories with the Excluded Group, the area in such branch is clearly divided and separated into two distinctive sections and areas with different shop entrances and logos. We will not share the same area to operate and carry out the Excluded Group’s business. All of our VTMs are solely used and owned by us to carry out our operations.

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In terms of customer portfolio, we have independent access to our own customers and are not dependent on our Controlling Shareholders and their close associates with respect to our business operations. Notwithstanding the Business Referral Mechanism will be adopted to minimize any potential competition between the Excluded Group and our Group pursuant to the Excluded Group NCU, our Group during the Track Record Period did not rely on any referral of customers or businesses from the Excluded Group. Accordingly, even though referrals by the Controlling Shareholders and/or their close associates represented one of the sources of business opportunities in our day-to-day operation, our business and financial performance did not and do not rely on the referral of clients by the Excluded Group, the contribution of which to the total revenue during the Track Record Period was insignificant. For the three years ended December 31, 2022 and five months ended May 31, 2023, 0, four, one and 46 client(s) were referred to us by the Excluded Group and subsequently signed with our Group and they accounted for very insignificant contribution to our Group’s revenue. Save as disclosed above, during the Track Record Period, the Excluded Group did not refer other businesses to our Group.

In terms of branding and promotion strategies, our business has its independently owned logo and brand K Cash and K Cash Supreme to serve our exclusive unsecured loan customer base. Our Company has formulated marketing strategies by employing marketing teams and establishing sales channel for our business. With distinctive marketing strategies, K Cash and K Cash Supreme are operating independently with our own cost, material, brand and promotion direction. Our customers can reach K Cash through designated digital channels like its official website and mobile app or via customer touchpoints in branches of our Company. Exclusive hotlines and website has been set up for the promotion and operation of our business in which K Cash and K Cash Supreme own individual website with independent social media page. We also connect our prospective customers in other social media by using our brand K Cash. Our customer service team has been assigned to exclusively serve our Group’s customers and to address enquiries from website, phone and physical branches. We have also engaged our own spokesmen and ambassadors to advertise our brand and business exclusively. We have made and created our own advertisements and marketing materials to promote our business solely which will not be used in conjunction to market and promote the Secured Loan Business of the Excluded Group. All our advertisements and promotional materials, including but not limited to television commercials, social media publications, online and offline advertisements focus solely on promoting our distinctive unsecured loan products as compared to the secured loan products and come with a clear display of our distinctive logo and brand. All these measures are highly effective to assist customers who wish to apply for our products in differentiating the Group’s brands and loan products from those of the Excluded Group by connecting our own brands with our unsecured loan products and distinguishing them from the different nature of loan products and branding of the Excluded Group.

In terms of human resources and management team, we have adopted independent human resources system which is independent from that of the Excluded Group and our employees only exclusively work for our Group and the specific employment contracts have been entered by our [REDACTED] Group with the designated employees for the Unsecured Loan Business designated employees are assigned to exclusively handled the Unsecured Loan Business’ work, *inter alia*, contact all existing customers, handle loan repayment enquiries and follow up on unsecured loan portfolio. Our Company has deployed an independent senior management team which is formed independently to carry out supervisory responsibilities in our business. Such senior management team will carry out the daily management and operations of our business independently and will be responsible for dealing with operational and financial matters, making general key decisions and handling the daily implementation of the business strategy of our Company. We have our technology support team to serve and meet our business needs exclusively. For details, see “Business — Our Technology Development and System Maintenance”.

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As regards the agreements entered into by our Company and our Controlling Shareholders and their close associates (see "Connected Transaction" for further details about these agreements), our Directors consider that, even if such agreements are terminated, our Company will be able to identify other suitable partners through fair consultation on terms and conditions in line with the market terms to meet our needs without causing any disruptions to our business.

Based on the above, our Directors believe that our Group will be able to operate independently from our Controlling Shareholders and their close associates.

Financial independence

Our Directors confirm that we have our own financial management system, internal control system, accounting system and as such the ability to operate independently from our Controlling Shareholders from a financial perspective. We have an independent finance department chaired by our chief financial officer. The independent finance department comprises our own staff and has established a sound independent audit system, a standard financial and accounting system, and a complete financial management system. We can make financial decisions independently and according to our own business needs and financial conditions and the Excluded Group will not and are not able to interfere the utilization of our funds. We have our own bank accounts and do not share any of our bank accounts with the Excluded Group, thus all operational fund flows are deposited and managed under these bank accounts. Furthermore, we carry out tax filing procedures and pay tax independently in accordance with the applicable laws and regulations and do not pay tax in conjunction with the Excluded Group.

Our Company will have sufficient capital and banking facilities to operate the Unsecured Loan Business independently, and have adequate internal resources and a strong credit profile to support the Unsecured Loan Business. Our Group has access to independent third-party financing and will be capable of obtaining such financing without the need to rely on any guarantees or security provided by the Excluded Group. Our Company is capable of obtaining financing from external sources for its Unsecured Loan Business operations upon market terms and conditions without reliance on the Excluded Group and will be financially independent from the Excluded Group and/or their respective close associates upon the [REDACTED]. Securities provided by our Controlling Shareholders and their associates for our banking facilities will be released immediately prior to the [REDACTED]. All Connected Advances will be settled by cash and interest income received from our business operations and/or external funding prior to the [REDACTED]. Should there be any Connected Advances after [REDACTED], the Company will comply the applicable requirements under the Listing Rules (especially the requirements under chapters 14 and 14A of the Listing Rules).

Accordingly, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

Our Directors are of the view and the Joint Sponsors concur, that our Group is and will remain to be independent from our Controlling Shareholders and their close associates upon [REDACTED].