
RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders (for the purposes of, and as defined under, the Listing Rules) comprise Mr. Li and his directly and indirectly wholly-owned entities (being PCGI Holdings, Creative Knight Limited, Spring Achiever Limited and Spring Achiever HK, together, “**Mr. Li’s Entities**”).

As of the Latest Practicable Date (which is prior to completion of the Reorganisation), Mr. Li, through his directly wholly-owned entity, PCGI Holdings, controlled an aggregate of approximately 66.70% of the voting power at general meetings of our Company.

Immediately following the completion of the [REDACTED], Mr. Li and Mr. Li’s Entities together control approximately [REDACTED]% of our enlarged total issued share capital and are entitled to exercise or control the exercise of 30% or more of the voting power at the general meetings of our Company and, accordingly, Mr. Li (together with Mr. Li’s Entities) will be considered as the Controlling Shareholders of our Company for the purposes of, and as defined under, the Listing Rules immediately following the completion of the [REDACTED].

ABOUT THE CONTROLLING SHAREHOLDERS

Mr. Li is the founder and an Executive Director of our Company.

PCGI Holdings is an investment holding company incorporated in the Cayman Islands. PCGI Holdings is wholly-owned by Mr. Li, who is also the founder, chairman and chief executive of PCG. For further details of Mr. Li, PCGI Holdings and the relationship between Mr. Li, our Company and our directors and senior management, please refer to the sections headed “*History, Reorganisation and Corporate Structure*”, “*Relationship with the Controlling Shareholders*”, “*Connected Transactions*”, “*Directors and Senior Management*” and “*Substantial Shareholders*”.

For further details of other Mr. Li’s Entities, please refer to the sections headed “*History, Reorganisation and Corporate Structure – Major Shareholding Changes of our Company – [REDACTED] Investments*” and “*Substantial Shareholders*”.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

INDEPENDENCE OF THE GROUP FROM THE CONTROLLING SHAREHOLDERS

The Directors are of the view that the Group is capable of carrying on its business independently from its Controlling Shareholders following the completion of the [REDACTED] for the following reasons.

Clear Delineation of Business

As of the Latest Practicable Date, none of the Controlling Shareholders is interested in any business, other than the Group, which, competes or is likely to compete, either directly or indirectly, with the Group’s business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

To streamline its business, the Group divested its interests in the general insurance business (other than in Singapore) by spinning off the entire equity interest in FWD General Insurance, iFWD TW and Bolttech Digital Solutions to bolttech Holdings, which is indirectly controlled by Mr. Li (the “**bolttech Spin-off**”). The Group primarily focuses on the provision of life insurance services within Asia Pacific, whereas the bolttech Group is an insurance technology company primarily focusing on technology services enabling business partners to provide general insurance products, including device protection (e.g., mobile phone insurance). None of the Controlling Shareholders carries on any life insurance business apart from its interests in the Group upon [REDACTED].

Life insurance policies provide long-term coverages to a person, or a group of individuals under a Group scheme, and protect against mortality and morbidity events and/or to provide a basis to accumulate savings/investments. On a policy level, profitability is viewed over the entire term of that policy and on a cash flow basis, it is not uncommon for accounting profits to emerge only in later years during the policy tenure. General insurance protects against other risks, and typically includes short-term contracts which cover all other non-life items such as home, motor vehicles, fire and travel. Pensions have similar characteristics to savings/investment-focused life insurance policies, with the main differences including the inability to fund acquisition costs through the balance sheet, significantly less flexibility on account of regulation, and generally less stringent regulatory capital requirements. Similar to general insurance, profits and profit patterns of a pensions business are viewed on an annual basis. The Group does not write any pension business, nor does any member of the PCG Group.

Our key strategic focus is to address the long-term protection and savings needs of our customers, and hence the Group is principally engaged in life insurance as its core business, while the offering of general insurance products and pension businesses are deemed non-core businesses (given these are generally treated as different businesses across areas such as strategy, product development, distribution channels). While the Group operates a general insurance business in Singapore under a composite insurance licence granted by the MAS, this contributes to only 0.96%, 1.23% and 1.50% of the Group’s total revenue for the years ended 2022, 2023 and 2024. We are of the view that the general insurance business in

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Singapore is immaterial to the Group’s financial condition and results of operations. The decision to focus on life insurance is similarly common amongst other peer insurers, notably AIA and Manulife, which also choose to strategically focus their business and operations on life insurance only.

The fundamental difference between life insurance products and general insurance products is also reflected in the fact that insurance regulators generally require different licences to be obtained in order to underwrite life insurance products or general insurance products. For example, in Hong Kong, an authorised insurer wishing to write life insurance must be authorised to underwrite “long-term business” whereas an authorised insurer wishing to write general insurance must be authorised to underwrite “general business”. Different minimum capital requirements also apply to insurers who are authorised to write “long-term business” versus “general business”.

The Group operates a general insurance business in Singapore, however, the bolttech Group is only a registered insurance broker and insurance agency in Singapore and is not licensed to carry on any insurance business in Singapore as a licensed or authorised insurer, reinsurer or foreign insurer. Hence, the Directors do not consider that there are any overlapping customers, products or market between the Group and the bolttech Group in Singapore. In addition, the general insurance business of the Group in Singapore contributes only to 0.96%, 1.23% and 1.50% of the Group’s total revenue for the years ended 2022, 2023 and 2024. The Directors are of the view that the general insurance business in Singapore is immaterial to the Group’s financial condition and results of operations.

There is therefore a clear and distinct delineation of the business of the Group and the businesses of the Controlling Shareholders.

In order to avoid any potential overlap of businesses between the Group and the bolttech Group after the [REDACTED], the Group and the bolttech Group entered into a Business Collaboration Agreement on 8 December 2020 (the “**bolttech Business Collaboration Agreement**”), in which:

- (a) the bolttech Group undertakes that, among others, it will not, without the prior written consent of the Group, carry on or directly hold any ownership interests in an entity which primary or core business is to carry on, the business of manufacturing or underwriting life insurance products in jurisdictions in which the Group has operations from time to time;
- (b) each of FL and FGL undertakes that, among others, it will not, without the prior written consent of the bolttech Group, carry on or directly hold any ownership interests in any entity which primary or core business is to carry on, the business of:
 - (i) manufacturing or underwriting of general insurance products;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (ii) the provision of device protection products; and/or
- (iii) the provision of digital brokerage services for general insurance products in jurisdictions in which the bolttech Group has operations from time to time,

during the period from the completion of the bolttech Spin-off until (a) in respect of the bolttech Group (i) upon a change of control of bolttech Holdings or FL and FGL, or (ii) when the bolttech Group ceases to use any of the Group's trademarks, trade names and logos, whichever is later; (b) in respect of the Group, upon a change of control of bolttech Holdings or FL and FGL, in each case provided that the restriction period will be for a period of not less than five years from the completion of the bolttech Spin-off.

Please see the section headed "*Connected Transactions*" in respect of continuing connected transactions pursuant to the bolttech Business Collaboration Agreement and other continuing connected transactions between the Group and the bolttech Group after the [REDACTED].

In respect of the insurance agency and distribution services carried on by the Group and the businesses of the Controlling Shareholders:

(a) *The Group*

The Group only distributes its own life insurance products and does not provide any insurance agency and distribution services in respect of third party life insurance products.

Pursuant to the bolttech Business Collaboration Agreement, the Group provides agency and distribution services to the bolttech Group in respect of general insurance products manufactured or underwritten by a member of the bolttech Group.

In addition, the Group distributes general insurance products manufactured or underwritten by third party insurers through its brokerage entity, FWD Financial Planning.

(b) *The bolttech Group*

The bolttech Group sells and distributes insurance products manufactured or underwritten by the bolttech Group, as well as those manufactured or underwritten by other insurers.

As far as the Directors are aware, the bolttech Group currently only distributes life insurance products which are manufactured or underwritten by the Group, through which the bolttech Group will receive commissions, and the Group will enjoy the insurance underwriting risk and reward from manufacturing or underwriting such products.

In addition, pursuant to the bolttech Business Collaboration Agreement, prior to distributing any new life insurance product of another insurer, the bolttech Group is required to provide the Group an opportunity to provide an equivalent life insurance product. Only if the Group is unable to provide an equivalent life insurance product would the bolttech Group be entitled to distribute the life insurance product of another insurer.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

(c) *The HKT Group*

The HKT Group currently distributes life insurance products which are manufactured or underwritten by the Group to HKT Group's customers, through which the HKT Group will receive commissions and the Group will take on the insurance underwriting risk and reward from manufacturing or underwriting such products.

The insurance agency and distribution services provided by the Group contributed to 0.017%, 0.010% and 0.015% respectively, of the Group's total revenue for the years ended 31 December 2022, 2023 and 2024. The Directors are of the view that the insurance agency and distribution services provided by the Group are immaterial to the Group's financial condition and results of operations.

Management Independence

The Board comprises two executive Directors, two non-executive Directors and nine independent non-executive Directors. Our management and operational decisions are made by our executive Directors and senior management, most of whom have served the Group for a long time and/or have substantial experience in the industry in which we are engaged.

None of our senior management responsible for our daily operations will have any other roles within PCG upon the [REDACTED].

Furthermore, the Directors consider that the Board and senior management will function independently of the Controlling Shareholders for the following reasons:

- (a) each of the Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) we believe the independent non-executive Directors bring independent judgment to the decision-making process of the Board;
- (c) the Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest, and shall not be counted in the quorum present at the particular Board meeting;
- (d) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between the Group and the Controlling Shareholders which would support the independent management (as outlined below); and
- (e) we expect to review our corporate governance practices from time to time and adopt additional corporate governance initiatives with a view to implementing guidance provided by our regulators and best practices as they evolve.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Each Director of the Board possesses relevant management or industry-related experience to act as a Director of our Company. Details of the experience of each Director are set out in “*Directors and Senior Management*.”

Independence of Operations and Administrative Capability

Although the Controlling Shareholders will retain a controlling interest in our Company after [REDACTED], we have full rights to make all decisions regarding, and to carry out, our own business operations independently.

Our Company (through its subsidiaries) holds or enjoys the benefit of all relevant licences necessary to carry out its business in all material respects.

In addition, our organisational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal control measures to facilitate the effective operation of our business.

Certain telecommunications and related services and branding and marketing arrangements are provided by the PCCW Group (excluding the HKT Group) and the HKT Group, and certain asset management services are provided by the PineBridge Group, each as described in the section “*Connected Transactions*”. However, all essential administrative functions are carried out by the Group without requiring the support of the PCCW Group (excluding the HKT Group), the HKT Group or the PineBridge Group. In particular, the Group has its own business units and responsible employees for performing all essential administrative functions such as finance and accounting, internal control and administration and operations.

Based on the above, the Directors are satisfied that we have been operating independently from the Controlling Shareholders and their respective associates during the Track Record Period and will continue to operate independently of the business of the Controlling Shareholders upon [REDACTED].

Financial Independence

The Group has its own internal control, accounting, funding, reporting and financial management system as well as accounting and finance department. Our insurance operations are sufficiently capitalised to satisfy our regulatory solvency and capital adequacy requirements and operational needs.

Combining the [REDACTED] from the [REDACTED] with our Company’s own funds, the Group will further strengthen its capital position to support the growth of our operations and businesses in the near-to-mid-term independently from the Controlling Shareholders.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

In addition, the Group does not rely on the Controlling Shareholders and/or their respective close associates for any provision of financial assistance. The Directors confirm that, as at the Latest Practicable Date, on the one hand, none of the Controlling Shareholders or their respective close associates had provided any loans, guarantees or pledges to the Group and, on the other hand, the Group did not provide any loans, guarantees or pledges to the Controlling Shareholders or their respective close associates.

Further, the Group has obtained bank loans and issued notes and perpetual securities without guarantees being given by the Controlling Shareholders and/or their respective close associates. Please refer to the section "*Financial Information – Indebtedness*". On the basis of the above, the Directors believe that following the [REDACTED], the Group is capable of obtaining financing from external sources without reliance on the Controlling Shareholders including in view of the Group's strong financial position, steady future cash flow generation and level of liquid assets following the [REDACTED] as well as its ability to raise funds on a standalone basis.

Based on the above, the Directors are of the view that we are able to maintain financial independence from the Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

The Directors recognise the importance of sound corporate governance in protection of the Shareholders' interests. With the exception of Code Provision C.6.3, our Company has complied with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

In order to further avoid potential conflicts of interest, we have implemented the following measures to strengthen the protection of the Shareholders' interests:

- (a) as part of our preparation for the [REDACTED], we have amended the Memorandum and Articles of Association to comply with the Listing Rules. In particular, our Memorandum and Articles of Association provides that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) where a Shareholders' meeting is to be held for considering proposed transactions in which a Controlling Shareholder or any of his/its close associates has a material interest, such Controlling Shareholder will abstain from voting on the relevant resolutions;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (c) we have established internal control mechanisms to identify connected transactions. Upon [REDACTED], if we enter into connected transactions with any Controlling Shareholder or any of his/its associates, we will comply with the applicable requirements under the Listing Rules;
- (d) we are committed that the Board shall include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. We have appointed nine independent non-executive Directors, and we believe the independent non-executive Directors: (i) possess sufficient experience; (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment; and (iii) will be able to provide an impartial and external opinion to protect the interests of the Shareholders as a whole;
- (e) in the event that the independent non-executive Directors are requested to review any conflict of interests circumstances between the Group on one hand and the Controlling Shareholders and/or the Directors on the other hand, the Controlling Shareholders and/or the Directors shall provide the independent non-executive Directors with all necessary information for consideration and the independent non-executive Directors can seek advice from independent advisers at our cost where necessary;
- (f) our independent non-executive Directors will review and consider the delineation of business and independent operations between the Group and the Controlling Shareholders, including considering the nature of the businesses and reviewing, on at least an annual basis, compliance with the non-compete undertaking in the bolttech Business Collaboration Agreement;
- (g) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (h) we have established our audit committee, compensation committee and nomination and corporate governance committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix C1 to the Listing Rules; and
- (i) we have appointed CMB International Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance, upon [REDACTED].

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Based on the above, the Directors are satisfied that the Group has sufficient corporate governance measures in place to manage any competition or conflicts of interest that may arise between the Group, the Directors and our Controlling Shareholders, and to protect our minority Shareholders' interests after the [REDACTED].

Code Provision C.6.3 provides that the company secretary should report to board chairman and/or the chief executive. The Company operates under a variant of this model whereby our Company Secretary reports to the Group General Counsel, who reports to our Group Chief Financial Officer, who in turn reports directly to our CEO.

COMPLIANCE WITH RULE 8.10 OF THE LISTING RULES

Save as disclosed in this document, none of the Directors and our Controlling Shareholders is interested in any businesses apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's business or would otherwise require disclosure under Rule 8.10 of the Listing Rules.