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Kangqiao Service Group Limited

康橋悅生活集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2205)

**(1) CONTINUING CONNECTED TRANSACTIONS —
SUPPLEMENTAL SALES AGENCY SERVICES
FRAMEWORK AGREEMENT
AND
(2) RECTIFICATION OF BREACH OF THE LISTING RULES**

Reference is made to (i) the Prospectus in relation to, among others, the transactions contemplated between the Group and the Beijing Tongdao Group under the Sales Agency Services Framework Agreement; and (ii) the Announcement of the unaudited annual results for the Reporting Period.

SUPPLEMENTAL SALES AGENCY SERVICES FRAMEWORK AGREEMENT

As disclosed in the Prospectus, on June 17, 2021, the Company (for itself and on behalf of its subsidiaries) and Beijing Tongdao (for itself and on behalf of its subsidiaries and associates) entered into the Sales Agency Services Framework Agreement, pursuant to which the Group agreed to provide the Sales Agency Services to the Beijing Tongdao Group, being sales agency services for first-hand properties and unsold parking spaces, including but not limited to consulting services and sales events organization services, on an exclusive and sole basis for some of the property projects developed by the Beijing Tongdao Group.

The Board hereby announces that on April 21, 2022, the Company and Beijing Tongdao entered into the Supplemental Sales Agency Services Framework Agreement, pursuant to which members of the Group shall pay to members of the Beijing Tongdao Group the Refundable Deposits in connection with the Sales Agency Services contemplated under the Sales Agency Services Framework Agreement.

As of the date of this announcement, Beijing Tongdao is beneficially and wholly owned by Mr. Song, the ultimate controlling Shareholder. Therefore, Beijing Tongdao constitutes a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the Supplemental Sales Agency Services Framework Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios of the proposed annual caps in respect of the Refundable Deposits contemplated under the Supplemental Sales Agency Services Framework Agreement exceed 5%, such transactions constitute continuing connected transactions of the Company subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

RECTIFICATION OF BREACH OF THE LISTING RULES

As of the date of this announcement, the Group had paid the Historical Refundable Deposits in an aggregate amount of RMB220,805,000 to the Beijing Tongdao Group, among which the amount of RMB180,777,000 remains outstanding. As one or more of the applicable percentage ratios in respect of the Historical Refundable Deposits have exceeded 5%, such payment of the Historical Refundable Deposits constituted continuing connected transactions of the Company subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As the Company had not complied with such applicable requirements prior to making the payment of the Historical Refundable Deposits, such payment constituted a breach of Chapter 14A of the Listing Rules.

As disclosed in the section headed "1. Reasons for Failure to Identify the Continuing Connected Transactions" in Part B of this announcement, the Board wishes to clarify that the abovementioned breach of the Listing Rules was due to an inadvertent oversight. The Company regrets such unintentional breach of the Listing Rules and reiterates its belief that continuing compliance with the Listing Rules and other applicable regulatory requirements is of utmost importance.

AGM

The Company proposes to put forward an ordinary resolution at the AGM for the Independent Shareholders to consider and, if thought fit, approve the entering into of the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits. In the event that such ordinary resolution is not passed at the AGM, Beijing Tongdao (for itself and on behalf of its subsidiaries and associates) undertakes to refund the balance of the Historical Refundable Deposits to the Group outstanding within five working days after the date of the AGM.

A circular containing, among other things, (i) details of the Supplemental Sales Agency Services Framework Agreement; (ii) a letter of recommendation from the Independent Board Committee in relation to the Supplemental Sales Agency Services Framework Agreement; (iii) a letter from the independent financial adviser in relation to the Supplemental Sales Agency Services Framework Agreement; and (iv) a notice of the AGM, will be despatched on or before May 26, 2022, taking into account the additional time required for the Company to prepare and finalize the information for inclusion in the circular.

Reference is made to (i) the Prospectus in relation to, among others, the Sales Agency Services Framework Agreement and the transactions contemplated thereunder between the Group and the Beijing Tongdao Group; and (ii) the Announcement of the unaudited annual results for the Reporting Period. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Prospectus and the Announcement.

A. CONTINUING CONNECTED TRANSACTIONS — SUPPLEMENTAL SALES AGENCY SERVICES FRAMEWORK AGREEMENT

1. Sales Agency Services Framework Agreement and Historical Refundable Deposits

As disclosed in the section headed “(D) Continuing Connected Transactions subject to Reporting, Annual Review, Announcement, Circular and Independent Shareholders’ Approval Requirements — 3. Provision of Sales Agency Services to Beijing Tongdao and its Associates” of the Prospectus, on June 17, 2021, the Company (for itself and on behalf of its subsidiaries) and Beijing Tongdao (for itself and on behalf of its subsidiaries and associates) entered into the Sales Agency Services Framework Agreement, pursuant to which the Group agreed to provide the Sales Agency Services to the Beijing Tongdao Group, being sales agency services for first-hand properties and unsold parking spaces, including but not limited to consulting services and sales events organization services, on an exclusive and sole basis for some of the property projects developed by the Beijing Tongdao Group. The Sales Agency Services Framework Agreement became effective on July 16, 2021 (being the date of the listing of the Shares on the Main Board of the Stock Exchange) and shall be valid until December 31, 2023, renewable by mutual agreement of the parties, subject to compliance with the requirements under the Listing Rules and all other applicable laws and regulations.

As disclosed in note 16 to the unaudited consolidated financial statements for the Reporting Period disclosed in the Announcement, the Group and certain subsidiaries of Beijing Tongdao entered into several sales agency services agreements, pursuant to which the Group paid the Historical Refundable Deposits in an aggregate amount of RMB134,969,000 subsequent to the Reporting Period. Further, during the Reporting Period, the Group has paid the Historical Refundable Deposits in an aggregate amount of RMB85,836,000. As of the date of this announcement, the outstanding balance of the Historical Refundable Deposits amounts to RMB180,777,000.

2. Principal Terms of the Supplemental Sales Agency Services Framework Agreement

The Board hereby announces that on April 21, 2022, the Company and Beijing Tongdao entered into the Supplemental Sales Agency Services Framework Agreement, pursuant to which members of the Group shall pay to members of the Beijing Tongdao Group the Refundable Deposits in connection with the Sales Agency Services contemplated under the Sales Agency Services Framework Agreement.

The following sets forth a summary of the principal terms of the Supplemental Sales Agency Services Framework Agreement:

- Date** : April 21, 2022
- Parties** : (a) the Company (for itself and on behalf of its subsidiaries); and
(b) Beijing Tongdao (for itself and on behalf of its subsidiaries and associates)
- Term** : For a term of three years with retrospective effect from January 1, 2021 and ending on December 31, 2023, subject to renewal of the Supplemental Sales Agency Services Framework Agreement by mutual agreement of the parties
- Subject matter:** : In connection with the Sales Agency Services contemplated under the Sales Agency Services Framework Agreement, members of the Group shall pay to members of the Beijing Tongdao Group the Refundable Deposits in an amount equal to: (a) percentage ranging from 20% to 40% of the value of relevant properties (in the case of first-hand properties); or (b) sales reserve prices of the relevant parking spaces (in the case of the unsold parking spaces).
- Pricing policy** : With respect to the first-hand properties, the Refundable Deposits shall be equal to a percentage ranging from 20% to 40% of the saleable value of the underlying properties, which is determined in line with industry practice and with reference to the locations, the unsold amount and the popularity of the respective property projects.

With respect to the unsold parking spaces, the amount of the Refundable Deposits shall be equal to total sales reserve price of such unsold parking spaces, which is a unified standard of Beijing Tongdao Group also applicable to the refundable deposits payable by an independent third party to them in respect of the same services and is in line with the industry practices. The total sales reserve price is calculated according to the formula below:

$$\text{Total sales reserve price} = \text{sales reserve price of each unsold parking space} * \text{number of unsold parking spaces under the relevant definitive sales agency services agreement(s)}$$

The sales reserve price for the unsold parking spaces is determined with reference to (i) the popularity of the unsold parking spaces; (ii) the real estate market condition and the scope of services provided; and (iii) the location of the unsold parking spaces.

Other terms : With respect to the first-hand properties, the Refundable Deposits shall be refunded to the Group as follows:

- (a) on a monthly basis and from the month following the entering into of definitive sales agency services agreement(s), the amount of Refundable Deposits equivalent to the aggregated contracted sales amount of the properties in the previous month will be refunded to the Group;
- (b) within six months after entering into of definitive sales agency services agreement(s), no less than 50% of the Refundable Deposits shall be refunded to the Group, and any shortfall shall be paid up within 15 days after receipt of the notices from the Group; and
- (c) within 12 months after entering into of definitive sales agency services agreement(s), all the outstanding Refundable Deposits shall be refunded to the Group.

With respect to the unsold parking spaces, the Refundable Deposits shall be refunded to the Group as follows:

- (a) for the parking spaces sold by the Group, the amount of the Refundable Deposits shall be set-off by the total sales reserve price for such parking spaces received by the Group; and
- (b) for the parking spaces failed to be sold by the Group, the Refundable Deposits shall be refunded in full upon the expiration of the Sales Agency Services Framework Agreement on December 31, 2023, or on the date(s) as agreed by parties under the relevant definitive sales agency services agreement(s) (whichever is earlier).

Pursuant to the Supplemental Sales Agency Services Framework Agreement, the Company and Beijing Tongdao agreed to ratify the payment of the Historical Refundable Deposits, which shall also be subject to the terms thereunder (including but not limited to those relating to pricing policies and refundable mechanism). Please refer to Part B of this announcement for further details.

3. Historical Transactions Amounts

The table below sets forth the historical transaction amounts of (i) the commission and agency fees charged by the Group to the Beijing Tongdao Group; and (ii) the Historical Refundable Deposits paid by the Group to the Beijing Tongdao Group for the year ended December 31, 2021, pursuant to the Sales Agency Services Framework Agreement (as supplemented by the Supplemental Sales Agency Services Framework Agreement):

	For the year ended December 31, 2021 (RMB'000)
Total commission and agency fees	132,095
Maximum daily balance of the Historical Refundable Deposits	68,136

4. Proposed Annual Caps and Basis for Determination

The table below sets forth the proposed annual caps for (i) the commission and agency fees to be charged by the Group to the Beijing Tongdao Group; and (ii) the Refundable Deposits to be paid by the Group to the Beijing Tongdao Group for the three years ending December 31, 2023, pursuant to the Sales Agency Services Framework Agreement (as supplemented by the Supplemental Sales Agency Services Framework Agreement):

	For the year ended December 31, 2021 (RMB'000)	For the year ending December 31, 2022 (RMB'000)	For the year ending December 31, 2023 (RMB'000)
Total commission and agency fees	133,386	193,809	277,281
Maximum daily balance of the Refundable Deposits	70,000	200,000	200,000

In arriving at the abovementioned proposed annual caps for the Refundable Deposits, the Directors have taken into account, among others, (i) the amount of Historical Refundable Deposits during the relevant periods; (ii) the estimated value of first-hand properties and unsold parking spaces of the Beijing Tongdao Group available for sale by the Group as an agent for the three years ending December 31, 2023; and (iii) the cash flow and working capital of the Group.

For details of the basis of determination of the proposed annual caps for the commission and agency fees, please refer to the section headed “Continuing Connected Transactions” of the Prospectus.

5. Reasons for and Benefits of the Supplemental Sales Agency Services Framework Agreement

The Sales Agency Services provided by the Group to the Beijing Tongdao Group contemplated under the Sales Agency Services Framework Agreement are consistent with the business and commercial objectives of the Group. Leveraging the Group's long-term relationship with the Beijing Tongdao Group, the entering into of the Sales Agency Services Framework Agreement enables the Group to continue to diversify its income streams. Further, the Group agreed to, from time to time, pay the Refundable Deposits to the Beijing Tongdao Group and entered into the Supplemental Sales Agency Services Framework Agreement in anticipation of the continuation of such types of services, which is believed to conducive for the Group to ensure a stable income stream and enhance profitability as a whole since the Group would be able to obtain the exclusive right to provide the Sales Agency Services. In addition, the refund mechanism for the Refundable Deposits has been agreed by parties and explicitly provided under the Supplemental Sales Agency Services Framework Agreement, therefore, the Company believes that the risks in respect of the recoverability of the Refundable Deposits are controllable by the Group.

The terms of the Supplemental Sales Agency Services Framework Agreement have been arrived at after arm's length negotiations between the parties thereto. The Directors (other than the independent non-executive Directors who will express their views in the circular after considering the advice of the independent financial adviser) are of the view that the terms of the Supplemental Sales Agency Services Framework Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

6. Information on the Parties to the Supplemental Sales Agency Services Framework Agreement

The Group

The Company was established as an exempted company with limited liability under the laws of the Cayman Islands on October 8, 2020. The Group is a reputable comprehensive property management service provider in the PRC, with a leading position in Henan Province. The Group generates its revenue mainly from three business lines: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services.

Beijing Tongdao

Beijing Tongdao was established in the PRC with limited liability on May 10, 2010 and is beneficially and wholly-owned by Mr. Song, the ultimate controlling Shareholder. Beijing Tongdao is the holding company of a number of subsidiaries, which collectively operate as a leading comprehensive property develop operating in the PRC.

7. Implications under the Listing Rules

As of the date of this announcement, Beijing Tongdao is beneficially and wholly-owned by Mr. Song, the ultimate controlling Shareholder. Therefore, Beijing Tongdao constitutes a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the Supplemental Sales Agency Services Framework Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios of the proposed annual caps in respect of the Refundable Deposits contemplated under the Supplemental Sales Agency Services Framework Agreement exceed 5%, such transactions constitute continuing connected transactions of the Company subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

B. RECTIFICATION OF BREACH OF THE LISTING RULES

1. Reasons for Failure to Identify the Continuing Connected Transactions

As disclosed in the section headed "7. Implications under the Listing Rules" in Part A of this announcement above, the payment of the Refundable Deposits as contemplated under the Supplemental Agency Services Framework Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As of the date of this announcement, the Group had paid the Historical Refundable Deposits in an aggregate amount of RMB220,805,000 to the Beijing Tongdao Group, among which the amount of RMB180,777,000 remains outstanding. As one or more of the applicable percentage ratios in respect of the Historical Refundable Deposits have exceeded 5%, such payment of the Historical Refundable Deposits constituted continuing connected transactions of the Company subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As the Company had not complied with such applicable requirements prior to making the payment of the Historical Refundable Deposits, such payment constituted a breach of Chapter 14A of the Listing Rules.

The Board wishes to clarify that the abovementioned breach of the Listing Rules was due to an inadvertent oversight. Since the Group has been involved in a number of continuing connected transactions with the Beijing Tongdao Group (including those contemplated under the Sales Agency Services Framework Agreement), the Company was mistaken of the nature and classification of the Refundable Deposits. The Company regrets such unintentional breach of the Listing Rules and reiterates its belief that continuing compliance with the Listing Rules and other applicable regulatory requirements is of utmost importance.

2. AGM

The Company proposes to put forward an ordinary resolution at the AGM for the Independent Shareholders to consider and, if thought fit, approve the entering into of the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits. In the event that such ordinary resolution is not passed at the AGM, Beijing Tongdao (for itself and on behalf of its subsidiaries and associates) undertakes to refund the balance of the Historical Refundable Deposits to the Group outstanding within five working days after the date of the AGM.

As of the date of this announcement, Kangqiaoyue Shenghuo BVI (a company indirectly wholly-owned by Mr. Song) holds 498,750,000 issued Shares, representing approximately 71.25% of total issued share capital of the Company. Kangqiaoyue Shenghuo BVI, together with its associates, is therefore considered to have a material interest in the ordinary resolution in respect of the Supplemental Sales Agency Services Framework Agreement and the transactions contemplated thereunder and will abstain from voting on such resolution at the AGM.

A circular containing, among other things, (i) details of the Supplemental Sales Agency Services Framework Agreement; (ii) a letter of recommendation from the Independent Board Committee in relation to the Supplemental Sales Agency Services Framework Agreement; (iii) a letter from the independent financial adviser in relation to the Supplemental Sales Agency Services Framework Agreement; and (iv) a notice of the AGM, will be despatched on or before May 26, 2022, taking into account the additional time required for the Company to prepare and finalize the information for inclusion in the circular.

3. Enhanced Internal Control Measures

To safeguard the interests of the Group, the Group has adopted and will continue to adhere to the following internal control procedures in respect of its continuing connected transactions with the Beijing Tongdao Group:

- (i) maintaining a list of connected persons and circulating such list together with copies of the relevant extracts of the Listing Rules to the relevant personnel and senior management of each member of the Group, and such connected persons list shall be updated by personnel/senior management of the relevant subsidiary from time to time; and
- (ii) reporting any potential connected transaction to the relevant personnel and senior management of the Company in advance in order to ascertain whether there will be any implications under the Listing Rules.

Further, to prevent reoccurrence of similar breaches of the Listing Rules in the future, the Group will put in place the following internal control measures:

- (i) providing continuous internal trainings on connected transaction to all the relevant personnel, accounting staff, internal auditor and senior management in all business departments of members of the Group on a regular basis to reinforce and re-explain the relevant requirements under Chapter 14A of the Listing Rules;
- (ii) regularly reviewing, monitoring and verifying the existing data base relating to continuing connected transactions (including identity of connected persons, annual cap amount, monthly transaction amount and cumulated amount etc.) to ensure accuracy; and
- (iii) for any potential transaction(s) which may constitute new connected transaction(s) of the Group, consulting professional advisers and the Stock Exchange (where necessary) in a timely manner prior to entering into of such transaction(s).

C. GENERAL INFORMATION

1. Directors' Confirmation

Mr. Song (the chairman of the Board and a non-executive Director), being the ultimate beneficial owner of Beijing Tongdao, has abstained from voting on the resolution of the Board approving the entering into of the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits.

Save as disclosed above, none of the Directors has a material interest in respect thereof and was required to abstain from voting on the relevant resolution of the Board.

2. Independent Board Committee and Independent Financial Adviser

Pursuant to the Listing Rules, the Independent Board Committee has been established to advise the Independent Shareholders on the entering into of the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits.

The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the entering into of the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits. For further details, please refer to the circular to be despatched by the Company in due course.

3. AGM

Please refer to Part B of this announcement above.

D. DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the meanings set out below:

“AGM”	the forthcoming annual general meeting of the Company to be held to, among other things, consider and if thought fit, approve the entering into of the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits
“Announcement”	the announcement of the Company dated March 31, 2022 in relation to its unaudited annual results for the year ended December 31, 2021
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beijing Tongdao”	Beijing Tongdao Shenghe Investment Co., Ltd. (北京同道聖合投資有限公司), a company established in the PRC with limited liability on May 10, 2010 which is beneficially and wholly owned by Mr. Song
“Beijing Tongdao Group”	Beijing Tongdao, its subsidiaries and associates
“Board”	the board of Directors
“Company”	Kangqiao Service Group Limited (康橋悅生活集團有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on October 8, 2020
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Historical Refundable Deposits”	the Refundable Deposits paid by the Group to the Beijing Tongdao Group as of the date of this announcement, as further described in Parts A and B of this announcement
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the independent board committee of the Board consisting of all the independent non-executive Directors
“Independent Shareholder(s)”	Shareholder(s) who are not required by the Listing Rules to abstain from voting on the resolution to be proposed at the AGM to approve the entering into of the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits
“Kangqiaoyue Shenghuo BVI”	Kangqiaoyue Shenghuo Holdings Limited (康橋悦生活控股有限公司), a company established in the British Virgin Islands with limited liability on September 29, 2020 and a wholly-owned subsidiary of Hung Fai Property Limited (one of the controlling Shareholders)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Song”	Mr. SONG Gewei (宋革委), the chairman of the Board, a non-executive Director and the ultimate controlling Shareholder
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated June 29, 2021
“Refundable Deposits”	the refundable deposits to be paid by relevant members of the Group to relevant members of the Beijing Tongdao Group pursuant to the Supplemental Sales Agency Services Framework Agreement in connection with the Sales Agency Services
“Reporting Period”	the financial year ended December 31, 2021
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Sales Agency Services”	the services to be provided by the Group to the Beijing Tongdao Group as contemplated under the Sales Agency Services Framework Agreement, the details of which are set out in the section headed “Continuing Connected Transactions” of the Prospectus

“Sales Agency Services Framework Agreement”	the sales agency services framework agreement dated June 17, 2021 and entered into between the Company (for itself and on behalf of its subsidiaries) and Beijing Tongdao (for itself and on behalf of its subsidiaries and associates), the details of which are set out in the section headed “Continuing Connected Transactions” of the Prospectus
“Share(s)”	ordinary share(s) in the share capital of the Company, currently with a par value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Sales Agency Services Framework Agreement”	the supplemental sales agency services framework agreement dated April 21, 2022 and entered into between the Company (for itself and on behalf of its subsidiaries) and Beijing Tongdao (for itself and on behalf of its subsidiaries and associates) in relation to, among other things, the payment of Refundable Deposits in connection with the Sales Agency Services
“%”	per cent.

By order of the Board
Kangqiao Service Group Limited
SONG Gewei
Chairman

Hong Kong, April 21, 2022

As at the date of this announcement, the Board comprises Mr. SONG Gewei as the chairman and non-executive Director; Mr. DAI Wei, Mr. KANG Weiguo and Ms. WANG Na as executive Directors; and Dr. LI Haitao, Dr. FAN Yun and Mr. WONG Yun Pun as independent non-executive Directors.