



CHINA NEW CITY COMMERCIAL DEVELOPMENT LIMITED

中國新城市商業發展有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1321)

RISK MANAGEMENT AND INTERNAL CONTROL POLICY

(Amend and restated with effect from 01 January 2016)

1. Purpose

This Policy aims to ensure that risks to China New City Commercial Development Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) are identified, analyzed, and managed so that they are maintained at acceptable levels. The objectives of risk management and internal control include:

- (a) to strengthen the Group’s risk management and internal control in compliance with the Listing Rules requirement;
- (b) to establish and constantly improve the risk management and internal control system;
- (c) to implement a top-down and group-wide risk management system that covers every aspect of the business; and
- (d) to promote a risk alert culture to avoid unnecessary liabilities and costs.

2. Scope

This policy applies to all departments of the Group.

3. Guidelines

- (a) Risk management has to be proactive to ensure that significant risks are identified. By considering the impacts and likelihoods of their occurrence and assessing the cost effectiveness of the mitigating actions proposed, suitable controls and countermeasures are determined.

- (b) Particular care should be required in considering actions that could have an adverse effect on the reputation and/or performance of the Group, or that may result in condemnation or fines by the regulatory bodies or that impact on the continuity of the business operations.
- (c) The Board of Directors (“**Board**”) of the Company shall oversee management in the design, implementation and monitoring of the risk management and internal control systems.
- (d) Each department of the Group shall be responsible for identifying its own risks and designing, implementing and monitoring the relevant risk management and internal control systems.
- (e) The internal audit department (“**Internal Audit Department**”) of the Company shall perform audit to evaluate the proper functioning of the risk management and internal control systems and make recommendation for improvements. Regular reports should be made to the audit committee (“**Audit Committee**”) of the Company on its findings.
- (f) The Audit Committee, after reviewing and considering the risk management findings submitted by the Internal Audit Department, shall in turn report to the Board and confirm to the Board on the effectiveness of the systems. The Audit Committee is empowered to seek professional advice at the expenses of the Company where necessary.
- (g) In the event any risk reporting information becomes or is likely to become inside information*, the relevant department(s) or the Internal Audit Department must promptly report such inside information in accordance with clause 9 of the Inside Information Policy of the Company.

* *As defined in Part XIVA of the Securities and Future Ordinance, Chapter 571, inside information is the specific information about the Company, its shareholder or officer or its listed securities or derivatives, which is not generally known to the persons who are accustomed, or would be likely, to deal in the Company’s listed securities but would, if generally known to them, be likely to materially affect the price of the Company’ listed securities.*

Note: If there is any inconsistency between the English and Chinese versions of this policy, the English version shall prevail.