

STATEMENT OF DISCIPLINARY ACTION

Exchange's Disciplinary Action against China New City Commercial Development Limited (Stock Code: 1321) and Four Directors

SANCTIONS AND DIRECTIONS

The Stock Exchange of Hong Kong Limited (**Exchange**)

CRITICISES:

- (1) **China New City Commercial Development Limited** (Stock Code: 1321) (**Company**);
- (2) **Mr Shi Nanlu**, an executive director (**ED**) and Chief Executive Officer of the Company (**Mr Shi**);
- (3) **Mr Dong Shuixiao**, a former ED of the Company (**Mr Dong**);
- (4) **Ms Jin Ni**, a former ED of the Company (**Ms Jin**); and
- (5) **Mr Shi Zhongan**, a non-executive director (**NED**) and Chairman of the Company (**Chairman Shi**).

(The directors identified at (2) to (5) above are collectively referred to as the **Relevant Directors**.)

AND FURTHER DIRECTS:

- (1) A review of the Company's internal controls for procuring compliance with Chapters 14 and 14A of the Listing Rules;
- (2) 21 hours of training on regulatory and legal topics and Listing Rule compliance, including at least three hours on each of (i) directors' duties, (ii) the Corporate Governance Code, (iii) the Listing Rule requirements for Chapter 14, and (iv) the Listing Rule requirements for Chapter 14A (**Training**) for Mr Shi, Ms Jin and Chairman Shi, within 90 days; and
- (3) 21 hours of Training for Mr Dong, as a pre-requisite of any future appointment as a director of any company listed or to be listed on the Exchange.

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SUMMARY OF FACTS

From 2014 to April 2022, the Company made recurring advances to its controlling shareholder's group (**Advances** and **Controlling Shareholder's Group** respectively). The Advances constituted notifiable and/or connected transactions and were subject to the following requirements which the Company did not comply with:

Period	Highest daily balance (RMB million)	Classification of transactions and Rule requirements
Year ended 31 December		
2014	112.4	Connected transactions subject to the announcement requirement under Rule 14A.35.
2015	112.4	
2016	80.1	
2017	80.1	
2018	39.3	
2019	1,229.3	Major and connected transactions subject to the announcement, circular and independent shareholders' approval requirements under Rules 14.34, 14.38A, 14.40, 14A.35, 14A.36 and 14A.46.
2020	1,400.0	
2021	2,224.4	Very substantial acquisition and connected transactions subject to the announcement, circular and independent shareholders' approval requirements under Rules 14.34, 14.38A, 14.48, 14.49, 14A.35, 14A.36 and 14A.46.
From 1 January to 22 April 2022	1,317.3	Major and connected transactions subject to the announcement, circular and independent shareholders' approval requirements under Rules 14.34, 14.38A, 14.40, 14A.35, 14A.36 and 14A.46.

During the years, the Controlling Shareholder's Group also made recurring advances to the Company. The amounts due from the Controlling Shareholder's Group were more than the amounts due to the Company for the financial years ended 31 December 2015, 2019 and 2020.

Although amounts due from and to the Controlling Shareholder's Group were disclosed in the respective Annual Reports of the Company from 2014 to 2021, the Company did not announce the Advances until 28 April 2022.

All of the Relevant Directors, except Chairman Shi, approved some or all of the Advances. Chairman Shi was also the chairman of the Controlling Shareholder's Group when the Advances were made.

The Company admitted that it had failed to comply with the above requirements in respect of all of the Advances. Each of the Relevant Directors admitted their breaches of Rule 3.08 and the Declaration and Undertaking with regard to Directors in the form set out in Appendix 5B of the Listing Rules (**Undertaking**) to use their best endeavours in procuring the Company's Rule compliance in respect of the Advances.

LISTING RULE REQUIREMENTS

Rules 14.34, 14.38A, 14.40, 14A.35, 14A.36 and 14A.46 impose notification, announcement, circular and shareholder approval requirements on issuers in respect of notifiable and/or connected transactions.

Rules 14.48 and 14.49 further provide that a very substantial acquisition must be made conditional on approval by shareholders in a general meeting.

Rule 3.08 provides that directors, both collectively and individually, are required to fulfil fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. These duties include, among others, to act honestly and in good faith in the interests of the company as a whole; be answerable to the issuer for the application and misapplication of its assets; and to apply such degree of skill, care and diligence as may reasonably be expected of a person of his/her knowledge, experience and office within the issuer.

Pursuant to the Undertaking, each director is required to use his/her best endeavours to procure the Company's compliance with the Listing Rules.

ACCEPTANCE OF SANCTIONS AND DIRECTIONS

The Company and all the Relevant Directors have admitted their respective breaches, and accepted the sanctions and directions imposed on them by the Listing Committee, as set out below.

LISTING COMMITTEE'S FINDINGS OF BREACH

The Listing Committee found as follows:

- (1) The Company failed to comply with the requirements under, and therefore breached, Rules 14.34, 14.38A, 14.40, 14.48, 14.49, 14A.35, 14A.36 and 14A.46 in relation to the Advances which constituted notifiable and/or connected transactions.
- (2) All the Relevant Directors approved and/or had knowledge of the Advances. However, they did not use their best endeavours to procure the Company's Rule compliance in respect of the Advances. They therefore breached Rule 3.08 and their Director's Undertakings.

CONCLUSION

The Listing Committee decided to impose the sanctions and directions set out in this Statement of Disciplinary Action.

For the avoidance of doubt, the Exchange confirms that the above sanctions and directions apply only to the Company and the Relevant Directors, and not to any other past or present directors of the Company.

Hong Kong, 28 December 2022