

香港聯合交易所有限公司

(香港交易及結算所有限公司全資附屬公司)

THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

## STATEMENT OF DISCIPLINARY ACTION

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Exchange's Disciplinary Action against Jilin Province Huinan Changlong Bio-pharmacy Company Limited (Stock Code: 8049) and Nine Directors

### SANCTIONS AND DIRECTIONS

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

#### **CENSURES:**

- (1) **Jilin Province Huinan Changlong Bio-pharmacy Company Limited** (Stock Code: 8049) (**Company**);

#### **IMPOSES A DIRECTOR UNSUITABILITY STATEMENT** against:

- (2) **Mr Gao Yong Cai (Mr Gao)**, former independent non-executive director (**INED**) of the Company;

#### **CRITICISES:**

- (3) **Mr Zhang Hong (Mr Zhang)**, executive director (**ED**), chairman and compliance officer of the Company;
- (4) **Mr Wu Guo Wen**, ED of the Company;
- (5) **Mr Xu Xiang Fu**, ED of the Company;
- (6) **Mr Zhang Xiao Guang**, ED of the Company;
- (7) **Mr Zhao Bao Gang**, ED of the Company;
- (8) **Mr Zhang Yi**, ED of the Company;
- (9) **Mr Gao Qi Pin**, INED of the Company; and
- (10) **Ms Tian Jie**, INED of the Company.

(The directors identified at (3) to (10) above are collectively referred to as the **Settlement Directors**.)

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**AND FURTHER DIRECTS:**

A review of the Company's internal controls for procuring compliance with Chapter 19 of the GEM Listing Rules (**GLR**);

The Settlement Directors, except Mr Zhang, to attend 21 hours of training on regulatory and legal topics and GLR compliance, including at least three hours on each of (i) directors' duties; (ii) the Corporate Governance Code; and (iii) the GLR requirements for Chapter 19 (**Training**), within 90 days; and

Mr Zhang to attend 24 hours of Training, within 90 days.

The statement made in respect of Mr Gao above is made in addition to a public censure against him. The Director Unsuitability Statement is a statement that, in the Exchange's opinion, Mr Gao is unsuitable to occupy a position as director or within senior management of the Company or any of its subsidiaries.

**SUMMARY OF FACTS***Subscriptions for Wealth Management Products*

Between 2018 and 2020, the Company subscribed for 91 wealth management products issued by banks in the PRC which constituted discloseable and/or major transactions. The Company did not comply with the announcement, circular and/or shareholders' approval provisions of the GLR in respect of 62 of such subscriptions (**Subscriptions**).

The Company published an announcement in May 2021 in respect of the Subscriptions, and admitted its breaches of the relevant GLR provisions. The Company had previously breached the GLR in respect of the subscription of wealth management products in 2018, and was issued a warning letter by the Division on that occasion.

As a result of the previous breach, the Company announced that it had adopted a number of remedial measures on 17 July 2018. Despite such measures, the Company continued to breach the GLR in respect of the same subject matter.

There was no evidence of any steps taken by Mr Zhang to advise on or assist the Board in implementing procedures to ensure the Company's compliance with the GLR, in breach of his duties as compliance officer of the Company.

*Non-cooperation*

In addition, Mr Gao failed to respond to the Division's enquiries. The Division sent investigation and reminder letters to Mr Gao, and also tried to contact him by telephone, but no response was received from Mr Gao.

**GEM LISTING RULES REQUIREMENTS**

GLR 19.34 provides that a listed issuer must publish an announcement as soon as possible after the terms of, *inter alia*, a discloseable or major transaction have been finalised.

GLR 19.38, 19.40 and 19.41 provide that a listed issuer which has entered into a major transaction must send a circular to its shareholders, and the transaction must be made conditional on approval by shareholders.

Under GLR 5.01, 5.03 and 17.03, directors of listed issuers are collectively and individually responsible for the issuer's management and operations, and are collectively and individually responsible for the issuer's full compliance with the GLR. GLR 5.01 further provides that directors must apply such degree of skill, care and diligence as may reasonably be expected of a person of his/her knowledge and experience and holding his/her office within the issuer.

GLR 5.20 provides that a compliance officer, at a minimum, must advise on and assist the board of directors of an issuer in implementing procedures to ensure that the issuer complies with the GLR and other relevant laws and regulations applicable to the issuer.

Pursuant to the Declaration and Undertaking with regard to directors in the form of Appendix 6B to the GLR (**Undertaking**), each director is under an obligation to (i) comply with the GLR to the best of his/her ability, (ii) use his/her best endeavours to procure the Company's GLR compliance, (iii) cooperate in any investigation conducted by the Exchange; and (iv) update his/her contact details with the Exchange.

**ACCEPTANCE OF SANCTIONS AND DIRECTIONS BY COMPANY AND SETTLEMENT DIRECTORS**

The Company and the Settlement Directors have agreed with the Exchange not to contest their respective breaches, and accepted the sanctions and directions imposed on them by the GEM Listing Committee, as set out in this statement.

**GEM LISTING COMMITTEE'S FINDINGS OF BREACH**

The GEM Listing Committee found as follows:

- (1) The Company, as admitted, breached GLR 19.34, 19.38, 19.40 and 19.41 in respect of the Subscriptions by failing to comply with the announcement, circular and/or shareholders' approval requirements.
- (2) The Settlement Directors breached GLR 5.01 and their Undertakings by failing to exercise reasonable skill, care and diligence in respect of the Subscriptions. They failed to procure the Company's compliance with the GLR, and failed to ensure that the Company implemented and maintained adequate and effective internal controls in respect of subscriptions of wealth management products, despite a previous breach by the Company.
- (3) Mr Zhang breached GLR 5.20 by failing to advise and assist the Board in implementing procedures to ensure the Company's compliance with the GLR in respect of the Subscriptions. The Company's breaches could have been avoided had Mr Zhang properly carried out his duties as compliance officer by ensuring that the remedial measures announced as a result of the previous breach had been properly implemented.
- (4) Mr Gao breached his Undertaking by failing to cooperate in the Division's investigation, which constituted a breach of the GLR. Mr Gao has repeatedly disregarded his obligations under the Undertaking, and his breaches represent serious and/or repeated failure to discharge his responsibilities under the GLR.

**CONCLUSION**

The GEM 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, the Settlement Directors and Mr Gao, and not to any other past or present directors of the Company.

Hong Kong, 13 June 2023