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吉林省輝南長龍生化藥業股份有限公司

**Jilin Province Huinan Changlong Bio-pharmacy Company Limited**

*(a joint stock limited company incorporated in the People's Republic of China)*

**(Stock Code: 8049)**

## **COMPLETION OF INTERNAL CONTROL REVIEW**

Reference is made to the statement of disciplinary action published by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) dated 13 June 2023 (the “**Statement**”) in relation to, among other things, the direction to Jilin Province Huinan Changlong Bio-pharmacy Company Limited (the “**Company**”) to conduct a review on the Company’s internal control for procuring compliance with Chapter 19 of the GEM Listing Rules.

As directed by the GEM Listing Committee of the Stock Exchange, the Company shall retain an independent professional adviser to conduct a thorough review of and make recommendations to improve the Company’s internal controls and to ensure compliance with Chapter 19 of the GEM Listing Rules. The Company has retained Prism Advisory Limited (the “**Internal Control Adviser**”) in August 2023 and the Internal Control Adviser has completed its review on the Company’s internal controls and review of the Company’s implementation of its recommendations on the internal controls. The internal control deficiencies identified in the review and the recommendations of the Internal Control Adviser are summarised as follows:

### **1. MANAGEMENT ON FINANCIAL INVESTMENT BUSINESS (RISK LEVEL: LOW)**

The Company has established an internal control procedure in respect of its financial investment business (the “**Internal Control Procedure**”) since 2016 when it first started to invest in financial products. According to the review by the Internal Control Adviser, the Internal Control Procedure has not set out in detail the requirements on (i) investment planning (e.g. personnel, purpose, source of funds, budget control and risk management); (ii) the structure and power of the investment department; (iii) the monitoring of the investment. The Internal Control Adviser has also reviewed all relevant information relating to the financial investment business to confirm the Company has established management procedure in respect of its investments, but such procedure has not been documented and incorporated into the Internal Control Procedure.

The Internal Control Adviser recommended the Company to update the Internal Control Procedure to incorporate sections as set out in (i) to (iii) above and to update the Internal Control Procedure on the selection of financial products, investment analysis, approval process, compliance check, execution of the subscriptions and redemption process, so as to ensure consistency between the Internal Control Procedure and actual execution of the relevant procedure. The Internal Control Adviser also recommended the management to regularly update the Internal Control Procedure and to keep proper records.

The Internal Control Adviser has reviewed the updated Internal Control Procedure and confirmed that its recommendations have been implemented.

## **2. PROCEDURE ON USE OF COMPANY CHOP (RISK LEVEL: LOW)**

The authorised personnel will affix the Company's chop and specialised chop for finance to the agreement regarding the financial product. The Company has established an internal procedure on use of Company chops. Yet, usage of Company chops only requires prior verbal application. The Company has not kept a record of the written approval from management and the use of its chops. Such arrangement will increase the risk of inappropriate use of the Company chop.

The Internal Control Adviser recommended that the use of Company chops should be subject to written approval in accordance with the requirement of the internal procedure on use of Company chops and proper record on the written approval should be kept.

The Internal Control Adviser has inspected the use of Company chops in September 2023 and confirmed that the Company has followed the internal procedure in respect of the use of Company chops.

## **3. FILE MANAGEMENT (RISK LEVEL: MEDIUM)**

The Company has only kept the investment analysis of the financial products and the approval record from the Board. The Company has not kept files of the application for subscription by the Company's investment department and files of approval or reporting from the capital committee, risk management committee and internal control department. The Internal Control Adviser recommended the Company to establish financial investment file archives for safekeeping the approval or reporting records to facilitate the management to review past investment records. Such arrangement should be recorded in the Internal Control Procedure.

The Internal Control Adviser has inspected the transaction documents for subscription of financial products during the period from August to September 2023 and confirmed that the Company has kept proper records.

#### 4. **DISCLOSURE AND MANAGEMENT ON NOTIFIABLE TRANSACTIONS (RISK LEVEL: HIGH)**

The Company has failed to comply with the GEM Listing Rules requirement in respect of its subscription of financial products from 2018 to 2020. For most of the breaches in 2019 and 2020, the breaches of the GEM Listing Rules were due to misunderstanding by the management of the Company of the Measures for the Supervision and Administration of the Wealth Management Business of Commercial Bank issued by the China Banking and Insurance Regulatory Commission on 26 September 2018. The Company has also failed to aggregate some subscriptions with the same financial institution and failed to comply with the relevant disclosure and shareholders' approval requirements under the GEM Listing Rules.

To avoid any non-compliances in the future, the Company has prepared a compliance manual in respect of subscription of financial products (the “**Compliance Manual**”) and provided regular trainings to the directors and senior management in respect of the requirements of the GEM Listing Rules. The Company has also prepared accounts for subscription of financial products, and the financial controller, company secretary and the department head of the securities department will jointly monitor the subscriptions of financial products from the same financial institution and make monthly report to the board of directors of the Company to ensure compliance with Chapter 19 of the GEM Listing Rules.

The Internal Control Adviser has reviewed the Compliance Manual to be published in 2023 and confirmed that the relevant compliance procedure has been incorporated. The Internal Control Adviser has inspected the training records and confirmed that the relevant trainings have been conducted. The Internal Control Adviser has inspected the size test calculation in respect of investments in financial products from 2022 to 2023 and confirmed that the Company has complied with the GEM Listing Rules in respect of the investments. The Internal Control Adviser has also inspected the accounts for subscription of financial products and confirmed that the financial controller, company secretary and the department head of the securities department have monitored the financial products.

The Board confirmed that all the recommendations of the Internal Control Adviser has been implemented, and the Company has complied with all the directions of the GEM Listing Committee set out in the Statement. The relevant non-compliance incidents and the related internal control deficiencies identified by the Internal Control Adviser will be disclosed in the corporate governance report of the Company for the financial year ending 31 December 2023.

By order of the Board  
**Jilin Province Huinan Changlong Bio-pharmacy Company Limited**  
**Zhang Hong**  
*Chairman*

Jilin Province, the PRC  
26 October 2023

*As at the date of this announcement, the Board comprises six executive directors, being Zhang Hong, Zhang Xiao Guang, Zhao Bao Gang, Wu Guo Wen, Zhang Yi and Xu Xiang Fu and three independent non-executive directors, being Gao Qi Pin, Bai Jun Gui and Tian Jie.*

*This announcement, for which the directors of the Jilin Province Huinan Changlong Bio-pharmacy Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Jilin Province Huinan Changlong Bio-pharmacy Company Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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