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Hilong Holding Limited

海隆控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1623)

**(1) CHANGE OF AUDITOR;
(2) POSTPONEMENT OF THE 2024 ANNUAL GENERAL MEETING;
AND
(3) CONTINUED SUSPENSION OF TRADING**

This announcement is made by Hilong Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

References are made to the Company’s announcements dated 19 March 2024, 25 March 2024 and 30 April 2024 in relation to, among others, the delay in publication of annual results announcement and delay in despatch of the annual report for the year ended 31 December 2023, the postponement of the Board meeting, the establishment of the Investigation Committee and the continued suspension of trading (collectively, the “**Announcements**”). Unless otherwise indicated, capitalised terms used herein shall have the same meanings as defined in the Announcements.

RESIGNATION OF AUDITOR

The Board announces that PricewaterhouseCoopers (“**PwC**”) has tendered its resignation as the auditor of the Company with effect from 30 May 2024 (the “**Resignation**”). In PwC’s resignation letter dated 30 May 2024 (the “**Resignation Letter**”), PwC set out certain key unresolved audit issues and other matters that shall be brought to the attention of the shareholders (“**Shareholders**”) and the creditors (“**Creditors**”) of the Company:

Key unresolved audit issues identified by PwC (the “Key Audit Issues”)

The Key Audit Issues include the Transactions with Entity A, the Prepayments and Debt Extension. In addition to the information that has been disclosed in the Announcements, PwC claimed the following matters in the Resignation Letter:

In relation to Transactions with Entity A, PwC had been invited to attend the verbal progress update meetings and/or interviews taken place during the course of the Investigation until 18 April 2024. As the Investigation is ongoing, PwC has not yet obtained reasonable explanations and sufficient information of Transactions with Entity A from the Company as of the date of the Resignation Letter.

In relation to the Prepayments, PwC claimed that the main concerns on certain prepayment balances as at 31 December 2023 include: (a) certain prepayments accounted for a substantial percentage of the total contract amount, and purchased fixed assets or inventories had not been delivered to the Company within the contracted time period; and (b) certain prepayments were settled by various transactions (cash, other services or other goods), which were different from the original purchase contracts. PwC was concerned about the commercial rationale for certain prepayments, the reasonableness of the delivery of fixed assets or inventories in longer time period and the recoverability of certain prepayments. In addition, one of the prepayments which was fully settled in 2023 for the procurement of certain fixed assets was later transferred by the supplier to a third party as payment for renovation services to the Company’s vessel. Such payment was fully capitalized and recorded as fixed assets on 31 December 2023, which PwC requested the Company to provide further supporting documents and confirm appropriate accounting treatment.

In relation to the Debt Extension, PwC claimed that as of the date of the Resignation Letter, no definitive agreement on the terms of the Debt Extension has been entered into by the parties. PwC has not obtained all the necessary information to perform its audit procedures related to the assessment of the Company’s ability to continue as a going concern.

For details of the Transactions with Entity A, the Prepayments and Debt Extension, please refer to the Announcements.

Other matters identified by PwC that require attention

PwC also stated in the Resignation Letter that the following matters shall require attention in relation to the audit of the 2023 Annual Results: (a) the reasons for the inconsistency between the financial information reported by the subsidiaries in Pakistan and Ecuador to the Group for the purpose of preparing the consolidated financial statements and the financial statements used by such subsidiaries for local tax filing, and the corresponding follow-up evaluation; (b) impairment assessment of inventory/long-term assets of certain subsidiaries; and (c) assessment of the potential impact of the outstanding audit matters on the Company’s very substantial disposal transaction which was completed in November 2023 and the corresponding annual consolidated financial statements.

Given the aforementioned Key Audit Issues and other matters, PwC could not estimate the scope of additional audit work and timetable for completing the audit of the 2023 Annual Results. In these circumstances, with a view to shorten the trading suspension period and having considered the audit timetable and audit fee, the Board has recommended PwC to resign as the auditor of the Company on 22 May 2024.

The Audit Committee has reviewed the Resignation Letter, in particular the reasons for resignation. The Audit Committee has also taken the initiative to discuss with PwC the Key Audit Issues and other matters identified by PwC that require attention, followed up with the Company's management on the relevant communications with PwC, and sought to find solutions towards reaching a consensus on the audit timetable. Given that PwC is not in a position to estimate a timetable for the completion of the audit of the 2023 Annual Results, the Audit Committee considered it appropriate to change the auditor, such that the Company may proceed to engage another external auditor and move forward to complete the audit of the 2023 Annual Results as soon as practicable.

The Board and the Audit Committee confirm that, save as disclosed above, there are no other circumstances or matters in connection with the resignation of PwC that need to be brought to the attention of the Shareholders and Creditors.

In connection with the Key Audit Issues, the Company wishes to reiterate that it is committed to the completion of the audit of the 2023 Annual Results as soon as practicable. The Company will publish further announcement to inform the Shareholders of any material development in relation to the Key Audit Issues in accordance with the Listing Rules and applicable laws as and when appropriate.

APPOINTMENT OF AUDITOR

The Board further announces that, with the recommendation of the Audit Committee, the Board has resolved to appoint Crowe (HK) CPA Limited ("**Crowe**") as the new auditor of the Company to fill the casual vacancy following the Resignation and to hold office until the conclusion of the next annual general meeting of the Company.

The Audit Committee has considered a number of factors in assessing Crowe's eligibility and suitability to act as the auditor of the Company, including but not limited to (i) its audit fee and timetable proposal; (ii) the resources to be allocated by Crowe to complete the audit work for the 2023 Annual Results; (iii) its international presence and extensive experience in providing audit services for companies listed on the Stock Exchange; (iv) its independence from the Group; and (v) the guidelines issued by the Stock Exchange and the Accounting and Financial Reporting Council in respect of change of auditor.

Based on the above, the Audit Committee has assessed and considered that Crowe is eligible and suitable to act as the new auditor of the Company. The official appointment is now subject to the completion of Crowe's internal clearance procedures which are now being conducted, and the Company will issue a separate announcement in relation to the appointment of Crowe upon completion of such procedures.

The Board wishes to emphasize that the operations of the Group remains normal. The Company will proactively assist the new auditor to complete the audit work for the 2023 Annual Results and will publish further announcement(s) to inform the Shareholders and potential investors of the Company of any significant developments in respect of the appointment of new auditor and the publication of the 2023 Annual Results as and when appropriate in compliance with the requirements of the Listing Rules.

POSTPONEMENT OF THE 2024 ANNUAL GENERAL MEETING

Due to the delay in the publication of the 2023 Annual Report, the Board wishes to inform the Shareholders and potential investors of the Company that the 2024 annual general meeting of the Company will be postponed accordingly until further notice. Further announcement(s) will be made by the Company in relation to the holding of the 2024 annual general meeting of the Company as and when appropriate.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, the trading in the shares of the Company on the Stock Exchange has been suspended from 9:00 a.m. on 2 April 2024, and will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise due caution when dealing in the securities of the Company. When in doubt, Shareholders and potential investors of the Company are advised to seek advice from their own professional or financial advisers.

For and on behalf of the Board
Hilong Holding Limited
ZHANG Jun
Chairman

Hong Kong, 31 May 2024

As at the date of this announcement, the executive directors of the Company are Mr. ZHANG Jun and Mr. WANG Tao (汪濤); the non-executive directors are Ms. ZHANG Shuman, Dr. YANG Qingli, Mr. CAO Hongbo and Dr. FAN Ren Da Anthony; and the independent non-executive directors are Mr. WANG Tao (王濤), Mr. WONG Man Chung Francis and Mr. SHI Zheyang.

* *For identification purpose only*