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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)**

## **KEY FINDINGS OF THE SUPPLEMENTARY INVESTIGATION AND CONTINUED SUSPENSION OF TRADING**

This announcement is made by Hilong Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated (i) 16 October 2024 in relation to key findings of the independent investigation (the “**Independent Investigation Announcement**”); (ii) 30 March 2025 in relation to the annual results of the Company for the year ended 31 December 2024; (iii) 31 March 2025 in relation to fourth quarterly update on status of resumption (collectively, the “**Announcements**”); (iv) the 2023 Annual Report published on 28 November 2024; (v) the 2024 Interim Report published on 16 December 2024; and (vi) the 2024 Annual Report published on 29 April 2025 (collectively, the “**Reports**”). Unless otherwise indicated, capitalised terms used herein shall have the same meanings as defined in the Announcements/Reports.

### **BACKGROUND**

As disclosed in the Independent Investigation Announcement, the Investigation Committee engaged the Independent Advisor to conduct an independent forensic investigation into the Transactions and related business dealings of Metal Technology Co., Ltd. (“**MTC**”) involving four Russian Subsidiaries of the Group, namely Drilling Technology, Technomash, Pipeline Surgut and Pipeline Orenburg, which took place during the period from 1 October 2022 to 31 December 2023 (the “**Investigation**”). The Independent Advisor completed its relevant work and issued the report of the Investigation dated 30 September 2024 (the “**Investigation Report**”).

According to the Investigation Report, the business purposes of the establishment of MTC were to (i) assist the Russian Subsidiaries with alternate means of financing; and (ii) to facilitate procurement of pipe materials from Supplier B. The Independent Advisor noted that no reporting was made to, and no approvals were obtained from the Board with respect to MTC's establishment and the Transactions. Further details of the key findings of the Investigation, the opinions of Investigation Committee and the Board, and the recommendations and their completion status were set out in the Independent Investigation Announcement.

Based on the assessment of the Investigation Committee and the Board after consultation with Crowe, MTC's financial results for FY2022 and FY2023 had been consolidated into the Group's consolidated financial statements. Upon the complete books and records of MTC becoming available to the Group, the Investigation Committee engaged the Independent Advisor to undertake further additional procedures to supplement the Investigation. Such procedures have also taken into account, among others, observations and queries raised by the Stock Exchange in relation to the Investigation. On 29 May 2025, the Independent Advisor completed the supplementary investigation (the "**Supplementary Investigation**") and submitted the updated investigation report (the "**Updated Investigation Report**") to the Investigation Committee. On 29 May 2025, the Investigation Committee reviewed and accepted the Updated Investigation Report. This announcement summarizes the key findings of the Supplementary Investigation.

## **SUMMARY OF KEY FINDINGS OF THE SUPPLEMENTARY INVESTIGATION**

The objectives of the Supplementary Investigation were to (i) review the fund flow of MTC during the Review Period; (ii) further ascertain the commercial substance of MTC's procurement from external third parties; (iii) and undertake alternative procedures to address certain procedural limitations of the Investigation.

### **Additional Procedures**

The Independent Advisor conducted the following additional procedures, including but not limited to:

- (i) performed sample review of other fund outflows of MTC (such as transportation fees, staff costs, customs, and other expenses) and reviewed the underlying supporting documents. The Independent Advisor did not identify any indications that the sample payments were made for purposes other than MTC's operations;
- (ii) performed sample review on procurement transactions made by MTC with its four major third party suppliers (including Supplier B) and reviewed the underlying supporting documents;
- (iii) obtained and reviewed electronic documents stored at the server hosted by Technomash. The Independent Advisor also independently reconciled various sources of internal and external documentary evidence and did not note any irregularities with respect to the completeness of MTC's financial records made available to the Independent Advisor;

- (iv) performed an email gap analysis on the custodians' archived mailboxes. The Independent Advisor did not identify any anomaly pattern in the volume of server emails retrieved from the archived mailboxes; and
- (v) collected, processed and reviewed the electronic documents recovered from the forensic image of the personal mobile devices of a former senior management and a current executive Director and senior management of the Company.

## SUMMARY OF KEY FINDINGS

### Repurchase Transactions

As disclosed in the Independent Investigation Announcement, the Russian Subsidiaries had entered into six groups of Repurchase Transactions with MTC during the Review Period. Upon completion of the Supplementary Investigation, the Independent Advisor further identified two groups of repurchase transactions between MTC and the Russian Subsidiaries, of which (i) Drilling Technology sold and subsequently repurchased fixed assets and accessories from MTC; and (ii) Technomash sold and subsequently repurchased a portion of coating materials from MTC (collectively, the “**Additional Repurchase Transactions**”). Taking into account the Additional Repurchase Transactions, in respect of the Repurchase Transactions, the total sales amount made by the Russian Subsidiaries to MTC was RUB1,714 million and the repurchase amount from MTC by the Russian Subsidiaries was RUB1,883 million, through which MTC made a gross profit of RUB169 million.

For FY2022 and FY2023, the total purchase from four major third party suppliers was RUB3,096.9 million (exclusive of VAT) and the total subsequent sales to the Russian Subsidiaries was RUB3,637.1 million (exclusive of VAT), representing a 14.9% margin.

After consultation with Crowe, the Board is of the view that the Additional Repurchase Transactions together with the Repurchase Transactions had been eliminated when MTC's financial results were consolidated into the Group's consolidated income statements for FY2022 and FY2023. Crowe also advised that no further adjustment or clarification of the prior year financial results will be required.

### Supplier D Transaction

According to the Updated Investigation Report, the Independent Advisor noted (i) a procurement transaction in the amount of RUB251.3 million (exclusive of VAT) in October 2022 (the “**Supplier D Transaction**”) made by MTC with one supplier in Russia (“**Supplier D**”) was without commercial substance, and (ii) the parent company of Supplier D, a major customer of the Russian Subsidiaries, had an offsetting transaction in September 2022 without commercial substance with Drilling Technology. The Independent Advisor noted that MTC had no further transactions with Supplier D of similar nature in 2022 and 2023. During the audit of the Group for FY2023 and FY2024, it has not come to Crowe's attention that the Group conducted other transactions similar to the Supplier D Transaction and the corresponding offsetting transaction as described above. Based on the review of transaction documents by Independent Advisor, the former general manager of the Russian Region provided instructions for and approved the Supplier D Transaction and the corresponding offsetting transaction. The former general manager of the Russian Region had resigned from the Group on 15 October 2024.

After consultation with Crowe, and given the consolidation of MTC into the Group, the Board is of the view that the financial impact arising from the Supplier D Transaction was immaterial to the consolidated financial statements of the Group for FY2022.

### **Clarifications on dividend declared to Employee A**

As disclosed in the Independent Investigation Announcement, during the Review Period, RUB93.5 million was declared as dividends by MTC and distributed to Employee A's personal bank account for the purpose of settling Russian Subsidiaries' marketing expenses. According to the Investigation Report, the Independent Advisor also noted that such dividend payment was not authorized by the Board. In August 2024, the full amount of RUB93.5 million was recovered from Employee A.

During the Supplementary Investigation, the Independent Advisor reviewed MTC's accounting ledger and noted that the dividend payment was in fact recorded as dividend paid to Employee A. As advised by the management of the Russian Subsidiaries, the nature of the marketing expenses was in fact commissions and/or performance bonuses of local salespersons, a sub-category of marketing expenses. The purported salespersons commissions and/or performance bonuses were never recorded as expenses in MTC's accounting ledger.

As disclosed in the Independent Investigation Announcement, the dividend payments were never reported to the senior management of the Company and/or the Board. As such, the senior management of the Group did not have the opportunity to make enquiry and assess the commercial substance of the purported salespersons commissions and/or performance bonuses, and to approve for the dividend payment. The Board did not accept that the dividend funds were paid for genuine business purposes and therefore the dividend payments were considered unauthorised.

Crowe also considered that the purported salespersons commissions and/or performance bonuses would not be considered as the Group's expenses for FY2022 and FY2023 as there was no contractual relationship established by the Group with any party for the payment of such purported salespersons commissions and/or performance bonuses by the Group (including MTC), and accordingly the Group (including MTC) has no obligation to make such payments. Crowe also advised that no further adjustment or clarification of the prior year financial results will be required.

### **No material impact on the key findings of the Investigation Report**

Upon completion of the Supplementary Investigation, other than the findings relating to the Additional Repurchase Transactions, the Supplier D Transaction and the corresponding offsetting transaction, and clarifications on dividend declared to Employee A as set out above, the Independent Advisor did not identify any additional material observations that would affect its findings in the Investigation Report. In particular, the Independent Advisor did not identify any additional personnel of the Group had decision making role in the matters identified in the Independent Investigation Announcement and this announcement, including the establishment of MTC, the Transactions, the procurement with MTC's four major third party suppliers (including the Supplier D Transaction), the dividend payment to Employee A, the Bank C Loans and the Russian Guarantees.

## **Opinions of the Investigation Committee and the Board on the Updated Investigation Report**

The Investigation Committee has completed the review of the contents of the Updated Investigation Report, and, having taken into account the practical limitations and making necessary enquiries with the Independent Advisor, is of the view that the Independent Advisor has taken appropriate and necessary further actions to adequately investigate the Transactions to the extent presently and reasonably possible, and the factual conclusions to the Updated Investigation Report are reasonable. The Investigation Committee has submitted the Updated Investigation Report together with its opinion to the Board for consideration. The Board approved the contents of the Updated Investigation Report and the opinions of the Investigation Committee. The Board is of the view that the issues further identified in the Updated Investigation Report do not have any material adverse impact on the Company's financial position or business operation.

## **Change of management team of the Russian Subsidiaries**

Further to the departures of relevant personnel of the Russian Subsidiaries and certain senior management of the Group as disclosed in the Independent Investigation Announcement, the general manager of Drilling Technology and Employee A have tendered their respective resignations with effect from March 10, 2025 and have ceased to hold any positions in the Group. These positions have been filled by qualified and experienced personnel, with the approval by the Board.

## **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, 29 May 2025

*As at the date of this announcement, the executive director of the Company is Mr. ZHANG Jun; 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, Mr. WONG Man Chung Francis and Mr. SHI Zheyang.*

*\* For identification purposes only*