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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) COMPLETION OF THE INTERNAL CONTROL REVIEW  
AND  
(2) 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)(a) 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 (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the Company’s announcements dated (i) 19 March 2024 and 25 March 2024 in relation to, among others, the delay in publication of the 2023 Annual Results announcement and despatch of the 2023 Annual Report, the establishment of the Investigation Committee, and the postponement of the Board meeting; (ii) 30 April 2024 in relation to further delay in publication of the 2023 Annual Results and despatch of the 2023 Annual Report; (iii) 31 May 2024 in relation to, among others, the resignation of PricewaterhouseCoopers as the auditor of the Company and the postponement of the 2024 annual general meeting; (iv) 18 June 2024 in relation to the Resumption Guidance; (v) 28 June 2024 in relation to the first quarterly update on status of resumption; (vi) 8 July 2024 in relation to the appointment of Crowe as the new auditor of the Company; (vii) 22 August 2024 in relation to further delay in publication of the 2023 Annual Results and despatch of the 2023 Annual Report, and delay in publication of the 2024 Interim Results and 2024 Interim Report; (viii) 27 September 2024 in relation to the second quarterly update on status of resumption; (ix) 16 October 2024 in relation to key findings of the independent investigation; (x) 30 December 2024 in relation to the third quarterly update on status of resumption; (xi) 21 February 2025 in relation to the continuing connected transactions under Rule 14A.60 of the Listing Rules and MTC Transaction Agreements; (xii) 30 March 2025 in relation to the annual results announcement for the year ended 31 December 2024; (xiii) 31 March 2025 in relation to the fourth quarterly update on status of Resumption; (xiv) 31 March 2025 for the supplemental announcement and update on the internal control review (collectively, the “**Announcements**”); (xv) the 2023 Annual Report published on 28 November 2024; (xvi) the 2024 Interim Report published on 16 December 2024; and (xvii) and the 2024 Annual Report published on 29 April 2025 (collectively, the “**Reports**”). Unless otherwise stated, capitalized terms used in this announcement shall bear the same meanings as those defined in the Announcements and Reports.

## BACKGROUND

As disclosed in the Announcement dated 18 June 2024, one of the conditions in the Resumption Guidance is that the Company shall “*conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules*”.

To address such Resumption Guidance and to further enhance the internal controls of the Company, the Company engaged Acclime Consulting (Hong Kong) Limited (凱晉諮詢顧問有限公司) as the internal control consultant (the “**Internal Control Consultant**”) to conduct an independent review of the internal control procedures of the Company and all the subsidiaries identified in the Investigation for the review period from 1 July 2023 to 30 June 2024 and the follow-up review period from 1 July 2024 to 29 May 2025 (the “**Internal Control Review**”).

On 29 May 2025, the Internal Control Consultant submitted its final report in respect of the Internal Control Review and follow-up assessment of the remedial actions implemented by the Group (the “**Internal Control Review Report**”) to the Audit Committee and the Board. The Internal Control Review Report contains, amongst others, the findings of the Internal Control Review, the recommendations of the Internal Control Consultant, and the follow-up assessment of the implementation status of the remedial actions in response to the recommendations made.

## SCOPE OF THE INTERNAL CONTROL REVIEW

The scope of the Internal Control Review covered a review of the following areas:

- corporate governance (including control environment, risk assessment and management, monitoring activities, information and communication, anti-fraud policies and procedures and internal control measures); and
- financial reporting and disclosure (including revenue and account receivables, procurement and payables/prepayments, cash and fund management, inventory management, fixed assets management, taxation, human resources and payroll management, insurance, IT general controls, research and development).

## SUMMARY OF KEY FINDINGS OF THE INTERNAL CONTROL REVIEW

Set out below is a summary of (i) the key findings of the Internal Control Review, (ii) the rectification recommendations of the Internal Control Consultant based on these findings, and (iii) the implementation of remedial actions following the rectification recommendations of the Internal Control Consultant, classified by the extent of deficiency (being (i) material deficiency (“**Material Deficiency**”); and (ii) medium deficiency (“**Medium Deficiency**”)).

Material Deficiency		
I. Conflict of Interest Declaration		
Summary of Key Findings	Rectification Recommendation	Implementation of Remedial Actions following the Rectification Recommendations of the Internal Control Consultant
<p>The Group's Anti-fraud and Whistleblowing Policy (《反舞弊和舉報制度》) (“<b>Anti-fraud and Whistleblowing Policy</b>”) required employee(s) to complete the declaration of interest form if an employee or his/her associated company has any dealings or cooperation with any member of the Group. However, the following deficiencies were identified:</p> <ol style="list-style-type: none"> <li>1. the employee handbook (《員工手冊》) (“<b>Employee Handbook</b>”) did not require employees to report conflicts of interest;</li> <li>2. the Group did not require senior management and employees to declare conflicts of interest on a regular basis; and</li> <li>3. as disclosed in the announcement published by the Company on 16 October 2024 in relation to key findings of the independent investigation (the “<b>Investigation Announcement</b>”), no conflict of interest was declared, and no approval was obtained for the establishment of MTC and the transactions between the Russian Subsidiaries and MTC. The employee handbook of the Russian Subsidiaries did not require employees to report conflicts of interest. No reports were submitted to and no approval from the Group's internal audit department, chief executive officer, Chairman and/or the Board was obtained.</li> </ol>	<p>The Group is advised to adopt the following measures to strengthen its procedures for declaration of conflict of interest:</p> <ol style="list-style-type: none"> <li>1. the Employee Handbook should specifically require employees to regularly submit conflict of interest declarations;</li> <li>2. require senior management and employees to submit declaration of interest form on a regular basis (at least annually) for ongoing monitoring of potential conflict of interest, and incorporate such requirements into the Anti-fraud and Whistleblowing Policy. The updated policy should be distributed to all employees, and reviewed and signed by all employees; and</li> <li>3. enhance internal audit functions, such as conducting regular spot checks on conflict of interest declarations submitted by subsidiaries' employees and compile them into a written report to the Directors.</li> </ol>	<p>The Group has revised the Anti-fraud and Whistleblowing Policy and the Employee Handbook, which are distributed to all employees of the Group and require both new employees and existing employees to complete the conflict of interest declaration form annually. In addition, the Group's internal audit department has incorporated conflict of interest management into regular audit procedures and report its findings to the Board regularly.</p>

<b>Material Deficiency</b>		
<b>II. Securities Trading Rules for Directors, Senior Management and Employees</b>		
The Group did not establish internal guidelines for Directors, senior management and employees regarding securities transactions.	<p>The Group should establish internal guidelines to define the rules and procedures for securities transactions and standardize trading behavior of internal personnel, including but limited to, defining the scope of securities transactions for internal personnel, restricting securities transactions during sensitive periods, reporting obligation, internal monitoring mechanism and mechanism for investigating and addressing violations of these guidelines.</p> <p>Such written guidelines should be reviewed and approved by the management and distributed to all Directors, senior management and employees for compliance.</p>	The Group has established the guidelines as recommended. These guidelines have been approved by the management and distributed.
<b>III. Compliance with Connected Transactions under Chapter 14A of the Listing Rules</b>		
The Group failed to timely disclose certain connected transactions between Drilling Technology and Technomash and transactions involving MTC, Technomash and Pipeline Surgurt after the completion of disposal of Hilong Pipeline and consolidation of MTC.	<p>The Group should adopt following measures:</p> <ol style="list-style-type: none"> <li>1. provide trainings to the management and employees of the Group on a periodic basis to improve their knowledge in accounting and the Listing Rules; and</li> <li>2. review all previous transactions which require reporting and comply with annual audit and disclosure requirements.</li> </ol>	<p>The Group has adopted following measures:</p> <ol style="list-style-type: none"> <li>1. the implementation of a management system on connected transactions;</li> <li>2. provide periodic training to the management and employees of the Group; and</li> <li>3. complete the review of all transactions in relation to the disposal of the equity interest of Hilong Pipeline and the consolidation of MTC and disclose relevant continuing connected transactions.</li> </ol>

Material Deficiency		
IV. Internal Control Findings and Recommendations of Investigation Report		
<p><b>Approval and reporting process of material contracts</b></p> <p>The Group's Legal Affairs Management Policy (《海隆集團法務管理制度》) (“<b>Legal Affairs Management Policy</b>”) required that material operating contracts should be approved at the Group level. However, the following deficiencies were identified:</p> <ol style="list-style-type: none"> <li>the Legal Affairs Management Policy did not state whether procurement and sales contracts of subsidiaries fell under the category of material operating contracts; and</li> <li>such policy did not specify whether a framework contract without a total amount was a material operating contract that needed to be approved or reported at the Group level or how to determine the standard amount of material operating contracts.</li> </ol> <p><b>Oversight of the Group's subsidiaries</b></p> <p>The Group did not establish written policy for subsidiaries regarding the reporting and submission of material transactions to comply with Listing Rules.</p>	<p>The Group should review the definitions and reporting requirements for material contracts in establishing more precise rules on monetary thresholds and update the scope of such policies. The management should review and distribute the updated policies to all employees for compliance.</p> <p>Furthermore, the management should establish written policy for all subsidiaries by defining the reporting relationship and procedures. Each subsidiary should conduct size tests and report notifiable transactions, connected transactions and inside information to its respective business unit, the Group and the Board.</p> <p>All subsidiaries should report to each business unit on signing of material contracts, major mergers and acquisitions, establishment of joint ventures and connected transactions on a monthly basis. Business units should report to the management of the Group and the Board with written record. The chief financial officer, the head of internal audit department and head of legal and compliance department should report to the Board monthly while the senior management team holds meeting with the Board quarterly on the status of the Group in relation to their duties.</p>	<p>The Group has revised the Group's Sales Management Policy (《海隆集團銷售管理制度》), Procurement Management Policy (《海隆集團採購管理制度》) (“<b>Procurement Management Policy</b>”), and Legal Affairs Management Policy, clarifying material contract definitions and implementation requirements, and requiring submission of monthly contract registers from subsidiaries.</p> <p>The Group has revised the Group's Financial Management Policy (《海隆集團財務管理制度》) (“<b>Financial Management Policy</b>”), which requires all guarantees provided to controlled subsidiaries shall obtain the Board's approval, and prohibits guarantees to and from external entities.</p> <p>The internal audit department has adopted following measures to improve the oversight of the Group's subsidiaries:</p> <ol style="list-style-type: none"> <li><b>Policy Management:</b> The Group has established global management policies to enhance the oversight of the operations and material matters of its overseas subsidiaries;</li> </ol>

Material Deficiency		
<p><b>Financing and Guarantees</b></p> <p>The Financial Management Policy stipulated that material financing and guarantee contracts must be approved by the Group and required to submit these contracts for record.</p> <p>As set out in the Investigation Announcement, the Russian Guarantees were verbally discussed among the Russian Managers and reported to the then General Manager of the Oilfield Equipment Segment. However, no reporting was made to, and no approvals were obtained from the Board, which did not comply with the Financial Management Policy.</p> <p>In addition, the annual audit work plan did not clearly require external guarantee matters be included in the scope of regular audits.</p>	<p>In addition, all subsidiaries must refrain from providing guarantees to external entities. Any violations result in penalties according to the Group's revised policy. The revised policy should be distributed to all subsidiaries for compliance after obtaining approval from the management.</p> <p>The management should require the internal audit department to include the approval and reporting procedures for material contracts into the scope of regular audits, and the results should be compiled into written reports and submit to the Board bi-annually.</p>	<p>2. Management of material matters: A management system has been established to oversee the material matters of oversea subsidiaries, including but not limited to, material sales contracts, procurement contracts, investment and financing activities, external guarantees, establishment of companies and connected transactions. For matters requiring management approval at the Group level, business units must first report to the corresponding departments. These departments will then escalate the matters to the management for approval prior to execution; and</p> <p>3. Audit monitoring: The internal audit department has incorporated supplier admission processes, conflict of interest, periodic supplier evaluations, financing activities, external guarantees, equity and fixed asset investments, accounts receivable and payable management and seal management into the scope of annual audit. The Group's audit plans will cover all domestic and overseas subsidiaries, with a primary focus on overseas subsidiaries. The internal audit department will conduct on-site audits on all Russian subsidiaries.</p>



Material Deficiency		
V. Onboarding Process of New Suppliers		
<p>The Procurement Management Policy provided the requirements and procedures for the onboarding process of suppliers. However, the policy did not require the procurement department to use third-party public platform to perform background checks on such suppliers. The following deficiencies were identified in certain subsidiaries:</p> <ol style="list-style-type: none"> <li>1. certain subsidiaries did not appoint another person to review the credit information collected by procurement personnel on partner suppliers or retain written record to confirm whether the relevant work had been properly executed;</li> <li>2. procurement personnel performed background checks on partner suppliers using third-party platforms but did not retain the necessary written documentation;</li> <li>3. such policy lacked a clear workflow for upgrading partner suppliers to key suppliers based on procurement amount or duration of cooperation;</li> <li>4. such policy did not require the use of third-party public platforms to conduct background checks on strategic suppliers and key suppliers; and</li> <li>5. some sampled supplier evaluation forms did not contain review records.</li> </ol>	<p>The Group is advised to implement the following procedures on the onboarding of new suppliers:</p> <ol style="list-style-type: none"> <li>1. require procurement personnel to use third-party public platforms to conduct background checks on all new suppliers. If a supplier's information cannot be verified through third-party platform, or the accuracy of the information cannot be confirmed, the procurement department is required to provide a written explanation for review;</li> <li>2. adopt a standardized new supplier application form to be completed by suppliers and procurement personnel should attach a credit report on the form and confirm by both parties;</li> <li>3. enhance the relevant management policies and retain relevant records, such as the workflow for converting partner suppliers to key suppliers; and</li> <li>4. establish due diligence procedures for related parties and conflict of interest, which shall be conducted by personnel independent of the procurement department and relevant supporting documents should be retained.</li> </ol>	<p>The Group has revised the Group's Supplier Management Implementation Rules (《海隆集團供應商管理實施細則》), which has included requirements for reviewing the credit information collected from partner suppliers with written review records, conducting background checks on new suppliers using third-party public platforms and storing the relevant materials in the supplier's file, and establishing the workflow for converting partner suppliers, who have reached a specific procurement amount or sustained cooperation for a defined period, into key suppliers within the Group's OA system. The rules have been approved and distributed by the management.</p> <p>The subsidiaries have conducted self-checks based on the revised rules to ascertain if their policies and procedures require updates and approval. All written records of suppliers' due diligence, evaluations and approvals are retained by the Company's procurement department.</p> <p>In addition, the Group's internal audit department is required to review the implementation of supplier onboarding procedures bi-annually.</p>

Material Deficiency		
VI. Procurement Contract Signing Process		
<p>The following deficiencies regarding the signing process of procurement contracts were identified:</p> <ol style="list-style-type: none"> <li>1. a certain subsidiary was unable to provide the framework contract for a procurement sample. In some occurrences, in particular with long-term suppliers, goods were delivered before contracts were signed;</li> <li>2. certain procurement contracts lacked proper approval records and could not ascertain approval processes; and</li> <li>3. certain subsidiaries did not require signatories to include the signing date on the procurement contract at the time of signing.</li> </ol>	<p>The management is advised to:</p> <ol style="list-style-type: none"> <li>1. immediately sign outstanding framework contracts with the relevant suppliers to ensure that all terms and conditions are clearly outlined in the contracts and enhance the management of contract files;</li> <li>2. update relevant policies to prohibit backdating of contracts to ensure that all procurement contracts are signed prior to the delivery of goods or provision of services. Procurement personnel are required to follow the established approval process for contracts and maintain complete records; and</li> <li>3. require signatories to specify the contract signing date in the contracts.</li> </ol>	<p>The following actions has been implemented:</p> <ol style="list-style-type: none"> <li>1. certain subsidiaries have signed new framework contracts with the relevant suppliers and have strengthened the management of relevant processes;</li> <li>2. the Procurement Management Policy has been revised to update the contract signing provisions and require subsidiaries to strictly follow the updated procedures for contract approval; and</li> <li>3. require actual signing date to be included in the contract at the time of signing.</li> </ol>
VII. Prepayment Management		
<p>The following deficiencies regarding prepayment management were identified:</p> <ol style="list-style-type: none"> <li>1. there were no policies that require the subsidiaries to prepare Prepayment Aging Analysis Table (《預付款賬齡分析表》) (“<b>Prepayment Aging Analysis Table</b>”); and</li> <li>2. certain subsidiaries failed to maintain written records of follow-ups with suppliers regarding goods that had remained to be delivered for an extended period.</li> </ol>	<p>The Group is advised to establish written policies for prepayments and prepare monthly Prepayment Aging Analysis Table.</p> <p>Subsidiaries should submit contract registers to business units quarterly for review and record any anomalies.</p> <p>Furthermore, the Group should enhance procurement contract management by conducting quarterly spot checks on procurement contract/order contract register.</p>	<p>The Group has:</p> <ol style="list-style-type: none"> <li>1. established the Group’s Prepayment Management Policy (《海隆集團預付款管理制度》) (“<b>Prepayment Management Policy</b>”), which requires subsidiaries to prepare monthly Prepayment Aging Analysis Table with prepayment approval standards and procedures; and</li> <li>2. required each subsidiary to prepare prepayment register and submit contract register to relevant business units for review.</li> </ol>



Material Deficiency		
VIII. Reserve Fund Management		
<p>The Financial Management Policy of the Oilfield Equipment Segment (《油田裝備事業部財務管理制度》) (“<b>Financial Management Policy of the Oilfield Equipment Segment</b>”) standardised the management of reserve fund and established reserve fund register. The finance department established reserve fund register to record details of borrowings. However, the following deficiencies were identified:</p> <ol style="list-style-type: none"> <li>1. the finance department relied on the financial system to review details of reserve fund without maintaining a separate register;</li> <li>2. the Financial Management Policy of the Oilfield Equipment Segment did not clearly require reserve fund borrowers to regularly submit payment vouchers for record, and there was no upper limit for reserve fund borrowings; and</li> <li>3. large reserve fund loans had not been timely offset and renewal of borrowing procedures did not comply with such policy.</li> </ol>	<p>The Group is advised to implement the following requirements regarding reserve fund into the relevant management policies, including but not limited to the following:</p> <ol style="list-style-type: none"> <li>1. set up a maximum borrowing limit for reserve fund; applications that exceed such limit should require higher management approval;</li> <li>2. increase the frequency of reserve fund collections from annually to quarterly, maintain written records, annually review borrowing procedures, and report any non-compliance to the management;</li> <li>3. require long-term and revolving reserve fund borrowers to submit receipts and related documents quarterly;</li> <li>4. establish a written reserve fund register to monitor and control its usage; and</li> <li>5. require the internal audit department to perform quarterly audits on the reserve fund register and associated processes.</li> </ol>	<p>The Group requires employees to maintain and quarterly review reserve fund registers. Reserve fund borrowers are reminded via email to reconcile or repay the borrowings, with follow-ups through calls or meetings. The Financial Management Policy of the Oilfield Equipment Segment regarding reserve funds has been updated.</p>

Material Deficiency		
IX. Seal Management (Including Storage, Usage, Borrowing and Return)		
<p>The Group's Seal Management Policy (《海隆集團印章管理制度》) (“<b>Seal Management Policy</b>”) specified the engraving, use, and safe management of seals, delineating responsibilities and permissions. However, the following deficiencies were identified:</p> <ol style="list-style-type: none"> <li>1. failure to require seal custodians to sign a seal management responsibility letter;</li> <li>2. seal borrowing records were not in chronological order and some records were not registered;</li> <li>3. infrequent review of the seal borrowing and return procedures;</li> <li>4. certain contract seals were held by departments responsible for contract execution and performance, which may lead to excessive centralization of authority;</li> <li>5. managers who prepared purchase contracts and affixed contract seal were also responsible for safeguarding the contract seals;</li> <li>6. finance manager was responsible for safeguarding the legal representative seal and financial seal of two subsidiaries;</li> <li>7. no requirements for applicants to upload stamped documents for record; and</li> <li>8. lack of indications in approval form to record the details of seal borrowing.</li> </ol>	<p>The Group is advised to implement the following measures to strengthen the management of company seals:</p> <ol style="list-style-type: none"> <li>1. require employees to record the details of borrowings in chronological order on the register and centralise custody of contract seals;</li> <li>2. require the contract seals held by supply chain management center to be transferred to general affairs department for custody;</li> <li>3. separate the management authority of the legal representative seal and financial seal, and transfer these seals to the general affairs department for custody; and</li> <li>4. require seal custodians to sign responsibility letters and enhance its review of seal usage, borrowing and return procedures.</li> </ol>	<p>The Seal Management Policy has been revised and requirements have been clearly implemented for the safe and compliant use of seals. Contract seals have been retrieved and transferred to the general affairs department for custody and register has been updated.</p> <p>The finance department has transferred the legal representative seals of two subsidiaries to the general affairs department and has established comprehensive seal register. Seal management approval process and supervision have been enhanced.</p> <p>In addition, the internal audit department of the Group will conduct quarterly spot checks on the register.</p>

Medium Deficiency		
<b>I. Directors' Disclosure Letter, Conflict of Interest, Related Parties Declaration and Confirmation of Continuing Connected Transaction</b>		
Directors were not required to sign confirmation letters regarding their connected persons or report regularly.	The management is advised to arrange for all Directors to regularly submit the directors' disclosure letter, the annual review confirmation of continuing connected transactions (at least annually) and the connected persons declaration confirmation to ensure that the updates are accurately disclosed.	The Group has revised the directors' disclosure letter (which includes connected persons declaration and confirmation) and the annual review confirmation of continuing connected transactions as recommended. Relevant filings have been made up to the date of 2023 Annual Report and 2024 Interim Report.
<b>II. Processes and Reporting Mechanisms for Risk Assessment and Management</b>		
<p>The Group's Risk Management Policy (《海隆集團風險管理制度》) (“<b>Risk Management Policy</b>”) issued by the investment and operation management department of the Group had not been approved by the management.</p> <p>In addition, the Group's HSE Management Policy (《HSE管理制度滙編》) and Risk Management Policy did not specify the emergency response plans and guidelines for governance, operations, and information-related incidents.</p>	<p>The Group is advised to adopt the following measures to improve its risk assessment and management process:</p> <ol style="list-style-type: none"> <li>promptly review the Risk Management Policy to ensure strict adherence across relevant departments; and</li> <li>establish comprehensive emergency response protocols for governance, operations and information-related incidents, and specify responsibilities, authority and detailed procedures.</li> </ol>	<p>The Group has established the Group's Emergency Response Plan Management Policy for Sudden Events (《海隆集團突發事件應急預案管理制度》) to standardize the emergency response plan for governance, operation and information-related sudden events. This policy, together with the Risk Management Policy, has been approved by the management and distributed.</p>
<b>III. Policies and Procedures for Assessing the Impact of Resignation of Management and Executives</b>		
The Group lacked a written policy to standardise the process for evaluating the impact of resignation of the management and executives.	The Group should establish written policies to standardise the process for evaluating the impact of resignation of management and executives.	The Group has revised the procedures concerning the impact of the resignation of the management and executives and established the Management Personnel Departure Impact Assessment and Response Management Measures (《管理層人員離職影響評估及應對管理辦法》), relevant evaluation and response plan for the resignation of management.

Medium Deficiency		
IV. Notifiable Transactions Management Policies		
The Group did not formulate written policies for notifiable transactions based on actual processes and operations.	The Group should promptly establish a written policy for notifiable transactions, which should be reviewed in writing by the management, and the approved version should be distributed to all employees for compliance.	The Group has established the notifiable transactions policy as recommended, standardised information disclosure practices and implemented defined provisions as required under the Listing Rules. This policy has been approved by the management and distributed.
V. Internal Auditors Configuration		
There were insufficient internal auditors.	The management should increase the number of internal auditors to ensure that the Company has sufficient internal auditors to assess whether the internal audit department's systems are adequate and effective.	The Group has expanded the audit team, increasing the number of internal auditors and strengthening the audit coverage for global subsidiaries.
VI. Entry and Review of Accounting Documents		
In certain subsidiaries, the same individual was responsible for both preparing and approving accounting documents without separate reviewer assigned to review and confirm the documents with signatures.	<p>The financial system administrator should ensure that the preparation and review of the same accounting document is carried out by different individuals.</p> <p>Furthermore, accounting documents related to inventory entries should undergo accounting subject adjustments and submit to a reviewer for approval to ensure that inventory vouchers are recorded under the appropriate accounting subjects.</p>	<p>The Group has:</p> <ol style="list-style-type: none"> <li>revised the voucher preparation and review processes in the internal financial management system to separate the roles of preparer and reviewer. Incorrectly recorded vouchers of certain subsidiaries have been revised in July 2024; and</li> <li>reallocated permissions within the internal financial management system to clearly separate duties between accounting personnel and reviewers.</li> </ol>

Medium Deficiency		
VII. New and Existing Customer Evaluation, Credit Management and Contract Signing		
<p>The Group formulated the Financial Management Policy. However, the following deficiencies were identified in certain subsidiaries:</p> <ol style="list-style-type: none"> <li>the finance department did not provide credit review comments on the contract/order review form;</li> <li>new customer files and written review records were not provided;</li> <li>the policy did not require relevant departments to verify background information of new customers and documentation was insufficient;</li> <li>the sales department did not regularly review existing customers' credit limit and credit term; and</li> <li>there was no clear approval standard for customer prepayment terms and lack of authority for contract approval process. Some contracts were approved without requisite signatures from relevant personnel.</li> </ol>	<p>The management shall consider implementing the following measures:</p> <ol style="list-style-type: none"> <li>document credit information on forms for credit approval and register entries;</li> <li>require the sales department to keep new customer files and maintain written review record;</li> <li>require relevant departments to verify new customer qualifications using third-party platforms;</li> <li>require regular reviews of existing customers' credit limits and terms by the sales department;</li> <li>specify in policies which enterprises are exempt from qualification verification and regular credit reviews; and</li> <li>establish written procedure to clarify criteria for prepayment approval and implement procedures to monitor contract approval process.</li> </ol>	<p>The Group has established a form to define credit limits based on customer ratings and information, retain written review records for new customers and standardise credit management policies.</p> <p>The Prepayment Management Policy has stipulated prepayment approval criteria and procedure.</p> <p>In addition, the internal audit department of the Group will conduct spot checks on procurement contracts / order contracts register quarterly.</p>

Medium Deficiency		
VIII. Accounts Receivable Management		
<p>The following deficiencies were identified in certain subsidiaries:</p> <ol style="list-style-type: none"> <li>the finance department did not retain written records of the finance manager's review on the Accounts Receivable Aging Analysis Table (《應收賬款賬齡分析表》) (“<b>Accounts Receivable Aging Analysis Table</b>”);</li> <li>sales personnel followed up on accounts receivable via telephone without keeping written records;</li> <li>existing policies did not require further actions by sales personnel for long overdue accounts (over two years);</li> <li>a complete set of written policies and procedures had not been prepared to regulate the management of accounts receivable for the Company and overseas subsidiaries; and</li> <li>the Accounts Receivable Aging Analysis Table had not been prepared on a regular basis.</li> </ol>	<p>The management should:</p> <ol style="list-style-type: none"> <li>ensure the head of the finance department retains written records for the review of the Accounts Receivable Aging Analysis Table;</li> <li>require sales personnel to issue and maintain written payment reminders;</li> <li>require sales personnel to undertake additional measures for overdue payments, including sending reminder letters;</li> <li>require relevant requirements to be included in updated policies, approved in writing by the management, and distributed to relevant employees for compliance;</li> <li>formulate and document accounts receivable management policies and distribute to overseas subsidiaries' employees;</li> <li>require relevant departments consistently prepare the Accounts Receivable Aging Analysis Table and maintain review records; and</li> <li>the management should require finance managers to retain written records for the review of the Accounts Receivable Aging Analysis Table.</li> </ol>	<p>The Group has:</p> <ol style="list-style-type: none"> <li>revised the Financial Management Policy of the Oilfield Equipment Segment. The finance department has convened meetings to ensure that the Accounts Receivable Aging Analysis Tables are reviewed strictly according to the requirements and to decide further collection measures for clients with long overdue payments;</li> <li>established the Interim Measures for Accounts Receivable Management (《應收賬款管理暫行辦法》) which has been approved and distributed by the management. In addition, finance personnel will prepare the Accounts Receivable Aging Analysis Table monthly and the finance manager will sign off on the review; and</li> <li>required subsidiaries to prepare Accounts Receivable Aging Analysis Table with written approval records.</li> </ol>



Medium Deficiency		
IX. New Customers Admission, Sales and Accounts Receivable Management Policy (MTC)		
<p>The following deficiencies were identified in MTC:</p> <ol style="list-style-type: none"> <li>1. supporting documents and approval proof for the evaluation of new clients' background checks and financial status were not retained;</li> <li>2. no written records were retained for the supervision and audit of on-site work, and key responsibilities of the general manager of MTC and the general manager of Drilling Technology were not clearly delineated; and</li> <li>3. no written management policies for sales and accounts receivable and no requirements to report significant business information to the Group.</li> </ol>	<p>MTC should implement the following policies to standardize new customers admission, and the management work of sales and accounts receivable, including but not limited to the following:</p> <ol style="list-style-type: none"> <li>1. responsibilities of personnel in charge of sales process;</li> <li>2. background evaluation and approval of new customers;</li> <li>3. customer credit management;</li> <li>4. sales contract management; and</li> <li>5. accounts receivable and payment management.</li> </ol>	<p>MTC has established written management policies for new customers admission, sales and accounts receivable.</p> <p>Accounts Receivable Aging Analysis Table is submitted by financial personnel of MTC to regional management for approval and submitted to the Group for oversight and management monthly.</p>
X. Annual Review of the Suppliers		
<p>Certain subsidiaries did not retain relevant meeting records or annual evaluation records for non-compliant suppliers.</p>	<p>The management should enhance the current Procurement Management Policy by requiring the retention of written meeting minutes of internal annual supplier review meetings. For non-compliant suppliers, the relevant departments should retain written records to ensure the traceability of the evaluation process.</p> <p>The updated policy should be reviewed by the management with written review records, and the approved version should be distributed to employees for strict compliance.</p>	<p>The Group has revised the Procurement Management Policy. The relevant supplier assessment process and evaluation forms have been updated.</p>

Medium Deficiency		
XI. Supplier/Service Subcontractor Selection		
<p>The following deficiencies were identified in certain subsidiaries:</p> <ol style="list-style-type: none"> <li>some procurement negotiations were conducted verbally without written records. In addition, the pricing comparison process was absent in the office automation (“OA”) system’s procurement contract approval process; and</li> <li>relevant policy required quotations from at least three suppliers except under exceptional cases. However, the policy did not define “exceptional case” or require procurement staff to provide reasons for approval. No written records were provided for instances with fewer suppliers.</li> </ol>	<p>Each subsidiary’s management should require procurement personnel to strictly follow the relevant policies and retain written records of pricing inquiries and the approval records.</p> <p>Relevant policies should require an explanation if less than three suppliers are involved, and such records should be reviewed and approved by an evaluator.</p> <p>The updated policy should be reviewed by the management with written review records, and the approved version should be distributed to employees for strict compliance.</p>	<p>The Group has:</p> <ol style="list-style-type: none"> <li>revised the current tendering and bidding implementation guideline, which requires an explanation for not obtaining more than two quotations. These records must be reviewed by the department head and approved by the management of the Group;</li> <li>required relevant business personnel to follow the Group’s guideline strictly; and</li> <li>revised the Procurement Management Policy and updated the price inquiry records and approval provisions, which have been approved and distributed by the management of the Group.</li> </ol>
XII. Procurement Contract/Order Management		
<p>The following deficiencies were identified in certain subsidiaries:</p> <ol style="list-style-type: none"> <li>certain information was missing in contract registers, such as the details of procurement request, contract signing date and contract terms; and</li> </ol>	<p>The Group should require subsidiaries to retain the procurement contracts/ order contracts registers that include the following information:</p> <ol style="list-style-type: none"> <li>procurement request number;</li> <li>supplier’s name;</li> <li>details of procurement contract/ order;</li> </ol>	<p>The Group has:</p> <ol style="list-style-type: none"> <li>completed outstanding information and updated contents in the contract register; and</li> <li>cancelled blank contract numbers that are reserved for more than three months.</li> </ol>

Medium Deficiency		
2. some of the reserved contract numbers in the contract register were not used subsequently and no approval was obtained from the management.	4. contract and payment terms; 5. estimated and actual delivery dates; 6. contract performance status; and 7. follow-up/delivery reminder dates.  The management should require the procurement department to prioritise reserved but unused contract numbers. In addition, the procurement department should provide detailed explanations for the cancellation of any unused reserved contract numbers, which must be approved by the management.	
<b>XIII. Accounts Payable Management</b>		
<p>The following deficiencies were identified in certain subsidiaries:</p> <p>1. there were accounts payable outstanding for over a year, and no written review records of the Accounts Payable Aging Analysis Table (《應付賬款賬齡分析表》) (the “<b>Accounts Payable Aging Analysis Table</b>”); and</p> <p>2. the Accounts Payable Aging Analysis Table was not categorized into different age levels and was not submitted to the finance department for monthly reconciliation with written record.</p>	<p>The Group is advised to implement the following policies to enhance management of accounts payable:</p> <p>1. prepare Accounts Payable Aging Analysis Table monthly which is reviewed with written record;</p> <p>2. closely monitor overdue and long outstanding payments and establish payment plans; and</p> <p>3. enhance Accounts Payable Aging Analysis Tables by categorizing them into different age levels and submit them to the finance department for review and monthly reconciliation.</p>	<p>The Group has required subsidiaries to prepare Accounts Payable Aging Analysis Table with written approval records, with long overdue outstanding debts reported to the management quarterly and Accounts Payable Aging Analysis Table is categorized into different age levels.</p>

<b>Medium Deficiency</b>		
<b>XIV. Payment Application Procedure</b>		
Relevant policy requires the finance department to review invoices related to purchases and verify related documents before accounting and settlement procedures. However, in some rolling payment samples, managers did not indicate or attach the relevant purchase contracts or invoices on the payment request form, nor did they prepare detailed payment breakdown.	The Group is advised to instruct managers to indicate the contract or invoice on payment request forms and attach supporting documents for approval and archive.	Entry approval forms must be provided for rolling payment. For full payments, entry approval must be processed and followed by payment request. Payment forms must be uploaded with relevant invoices and contracts.
<b>XV. New Suppliers Admission, Procurement and Accounts Payable / Prepayment Management Policy (MTC)</b>		
<p>The following deficiencies were identified in MTC:</p> <ol style="list-style-type: none"> <li>no supporting documents and approval proof were retained for the evaluation of new suppliers' background checks and financial status; and</li> <li>no written management policies for new suppliers admission, procurement and accounts payable.</li> </ol>	<p>MTC should implement the following policies:</p> <ol style="list-style-type: none"> <li>responsibilities of personnel in procurement;</li> <li>background evaluation and approval of new suppliers;</li> <li>supplier assessment and selection, and the approval of qualified suppliers;</li> <li>approval of procurement contracts / orders; and</li> <li>documents retention and management.</li> </ol>	<p>MTC has established written management policies for new suppliers admission, procurement and accounts payable.</p> <p>The monthly accounts payable analysis is submitted by financial personnel of MTC to regional management for review and sent to the Group for oversight and management.</p>
<b>XVI. Cash Flow Comparative Analysis</b>		
Certain subsidiaries conducted comparative analysis between cash flow budgets and actual performance quarterly, instead of monthly as stipulated by relevant policies. No written cash flow comparative analysis was prepared.	The Group is advised to instruct the finance department to adhere to the requirements by conducting comparative analysis between budgeted cash flows and actual cash flow figures monthly. Written records of the variance analysis should be retained.	The management of subsidiaries have implemented relevant policies by preparing written cash flow comparative analysis monthly. Variance analysis and approval record have been archived. Operational analysis meetings are convened regularly.

<b>Medium Deficiency</b>		
<b>XVII. Bank Reconciliation Procedure</b>		
<p>The policy required the preparation of the bank deposit balance reconciliation statement at the end of each month. However, certain subsidiaries only prepared the statements when discrepancies were found in the accounts. In the absence of discrepancies, relevant statements were not prepared.</p>	<p>The Group is advised to enhance the existing policy to ensure that the finance department completes and retains the bank balance reconciliation statement and the review records regardless of discrepancies.</p> <p>The management may require the finance department to consolidate all bank reconciliation results into a summary table monthly which is submitted for review with written or electronic record.</p>	<p>Subsidiaries of the Group have prepared the full bank deposit balance reconciliation statement and bank deposit balance adjustment forms.</p>
<b>XVIII. Bill Management</b>		
<p>A subsidiary of the Group had not strictly followed internal policy requirements including conducting regular review of the receivable/payable bills registration register, retaining review records, and implementing monthly spot check for blank checks.</p>	<p>The Group is advised to implement the following requirements into the current cash management policy:</p> <ol style="list-style-type: none"> <li>1. regularly review the information in the receivable/payable bills registration register and reconcile the register with account balances and bank acceptance draft with written record;</li> <li>2. conduct review of blank check register and inventory of blank checks monthly with written records; and</li> <li>3. prepare reconciliation even without variances between register, book balances and online bank acceptance draft amounts.</li> </ol>	<p>The Group has required the relevant employees to strictly follow internal policy requirements including preparing and reviewing the receivable/payable bills registration register monthly and conducting monthly spot check for blank checks with written records.</p>

Medium Deficiency		
XIX. Inventory Cash Count		
A subsidiary of the Group had not consistently adhered to the daily cash reconciliation policy, failed to record certain currencies' register, had inconsistencies in record-keeping, and failed to conduct review of cash inventory for its overseas subsidiaries.	<p>The Group is advised to:</p> <ol style="list-style-type: none"> <li>1. adjust cash count frequency, clarify requirements and procedures for monthly cash count, and establish mechanisms for handling discrepancies;</li> <li>2. require inventory supervisors to approve only after confirming that cashier has accurately recorded the cash journal balance and actual amount on the cash inventory checklist; and</li> <li>3. strengthen its management of cash management for overseas subsidiaries and require regular reporting of inventory cash count results, and set up maximum cash balances.</li> </ol>	The Group has established cash management procedures and set up monthly cash limits for each subsidiary. The cashier will record the balance from the cash journal and the actual cash amount in the inventory cash count sheet, which the inventory supervisor will verify before approval.
XX. Cash and Fund Management (MTC)		
<p>The following deficiencies were identified in MTC:</p> <ol style="list-style-type: none"> <li>1. MTC's general manager was the sole responsible person for various functions without delegation, such as acting as sole authorised signatory for MTC's bank account, liaising with banks on financing matters, managing internal financial operations and handling financing documents;</li> <li>2. no written record for bank reconciliation; and</li> <li>3. no written fund management policy.</li> </ol>	<p>MTC should adopt the following measures:</p> <ol style="list-style-type: none"> <li>1. define the roles and responsibilities;</li> <li>2. require responsible personnel for bank reconciliation to retain written record. In case of discrepancies, a bank balance adjustment statement should be prepared and approved by a reviewer; and</li> <li>3. establish written management policies for fund management.</li> </ol>	<p>MTC has defined the roles and responsibilities and the chief accountant of MTC is responsible for bank reconciliation, which shall be further approved by regional finance personnel.</p> <p>MTC has established written management policies for fund management.</p> <p>Monthly operational analysis data is submitted by financial personnel of MTC to regional management for review and provided to relevant business unit for supervision and management.</p>



Medium Deficiency		
<b>XXI. Inventory Count Record</b>		
<p>The following deficiencies were identified in certain subsidiaries:</p> <ol style="list-style-type: none"> <li>1. certain employees failed to sign and confirm on the inventory reports. Discrepancies between inventory count and actual quantity were reported verbally without written record; and</li> <li>2. certain employees of overseas subsidiaries did not sign and confirm on count sheets following the quarterly inventory count.</li> </ol>	<p>The Group is advised to require employees to sign and confirm on the inventory reports, with identified discrepancies submitted to the management in written form with record, revise inventory count notices, and involve at least one inventory counter and supervisor in inventory counting with both required to sign and confirm on the count sheet upon completion.</p>	<p>The Group has required both inventory counters and supervisors to sign and confirm on annual inventory count report and submitted for approval. Analysis on discrepancies is conducted and findings are archived.</p> <p>The supply chain department has revised the inventory count notices and defined the responsibilities of relevant employees. Quarterly inventory counts will be conducted and both inventory counters and platform managers are required to sign on the count sheet.</p>
<b>XXII. Production Waste Process</b>		
<p>A subsidiary failed to maintain waste register to record the waste details, had not clearly defined the procedures for waste handling and disposal and only processed waste materials annually in a centralized manner, leading to accumulation and unnecessary storage costs.</p>	<p>The Group is advised to establish standard production waste procedures and update relevant written policies which include but not limited to the following:</p> <ol style="list-style-type: none"> <li>1. establish waste register and disposal methods and procedures. Relevant written requirements will be archived; and</li> <li>2. instruct warehouse to process approved waste materials monthly or quarterly.</li> </ol>	<p>The subsidiary has established a new policy to standardize disposal processes, and enhanced the waste register. The management opted for annual rather than more frequent waste processing due to low monthly volumes of wastes, price considerations, and sufficient warehouse spaces.</p>

Medium Deficiency		
<b>XXIII. Fixed Asset Inventory Record</b>		
<p>The following deficiencies were identified in certain subsidiaries:</p> <ol style="list-style-type: none"> <li>1. internal fixed assets count were conducted without supervision from the finance department;</li> <li>2. the finance department did not organize required annual comprehensive inventory at the year end; and</li> <li>3. failed to prepare inventory report and inventory summary table upon completion of fixed assets count of office supplies.</li> </ol>	<p>The Group is advised to require the finance department to conduct annual fixed assets count and record the result in a summary table. If there are discrepancies, timely investigations must be conducted and adjustments should be made upon approval.</p> <p>All written records of fixed assets count shall be retained.</p>	<p>An internal meeting has been convened to instruct relevant departments to collaborate and conduct fixed assets count annually. Fixed assets count for office supplies has been completed and findings have been recorded in count sheets with signatures by relevant employees.</p>
<b>XXIV. Fixed Asset Procurement</b>		
<p>A subsidiary did not maintain procurement lists for office supply fixed assets and was unable to provide approval records of the quotation comparison for these assets.</p>	<p>The Group is advised to establish office supply fixed asset procurement list and retain written records of quotation comparison with approval documents.</p>	<p>The subsidiary has followed the recommendations to record the procurement of office equipment and price comparison process.</p>
<b>XXV. Calculation and Payment of Final Salary for Departing Employees</b>		
<p>There were no requirements for departing employees to confirm the amount of final salary on their last working day and there had been no written notification to confirm that the final salary settlements for departing employees have been completed.</p>	<p>The Group is advised to instruct human resources personnel to compile detailed breakdown of the final salary calculation for departing employees upon review. On the last working day of an employee, the calculation should be confirmed in writing or via email, and signed by the departing employee.</p>	<p>Employee resignation management policy has been revised and employee resignation handover checklist has been adjusted, which requires human resources personnel to fill in the final wage settlement date and details of final wage and confirm with signatures of departing employees.</p>
<b>XXVI. System Administrator Account Control</b>		
<p>System administrator accounts were dispersed among business employees, which contravenes the principle of separation of duties. In addition, the Group had not conducted statistics analysis on the authorized number of system administrator accounts.</p>	<p>The Group is advised to consolidate and count the number of dispersed administrator accounts, followed by formal written review by the management. The authorities and responsibilities of system administrators should be separated.</p>	<p>The Group has consolidated system administrator accounts and clarify the responsibility and authority boundaries of administrators, which have been formalized into management system policies and submitted to the management for approval and confirmation.</p>

## COMPLETION OF THE INTERNAL CONTROL REVIEW

The Company is pleased to announce that all remedial actions recommended by the Internal Control Consultant have been completed as at the date of this announcement. The Internal Control Consultant has accordingly issued the Internal Control Review Report on 29 May 2025 upon its follow-up assessment of the remedial actions implemented by the Group, which concluded that all findings of the Internal Control Review have been remedied and no material weakness or deficiency in the internal control system of the Group has been identified by the Internal Control Consultant in the follow-up assessment.

## VIEWS OF THE AUDIT COMMITTEE AND THE BOARD

Having considered the key findings of the Internal Control Review Report, the remedial actions implemented by the Group and the conclusion of the follow-up assessment of the Internal Control Consultant that no material weakness or deficiency in the Group's internal control systems has been identified, the Audit Committee and the Board are of the view that the remedial actions implemented by the Group are adequate and sufficient to address the key findings of the Internal Control Review and the enhanced internal control system will enable the Company to manage its related risks at a reasonable level. As such, the Board is of the view that the Company now has in place adequate internal control systems to meet its obligations under the Listing Rules.

## 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 purpose only