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## **PROPOSAL FOR THE CESSATION OF APPOINTMENT OF THE OVERSEAS AUDITOR**

According to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" which was published by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in December 2010, Mainland audit firms approved by the Ministry of Finance of the People's Republic of China (the "**Ministry of Finance**") and the China Securities Regulatory Commission (the "**CSRC**") can apply the accounting policies in the Mainland when providing services to the Mainland incorporated issuers which are listed in Hong Kong for the financial year ending on or after 15 December 2010. The Company is aware that Deloitte Touche Tohmatsu Certified Public Accountants Ltd. ("**DTT CPA**"), the Company's domestic auditor, is a Mainland audit firm approved by the Ministry of Finance and the CSRC to provide auditing services in accordance with the China Accounting Standard for Business Enterprises to Mainland incorporated issuers.

According to the aforesaid change of policy and as the Company appointed DTT CPA and Deloitte Touche Tohmatsu ("**DTT**") as the Company's domestic and overseas auditor for 2010 respectively and such appointments were approved at the annual general meeting of the Company which was held on 28 March 2010, in order to improve the efficiency of and to reduce the costs of disclosure and the audit expenses, the Board of Directors of the Company (the "**Board**") proposes to, subject to the approval by the shareholders of the Company at the annual general meeting for the year ended 31 December 2010 ("**AGM**") to be convened, not to re-appoint its overseas auditor, DTT, (the "**Proposed Cessation of Appointment**") whilst DTT CPA will be the only auditor auditing the Company's financial statements for 2010 in accordance with the China Accounting Standard for Business Enterprises and undertaking the role of overseas auditor in compliance with the Rules Governing the Listing of Securities on the Stock Exchange including but not limited to the preliminary announcement on annual results and annual review of continuing connected transactions.

After the communication between the Company and DTT, DTT has confirmed that there were no matters regarding the Proposed Cessation of Appointment that should

be brought to the attention of the shareholders of the Company. The Board also confirms that there are no relevant matters regarding to the Proposed Cessation of Appointment that should be brought to the attention of the shareholders of the Company. The Board and the audit committee of the Company further confirm that there are no disagreements or unresolved matters between the Company and DTT regarding the Proposed Cessation of Appointment.

It is expected that the Proposed Cessation of appointment will not affect the publication of the Company's audited annual results for the financial year ending 31 December 2010.

The coming AGM of the Company will be held for the shareholders of the Company to consider and, if thought fit, approve, among other matters, the proposed cessation of appointment of the overseas auditor. A circular containing, among other things, details of the proposed cessation of appointment of the overseas auditor of the Company will be despatched to the shareholders of the Company before the coming AGM.

This announcement is made pursuant to the Rule 13.51(4) of the Listing Rules.

By Order of the Board  
**Shandong Molong Petroleum Machinery Company Limited**  
**Zhang En Rong**  
*Chairman*

Shandong, People's Republic of China  
9 March 2011

*As at the date of this announcement, the Board is comprised of Mr. Zhang En Rong, Mr. Zhang Yun San, Mr. Lin Fu Long and Mr. Xie Xin Cang as executive directors, Mr. Chen Jian Xiong and Mr. Wang Ping as non-executive directors and Mr. John Paul Cameron, Mr. Chau Shing Yim, David and Ms. Wang Chun Hua as independent non-executive directors.*

*\* for identification purpose only*