



山東墨龍石油機械股份有限公司

Shandong Molong Petroleum Machinery Company Limited*

(a sino-foreign joint stock limited company incorporated in the People's Republic of China with limited liability)

(STOCK CODE: 8261)

NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES

NOTICE IS HEREBY GIVEN that a class meeting (the “Class Meeting”) of the holders of H Shares of Shandong Molong Petroleum Machinery Company Limited (the “Company”) will be held at No. 99 Beihai Road, Shouguang City, Shandong Province, the People’s Republic of China on 14 February 2005 at 10:30 a.m. (or immediately after the conclusion or adjournment of the Extraordinary General Meeting of the holders of domestic shares of the Company and holders of H Shares of the Company which will be held at the same place and date) for the purpose of considering and, if thought fit, passing the following resolutions:

1. AS SPECIAL RESOLUTION:

“THAT:

- (a) the Directors be and are hereby granted a specific mandate (information relating to the proposed specific mandate is set out in an announcement of the Company dated 22 December 2004 (“Announcement”), and further information on the proposed specific mandate will be set out in a circular dated 28 December 2004 to be despatched to the shareholders of the Company (“Circular”)) to allot, issue and deal in additional H shares in the share capital of the Company (the “H Shares”) and to make or grant offers, agreements and options in respect thereof, subject to the following terms:
 - (i) such specific mandate shall not extend beyond the Relevant Period (as defined below), save that the Directors may during the Relevant Period make or grant offers or options or enter into agreements which might require the exercise of such powers after the end of the Relevant Period;
 - (ii) the aggregate number of H Shares to be issued and allotted (whether pursuant to an option or otherwise) by the Directors shall not be less than 54,000,000 and not more than 108,000,000 new H Shares;
 - (iii) the board of Directors be at liberty to issue and allot the new H Shares under the specific mandate at a premium or a discount to the then market price of the H Shares at the time of such issue and allotment provided that if the new H Shares are to be issued and allotted at a discount, the issue price per new H Share shall not be more than 15% discount to (i) the closing price of the H Shares as quoted on GEM of the Stock Exchange on the date of signing of the

relevant placing agreements; or (ii) the average closing price of the H Shares as quoted on GEM of the Stock Exchange for 5 trading days immediately prior to the signing of the relevant placing agreement;

(iv) the board of Directors will only exercise its power under such specific mandate in accordance with the PRC Company Law and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”) and only if the necessary approvals from the China Securities Regulatory Commission and/or other relevant PRC government authorities have been obtained;

(v) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution up to:

(i) the expiration of the 12-month period following the passing of this resolution; or

(ii) the revocation or variation of the authority given under this resolution by a special resolution of the shareholders of the Company in a general meeting or a class meeting, whichever is the earliest;

(b) the net proceeds from the issue of the H Shares under the specific mandate contemplated in this resolution shall only be used for the proposed use of proceeds set out in the Announcement and the Circular; and

(c) the Directors be and are hereby authorized to make such necessary amendments to the articles of association of the Company to increase the registered share capital of the Company and to reflect changes in the share capital of the Company arising out of the issue of the new H Shares pursuant to the specific mandate.”

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

Shandong, PRC, 28 December 2004

Notes:

(A) The H Share register of the Company will be closed from 14 January to 13 February 2005 (both days inclusive), during which no transfer of H Shares will be effected. Any holders of H Shares of the Company, whose name appear on the Company’s register of members at the close of business on 13 January 2005, are entitled to attend and vote at the Class Meeting of the holders of H Shares after completing the registration procedures for attending the meeting.

The address of the Company's H Shares registrar, Tricor Investor Services Limited is as follows:

G/F., Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

- (B) Holders of H Shares, who intend to attend the Class Meeting of the holders of H Shares, must complete the reply slips for attending the Class Meeting of the holders of H Shares and return them to the Company's H Share Registrar, Tricor Investor Services Limited, the address of which is set out in Note (A) above not later than 20 days before the date of the Class Meeting of holders of H Shares, i.e. no later than 24 January 2005.
- (C) Each holder of H Shares who has the right to attend and vote at the Class Meeting of the holders of H Shares is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the Class Meeting of the holders of H Shares. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll.
- (D) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign, or other documents of authorization, must be notarially certified.
- (E) To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H Share Registrar, Tricor Investor Services Limited, the address of which is set out in Note (A) above, not less than 24 hours before the time for holding the Class Meeting of the holders of H Shares or any adjournment thereof in order for such documents to be valid.
- (F) If a proxy attends the Class Meeting of the holders of H Shares on behalf of a shareholder, he should produce his ID card and the instrument signed by the proxy or his legal representative, and specifying the date of its issuance. If a legal person shareholder appoints its corporate representative to attend the Class Meeting of the holders of H Shares, such representative should produce his/her ID card and the notarially certified copy of the resolution passed by the board of directors or other authorities of such legal person shareholder.
- (G) The Class Meeting of the holders of H Shares is expected to last for half a day. Shareholders attending the Class Meeting of the holders of H Shares are responsible for their own transportation and accommodation expenses.

(* For identification purpose only)