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This announcement, for which the directors of Shandong Molong Petroleum Machinery Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Shandong Molong Petroleum Machinery Company Limited. The directors of Shandong Molong Petroleum Machinery Company Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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)

COMPLETION OF PLACING OF 108,000,000 NEW H SHARES

Sole Bookrunner and Lead Manager



Guotai Junan Securities (Hong Kong) Limited

Joint Financial Advisers



Guotai Junan Capital Limited

Deloitte.

德勤

Deloitte & Touche Corporate Finance Ltd.

The Board is pleased to announce that the Lead Manager has successfully placed a total of 108,000,000 Placing Shares to 29 placees who are independent of and not connected with any promoter, supervisor, director, chief executive, management shareholder or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates (as defined in GEM Listing Rules) and that none of the placees falls under any of the categories set out in Note 1 to Rule 10.12(4) of the GEM Listing Rules.

Immediately after completion of the Placing, the public float of the Company constituted approximately 38% of the enlarged issued share capital of the Company.

Dealings in the Placing Shares on GEM will commence on 13 May 2005.

Reference is made to the announcement (the “Announcement”) issued by Shandong Molong Petroleum Machinery Company Limited (the “Company”) on 27 April 2005. Unless otherwise stated, terms used in this announcement shall have the same meanings as defined in the Announcement.

LEVEL OF INTERESTS

The board of Directors (the “Board”) is pleased to announce that the Lead Manager has successfully placed a total of 108,000,000 Placing Shares to 29 placees at a price of HK\$0.92 per Placing Share. The Placing was completed on 12 May 2005. The Placing Shares represent approximately 78.1% and 20% respectively of the existing H Shares in issue and the registered capital of the Company prior to the Placing and approximately 43.9% and 16.7% respectively of the H Shares in issue and the registered capital of the Company as enlarged by the Placing Shares.

To the best knowledge of the Company and the Lead Manager, the placees are independent of and not connected with any promoter, supervisor, director, chief executive, management shareholder or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules) and that none of the placees falls under any of the categories set out in Note 1 to Rule 10.12(4) of the GEM Listing Rules.

RESULTS OF ALLOCATION

Pursuant to the Placing, an aggregate of 108,000,000 Placing Shares have been allocated to a total of 29 placees. The following table sets out the distribution of the Placing Shares:

	Aggregate number of the Placing Shares Held	Approximate % of the Placing Shares	Approximate % of the total issued share capital of the Company immediately after the completion of the Placing
Top placee	33,832,000	31.33	5.22
Top 5 placees	73,584,000	68.13	11.36
Top 10 placees	93,312,000	86.40	14.40
Top 25 placees	107,864,000	99.87	16.65

The 108,000,000 Placing Shares will be held by a total of 29 placees as follows:

Number of Placing Shares	Number of placees
4,000 to 50,000	3
50,001 to 100,000	1
100,001 to 500,000	7
500,001 to 1,000,000	3
1,000,001 to 5,000,000	10
5,000,001 to 10,000,000	2
10,000,001 to 35,000,000	<u>3</u>
Total	29

MINIMUM PUBLIC FLOAT REQUIREMENT

Pursuant to Rule 11.23(1) of the GEM Listing Rules, the Company is required to maintain a public float of not less than 25% of its issued share capital at the time the Placing Shares commence dealings on GEM and at all times thereafter. Immediately after completion of the Placing, the public float of the Company constituted approximately 38% of the enlarged issued share capital of the Company.

COMMENCEMENT OF DEALINGS

Dealings in the Placing Shares on GEM will commence on 13 May 2005.

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

Shandong, the PRC, 12 May 2005

As at the date of this announcement, the executive Directors of the Company are Zhang En Rong, Lin Fu Long, Zhang Yun San, Xie Xin Cang; the non-executive Directors are Chen Jian Xiong and Wang Ping; and the independent non-executive Directors are Qin Yue Chang, Yan Yi Zhuang and Loke Yu alias Loke Hoi Lam.

This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting.