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*This announcement, for which the Directors of Shandong Molong Petroleum Machinery Company Limited 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, 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)**

**PROPOSED RESOLUTION FOR SHAREHOLDERS  
TO APPROVE FOR THE PURPOSE OF MAKING AN APPLICATION TO  
THE CHINA SECURITIES REGULATORY COMMISSION**

**(i) A PROPOSED MIGRATION OF THE LISTING OF THE H SHARES  
FROM THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD  
OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

**(ii) A PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF  
THE H SHARES ON THE GROWTH ENTERPRISE MARKET OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED AND**

**(iii) THE ADOPTION OF THE AMENDED ARTICLES OF  
ASSOCIATION OF THE COMPANY**

The Directors intend to convene the EGM and the Class Meetings on Friday, 30 December 2005 and propose a special resolution at the EGM and the Class Meetings respectively for the Shareholders to consider and approve, among other things, (i) the Main Board Migration; (ii) the Voluntary Withdrawal; (iii) the adoption of the Amended Articles (to be considered and approved at the EGM only) and (iv) to authorise the Directors to take such steps as they consider necessary, desirable and expedient to carry out the above.

**Preparations relating to the Main Board Migration and the Voluntary Withdrawal are at a preliminary stage and no applications relating thereto have been made to the Stock Exchange and the CSRC. Shareholders should note that the special resolution to be proposed at the EGM and the Class Meetings to be held on 30 December 2005 is for the sole purpose of obtaining approval from the Shareholders to enable the Company to make application to the CSRC in connection with the Main Board Migration and the Voluntary Withdrawal.**

## **REASONS FOR THE MAIN BOARD MIGRATION AND THE VOLUNTARY WITHDRAWAL**

The Group is principally engaged in the design, manufacture and sale of petroleum extraction machinery and related accessories. Since the listing of the H Shares on the GEM of the Stock Exchange on 15 April 2004, the Group has grown rapidly in terms of the scope of its markets and the range of new products. Its net profit from ordinary activities attributable to shareholders for the last two years has increased significantly from approximately RMB43.98 million (equivalent to approximately HK\$42.29 million) for the year ended 31 December 2003 to approximately RMB61.36 million for the year ended 31 December 2004 (equivalent to approximately HK\$59.01 million).

After reviewing the financial performance of the Group and taking into consideration the potential impact of the Main Board Migration, the Directors have come to a view that a listing of the H Shares on the Main Board will help enhance the profile of the Group, raise industry analysts' attention to and broaden their coverage on the Group, strengthen the recognition of the Group among institutional investors so that more institutional investors will acknowledge the worth of investing in the Group, expand the shareholders' base (including institutional investors), and facilitate an increase in the liquidity of the H Shares. The Directors consider that the listing of the H Shares on the Main Board of the Stock Exchange will be beneficial to the future growth, financing flexibility and business development of the Group.

## **REQUIREMENTS UNDER PRC REGULATIONS**

Under the relevant PRC rules and regulations, a company incorporated in the PRC which intends to have its shares listed on an overseas stock exchange is required to comply with 《關於企業申請境外上市有關問題的通知》 (the Notice Regarding Issues Relating to Applications by Enterprises for the Listing of Their Shares Overseas) (the “**Notice**”) issued by the CSRC. The Notice is applicable to the Main Board Migration. Under the Notice, shareholders' approval in relation to, among others, the Main Board Migration and the Voluntary Withdrawal must be obtained and a resolution in respect of the said matters must be passed prior to the submission of the relevant application to the CSRC for approval. Upon obtaining the Notice of Acceptance of Application from the CSRC, the Company will make a formal application to the Stock Exchange in relation to the Main Board Migration and the Voluntary Withdrawal, and a further general meeting and respective class meetings of the holders of the Domestic Shares and the H shares will be convened to approve, among others, the Main Board Migration and the Voluntary Withdrawal after obtaining approval of the CSRC and the hearing held by the Listing Committee.

## **ADOPTION OF DRAFT AMENDED ARTICLES OF ASSOCIATION**

In view of the proposed Main Board Migration and Voluntary Withdrawal and for the purposes of complying with the Listing Rules and the relevant rules and regulations in the PRC and Hong Kong, the special resolution to be proposed at the EGM will also include a proposed adoption of the Amended Articles in substitution of the existing Articles of Association. Subject to the passing of the special resolution at the EGM, the Amended Articles will become effective (subject to further amendments being made to the same by the Directors as authorized by the Shareholders) on the date of listing of the H Shares on the Main Board. The Amended Articles will not become effective if the Company fails to proceed with the Main Board Migration and the Voluntary Withdrawal and the existing Articles of Association will continue to be effective. Set out below are details of the principal significant amendments to be effected pursuant to the adoption of the Amended Articles:

- (a) the Amended Articles will become effective on the date of listing of the H Shares on the Main Board;
- (b) the consequential amendments to the existing Articles of Association as a result of the Main Board Migration; and
- (c) any other amendments to the Articles of Association as the Directors may consider necessary.

## **THE EGM AND THE CLASS MEETINGS**

With the aim of making the relevant application by the Company to the CSRC in connection with the Main Board Migration and the Voluntary Withdrawal, and satisfying the CSRC's relevant requirements, the Directors intend to convene the EGM and the Class Meetings for the Shareholders to consider and approve (i) the Main Board Migration; (ii) the Voluntary Withdrawal; (iii) the adoption of the Amended Articles (to be considered and approved at the EGM only); and (iv) to authorise the Directors to take such steps as they consider necessary, desirable or expedient to carry out the above, including but not limited to the setting up of a board committee consisting of any two Directors responsible for the above.

Shareholders should note that the Shareholders' approval in connection with the Main Broad Migration and the Voluntary Withdrawal as obtained from the EGM and the Class Meetings is for the sole purpose of enabling the Company to make the relevant application to the CSRC. The Main Board Migration and the Voluntary Withdrawal, however, will be conditional on, among other things, the following:

- (i) the granting of the relevant approval by the CSRC and other PRC authorities in connection with the Main Board Migration and the Voluntary Withdrawal;
- (ii) the issue of a circular and listing document containing, among other things, further information in connection with the Main Board Migration and the Voluntary Withdrawal after the hearing held by the Listing Committee;

- (iii) the passing of a special resolution by the Shareholders at an extraordinary general meeting to approve the Main Board Migration and the Voluntary Withdrawal after the hearing held by the Listing Committee;
- (iv) the passing of a special resolution by the holders of the Domestic Shares and the H Shares at respective class meetings to approve the Main Board Migration and the Voluntary Withdrawal after the hearing held by the Listing Committee;
- (v) the publication of a notice of the Voluntary Withdrawal as required by the GEM Listing Rules after the approval from the Shareholders and the holders of the Domestic Shares and the H Shares have been obtained at an extraordinary general meeting and class meetings, respectively; and
- (vi) the Listing Committee granting approval for the listing of and permission to deal in the existing H Shares on the Main Board and approving the Voluntary Withdrawal.

The Company will make further announcements, as and when it deems necessary or appropriate, to keep the Shareholders informed on the latest progress of the proposed Main Board Migration and the Voluntary Withdrawal.

A circular containing, inter alia, details of the Main Board Migration, the Voluntary Withdrawal and notices to convene the EGM and Class Meetings will be despatched to the Shareholders as soon as possible.

#### **Closure of Register of Members**

The register of members of the Company in Hong Kong will be closed from 30 November 2005 (Wednesday) to 30 December 2005 (Friday), both days inclusive, during which no transfer of shares will be effected. In order to be eligible to attend the EGM and the Class Meetings and to vote thereat as shareholders, all transfers of H Shares together with the relevant share certificates must be delivered at the Company's H Share Registrar, Tricor Investor Services Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:00 pm on 29 November 2005 (Tuesday). All transfers of Domestic Shares together with the relevant share certificates must be delivered at the Company's principal place of business at No.99 Beihai Road, Shouguang City, Shandong Province, PRC, no later than 4:00 pm on 29 November 2005 (Tuesday).

#### **Warning:**

**Preparations relating to the Main Board Migration and the Voluntary Withdrawal are at a preliminary stage and no applications relating thereto have been made to the Stock Exchange and the CSRC. Shareholders should note that the special resolution to be proposed at the EGM and the Class Meetings to be held on 30 December 2005 is for the sole purpose of obtaining approval from the Shareholders to enable the Company to make application to the CSRC in connection with the Main Board Migration and the Voluntary Withdrawal. Subject to the issuance of the Notice of Acceptance of Application by the CSRC, the Company will make a formal application to the Stock Exchange in relation to the Main Board Migration and the Voluntary Withdrawal and**

**a further Shareholders' meeting and respective class meetings for the holders of the Domestic Shares and the H Shares will be convened to approve, among others, the Main Board Migration and the Voluntary Withdrawal after obtaining the approval of the CSRC and the hearing held by the Listing Committee.**

**Shareholders and potential investors should be aware that the implementation of the proposed Main Board Migration, the Voluntary Withdrawal and the adoption of the Amended Articles are subject to, among others, the market sentiment, the granting of relevant approvals by the CSRC and the Stock Exchange, together with other conditions and regulatory requirements to be fulfilled by the Company, and thus may or may not become effective. Consequently, the Main Board Migration and the Voluntary Withdrawal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the H Shares.**

## **Definitions**

*In this announcement, the following expressions have the following meanings unless the context requires otherwise:-*

“Amended Articles”	the new articles of association of the Company proposed to be adopted at the EGM
“Articles of Association”	the articles of association of the Company
“Class Meeting (s)”	the respective class meetings of the holders of the H Shares and the Domestic Shares to be held at No. 99 Beihai Road, Shouguang City, Shandong Province, the PRC, on Friday, 30 December 2005 at 10:00 a.m. and 11:00 a.m. respectively or consecutively immediately after the conclusion or adjournment of the EGM, or any adjournment thereof
“Company”	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 PRC with limited liability, the H Shares of which are listed on the GEM
“CSRC”	China Securities Regulatory Commission
“Directors”	the directors of the Company
“Domestic Share(s)”	ordinary share(s) issued by the Company, with a Renminbi-denominated par value of RMB0.10 each, which are subscribed for and paid up in Renminbi and are not tradable on the Stock Exchange
“EGM”	the extraordinary general meeting of the Company to be held at No. 99 Beihai Road, Shouguang City, Shandong Province, the PRC, on Friday, 30 December 2005 at 9:00 a.m.

“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM, as amended from time to time
“Group”	the Company and its subsidiary
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company, with a Renminbi-denominated par value of RMB0.10 each, and which are subscribed for and traded in Hong Kong dollars on the Stock Exchange
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange responsible for Main Board listing matters
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Main Board”	the securities market operated by the Stock Exchange prior to the establishment of the GEM (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with the GEM. For the avoidance of doubt, the Main Board excludes the GEM
“Main Board Migration”	the proposed migration of listing status of the H Shares from the GEM to the Main Board pursuant to the Listing Rules
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Shares”	shares of the Company, including the Domestic Shares and the H Shares, unless specified otherwise
“Shareholders”	holders of the Shares, including holders of the Domestic Shares and the H Shares, unless specified otherwise
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Voluntary Withdrawal”	the proposed voluntary withdrawal of the listing status of the H Shares from the GEM
“HK\$” or “cents”	Hong Kong dollars or cents, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the exchange rate of RMB1.04 = HK\$1.00.

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

Shandong, the PRC, 9 November 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 Xue 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.*