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**If you have sold or transferred** all your shares in Shandong Molong Petroleum Machinery Company Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Shandong Molong Petroleum Machinery Company Limited.

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**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**
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Notices convening an extraordinary general meeting and respective class meetings of holders of the Domestic Shares and the H Shares of the Company to be convened and held on Friday, 30 December 2005 at No. 99 Beihai Road, Shouguang City, Shandong Province, the PRC is set out on pages 15 to 21 of this circular. Whether or not you are able to attend the above meetings, please complete and return the respective enclosed proxy forms in accordance with the instructions printed thereon as soon as practicable and in any event by not less than 24 hours before the time appointed for the holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the proxy forms will not preclude you from attending and voting in person at the meeting(s) or at any adjourned meeting(s) (as the case may be) should you so wish.

This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for a minimum period of 7 days from the date of publication.

\* For identification purpose only

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## CHARACTERISTICS OF GEM

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GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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## DEFINITIONS

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“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
“Board”	the board of directors 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
“Director(s)”	director(s) 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 GEM, as amended from time to time
“Group”	the Company and its subsidiaries
“HK\$” or “cents”	Hong Kong dollars or cents, the lawful currency of Hong Kong
“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

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## DEFINITIONS

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“Latest Practicable Date”	10 November 2005, being the latest practicable date prior to the printing of this document for the purposes of ascertaining certain information contained herein
“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” or “China”	People’s Republic of China and for the purpose of this circular excludes Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holders of the Shares, including holders of the Domestic Shares and the H Shares, unless specified otherwise
“Shares”	shares of the Company, including the Domestic Shares and the H Shares, unless specified otherwise
“Sponsor”	Deloitte & Touche Corporate Finance Limited, the sponsor of the Company which is deemed licenced under the SFO to carry out the regulated activities of dealing in securities, advising on securities and advising on corporate finance
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Voluntary Withdrawal”	the proposed voluntary withdrawal of the listing status of the H Shares from the GEM

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



**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)

*Executive Directors:*

Zhang En Rong  
Lin Fu Long  
Zhang Yun San  
Xie Xin Cang

*Registered Office:*

No. 99 Beihai Road  
Shouguang City  
Shandong Province  
The People's Republic of China

*Non-executive Directors:*

Chen Jian Xiong  
Wang Ping

*Principal place of business  
in Hong Kong:*

Suite F, 10th Floor,  
Ho Lee Commercial Building,  
38-44 D'Aguilar Street,  
Central,  
Hong Kong

*Independent Non-Executive Directors:*

Qin Xue Chang  
Yan Yi Zhuang  
Loke Yu alias Loke Hoi Lam

14 November 2005

*To the Shareholders*

Dear Sir/Madam,

**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**

**1. INTRODUCTION**

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

\* For identification purpose only

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## LETTER FROM THE BOARD

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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.

### **2. 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. The Group's net profits attributable to shareholders for the last two years have 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 are of the view that the listing of the H Shares on the Main Board will further enhance the profile of the Group, raise industry analysts' attention to and broaden their coverage on the Group, further strengthen the recognition of the Group among institutional investors such that more institutional investors will increase confidence 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.

### **3. 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.

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## LETTER FROM THE BOARD

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### 4. 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.

### 5. 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 Board 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;



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## LETTER FROM THE BOARD

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- (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.

**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 an 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 Broad Migration and the Voluntary Withdrawal after obtaining the approval of the CSRC and the relevant 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.

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## LETTER FROM THE BOARD

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Set out in pages 15 to 21 of this circular are notices convening the respective EGM and the Class Meetings to be held on Friday, 30 December 2005 at No. 99 Beihai Road, Shouguang City, Shandong Province, the PRC. The EGM and the Class Meetings will be convened at which a special resolution will be proposed to approve, among other things, the Main Board Migration, the Voluntary Withdrawal and the adoption of the Amended Articles.

If you intend to attend the EGM and the relevant Class Meeting, please complete and return the reply slip enclosed herewith in accordance with the instructions printed thereon as soon as possible and in any event on or before 10 December 2005. The forms of proxy for use at the respective EGM and Class Meetings are also enclosed herewith. Whether or not you are able to attend the EGM and/or the relevant Class Meetings, you are requested to complete and return the enclosed form of proxy to the Company (in the case of proxy form of holders of the Domestic Shares) or the share registrars of the H Shares in Hong Kong, Tricor Investor Services Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong (in the case of proxy forms of holders of the H Shares) in accordance with the instructions printed thereon not less than 24 hours before the time appointed for the holding of the EGM and the relevant Class Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and/or the relevant Class Meeting or any adjournment thereof should you so wish.

### **6. CLOSURE OF REGISTER OF MEMBERS**

Shareholders whose names appear on the register of members of the Company as at close of business on 29 November 2005 are entitled to attend and vote at the EGM and/or the Class Meetings. The register of members of the Company 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 to the Company's H Share Registrar, Tricor Investor Services Limited at Ground Floor, 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 to the Company's principal place of business at No. 99 Beihai Road, Shouguang City, Shandong Province, the PRC, no latter than 4:00 p m on 29 November 2005 (Tuesday).

### **7. POLL PROCEDURE**

Set out below is the procedure by which Shareholders and the chairman of any Shareholders' meeting may demand a poll pursuant to article 77 of the articles of association of the Company, subject to the requirements under the GEM Listing Rules:

“At any general meeting of shareholders, a resolution shall be decided on a show of hands unless a poll is demanded before or after any vote by show of hands by:

- (1) the chairman of the meeting;

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## LETTER FROM THE BOARD

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- (2) at least two shareholders, who possess the right to vote, present in person or by proxy; or
- (3) any shareholder or shareholders present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all shareholders having the right to attend and vote at the meeting.

Unless a poll be so demanded, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution, that the resolution has been carried.

A demand for a poll may be withdrawn by the person who made the demand.”

### 8. RECOMMENDATION

The Board is of the view that the Main Board Migration, the Voluntary Withdrawal and the adoption of the Amended Articles are in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the special resolution to be proposed at the EGM and the Class Meetings.

Yours faithfully,  
**Shandong Molong Petroleum Machinery  
Company Limited**  
**Zhang En Rong**  
*Chairman*

**1. RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

**2. DISCLOSURE OF INTERESTS**

**Directors', Supervisors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures**

As at the Latest Practicable Date, the interests and positions of the Directors, Supervisors and chief executive of the Company in the shares, debentures or underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, or sections 324 and 347 of Part XV of the SFO, to be notified to the Company and the Stock Exchange, are as follows:

Long positions in the domestic shares of the Company:

		<b>Number of domestic shares</b>	<b>Approximate percentage of total issued domestic share capital</b>	<b>Approximate percentage of total issued share capital</b>
	<b>Type of interests</b>	<i>(Note)</i>	<i>(%)</i>	<i>(%)</i>
Zhang En Rong	Personal	279,517,000	69.58%	43.14%
Lin Fu Long	Personal	34,216,000	8.52%	5.28%
Zhang Yun San	Personal	30,608,000	7.62%	4.72%
Xie Xin Cang	Personal	21,410,000	5.33%	3.30%

*Note:* Unlisted shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Company nor their associates had any interest and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to rules 5.46 to 5.67 of the GEM Listing Rules or sections 324 and 347 of Part XV of the SFO, to be notified to the Company and the Stock Exchange.

### **Sponsor's Interests**

Neither the Sponsor nor any of its directors, employees or associates (as referred to in Note 3 to GEM Listing Rule 6.35) has any interests in the securities of the Company or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group. The Company has been informed by the Sponsor that none of the Sponsor or its directors, employees, associates (as referred to in GEM Listing Rule 6.36) has any competing interest.

Pursuant to the sponsorship agreement dated 29 March, 2004 and entered into between the Company and the Sponsor, the Sponsor has been appointed as the sponsor of the Company for the remainder of the year ended 31 December, 2004 and for the period of two years thereafter until 31 December, 2006 and the Sponsor is entitled to receive an agreed amount of fee for its provision of services.

### **Directors' and Supervisors' Interest in Any Asset Acquired, Disposed or Leased**

None of the Directors and Supervisors has any material interest, direct or indirect, in any asset which, since 31 December 2004, being the date to which the latest audited consolidated financial statements of the Group have been made up, had been acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group.

### **Directors' and Supervisors' Service Contracts**

Each of the Directors and Supervisors has entered into a service contract with the Company. Particulars of these contracts, except as indicated, are in all material respects identical and set out below:

- (i) each service contract is for an initial term of three years commencing from the date of the signing of the service contract and may be renewed thereunder subject to the approval of the shareholders' meeting of the Company;
- (ii) subject to resolution passed at shareholders' meeting of the Company, the remuneration of each of the Directors and Supervisors may be changed;

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## APPENDIX — GENERAL INFORMATION

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- (iii) each of the Directors and Supervisors is entitled to out-of-pocket expenses reasonably incurred during his/her term of office;
- (iv) the actual salary payable to each of the executive Directors is subject to adjustment dependent upon the results of the internal review of the executive Directors concerned; and
- (v) each of the executive Directors is entitled to such bonus as decided by the Board, calculated by reference to the operating results of the Company as a whole and the performance of the executive Directors.

Save as disclosed above, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries in the capacity of a director which is not determinable by the Group within one (1) year without the payment of compensation other than statutory compensation.

### Directors' and Supervisors' Interests in Contracts

None of the Directors and Supervisors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

### Substantial Shareholders

So far as is known to any Directors, Supervisors or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director, Supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10 per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital:

Name	Type of interests	Percentage		Percentage of total registered capital	
		Number of Domestic shares	Percentage Shares of H Shares		
Zhang Xiu Lan ( <i>Note 1</i> )	Interests of spouse	279,517,000	69.58%	—	43.14%
Li Xiu Fen ( <i>Note 2</i> )	Interests of spouse	34,216,000	8.52%	—	5.28%
Zhang Xin Lan ( <i>Note 3</i> )	Interests of spouse	30,608,000	7.62%	—	4.72%
Li Bao Hui ( <i>Note 4</i> )	Interests of spouse	21,410,000	5.33%	—	3.30%
Peter Cundill & Associates (Bermuda) Ltd. ( <i>Note 5</i> )	Investment manager	76,760,000	—	31.17%	11.8%

## APPENDIX — GENERAL INFORMATION

Name	Type of interests	Percentage		Percentage of total registered capital	
		Number of Domestic shares	Percentage Shares of H Shares		
RAB Energy Fund Limited (Note 5)	Investment manager	33,832,000	—	13.74%	5.22%
Cheah Cheng Hye (Note 5)	Corporate interest controlled by the significant shareholder	22,178,000	—	9.01%	3.42%
Value Partners Limited (Note 5)	Investment manager	22,178,000	—	9.01%	3.42%
Commonwealth Bank of Australia (Note 5)	Corporate interest controlled by the significant shareholder	13,052,000	—	5.30%	2.01%

Note 1: Zhang Xiu Lan is the wife of Zhang En Rong and is taken to be interested in the 279,517,000 Domestic Shares held by Zhang En Rong under the SFO.

Note 2: Li Xiu Fen is the wife of Lin Fu Long and is taken to be interested in the 34,216,000 Domestic Shares held by Lin Fu Long under the SFO.

Note 3: Zhang Xin Lan is the wife of Zhang Yun San and is taken to be interested in the 30,608,000 Domestic Shares held by Zhang Yun San under the SFO.

Note 4: Li Bao Hui is the wife of Xie Xin Cang and is taken to be interested in the 21,410,000 Domestic Shares held by Xie Xin Cang under the SFO.

Note 5: Interests in H Shares.

Save as disclosed above, so far as is known to the Directors, Supervisors or chief executive of the Company, no other person (not being a Director, Supervisor or chief executive of the Company) had, or were deemed or taken to have any interest, or short position, in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange, under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in 10 per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

### **3. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial position or trading prospects of the Group since 31 December 2004, the date to which the latest audited financial statements of the Group were made up.

### **4. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance known to the Directors was pending or threatened by or against the Company or any of its subsidiaries.

### **5. DOCUMENTS FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Coudert Brothers in association with Orrick, Herrington & Sutcliffe LLP on 39th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including 30 December 2005:

- (a) the Articles of Association;
- (b) the Amended Articles;
- (c) the annual report of the Company for the year ended 31 December 2004;
- (d) the service contracts of the Directors and Supervisors referred to in the paragraph entitled “Directors and Supervisors’ Service Contracts” in this appendix; and
- (e) the interim report of the Company for the six months ended 30 June 2005.

### **6. MISCELLANEOUS**

- (i) The legal address of the Company is at No. 99 Beihai Road, Shauguang City, Shandong Province, the PRC.
- (ii) The address of the head office of the Company is No. 99 Beihai Road, Shauguang City, Shandong Province, the PRC.
- (iii) The principal place of business of the Company in Hong Kong is Suite F, 10th Floor, Ho Lee Commercial Building, 38-44 D’Aguilar Street, Central, Hong Kong.



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## APPENDIX — GENERAL INFORMATION

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- (iv) The Company's H Share Registrars and transfer office in Hong Kong is Tricor Investor Services Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (v) The secretary and the qualified accountant of the Company is Mr. Chan Wing Nang, Billy *B. Eng. (Hons), MBA, ACA (ICAEW), CPA*. The compliance officer of the Company is Mr. Xie Xin Cang.
- (vi) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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# 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 EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Shandong Molong Petroleum Machinery Company Limited (the “**Company**”) will be convened and held at 9:00 a.m. on Friday, 30 December 2005 at No. 99 Beihai Road, Shouguang City, Shandong Province, the People's Republic of China (the “**PRC**”), for the purpose of considering and, if thought fit, approving the following special resolution:

**“THAT:**

- (a) the proposed listing of the H shares (the “**H Shares**”) of the Company on the Main Board (the “**Main Board**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Main Board Migration**”) and subject to the completion of the Main Board Migration, the proposed voluntary withdrawal of the listing of the H Shares from the Growth Enterprise Market of the Stock Exchange (the “**Voluntary Withdrawal**”) be and are hereby approved;
- (b) the amended articles of association of the Company (the “**Amended Articles**”) (a copy of which is produced to the meeting marked “A” and initialled by the chairman of this meeting for the purpose of identification) which reflect the consequential amendments to the existing articles of association of the Company as a result of the Main Board Migration (subject to further amendments (if any) being made to the same articles of association by the directors of the Company (the “**Directors**”) as authorised by the shareholders of the Company), be and are hereby adopted as the articles of association of the Company in substitution for and to the exclusion of the existing articles of association of the Company, with effect from the date of listing of the H Shares on the Main Board. The details of the amendments set out in the Amended Articles are as follows:
  - (i) the first paragraph of Article 6 of the existing articles of association of the Company shall be deleted in its entirety and replaced by the following:

“The Articles of Association will become effective on the date of listing of the H Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (thereinafter referred to as the “**Stock Exchange**”); and

\* For identification purpose only

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (ii) Article 44(2) of the existing articles of association of the Company shall be deleted in its entirety and replaced by the following:

“(2) the instrument of transfer involves only overseas listed foreign shares listed on the Main Board of the Stock Exchange”; and

- (c) the Directors be and are hereby authorised to do such other acts and things, enter into all such transactions and arrangements, execute such other documents and/or deeds and/or take all such steps, which in their opinion may be necessary, desirable or expedient to implement the Main Board Migration and/or the Voluntary Withdrawal, and the transactions contemplated thereunder, with such changes as the Directors may consider necessary desirable or expedient, which include but are not limited to:

- (i) setting up a board committee comprising of any two Directors to handle and decide on matters relating to the Main Board Migration and/or the Voluntary Withdrawal;
- (ii) amending the Amended Articles further, as the Directors may deem appropriate and necessary;
- (iii) filing or registering the Amended Articles (subject to further amendments (if any) being made to the same by the Directors as authorised by the shareholders of the Company) with the relevant approval authorities of the PRC and Hong Kong, if required; and
- (iv) attending to and handling all other necessary procedures and registrations relating to or as a result of the Main Board Migration and/or the Voluntary Withdrawal.”

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

14 November 2005  
Shandong, the PRC

*Notes:*

- (i) A shareholder who has the right to attend and vote at the EGM is entitled to appoint one proxy (or more) in writing to attend the EGM and vote on his behalf in accordance with the Company’s Articles of Association. The proxy need not be a shareholder of the Company. Enclosed herewith a form of proxy for use in the meeting. In the case of joint registered holders, the proxy form may be signed by any joint registered holder. In the case that more than one of such joint registered holders is present at any meeting personally or by proxy, then one of such joint registered holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (ii) To be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed or certified by a notary or an official copy of that power of attorney or authority, must be delivered at the Company's H Share Registrars in Hong Kong, Tricor Investor Services Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong (in respect of the H Shares holders of the Company) and the Company's principal place of business at No.99 Beihai Road, Shouguang City, Shandong Province, PRC (in respect of domestic Shares holders) not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof in order for such documents to be valid.
- (iii) Shareholders and their proxies attending the EGM shall produce their proof of identification.
- (iv) The register of members 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 to vote thereat as shareholders, all transfers of shares together with the relevant share certificates must be delivered at the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:00 pm on 29 November 2005 (Tuesday).
- (v) The holders of the Company's H Shares who intend to attend the EGM should return the reply slip to Company's H Share Registrars in Hong Kong, Tricor Investor Services Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 10 December 2005 (Saturday) by hand, by post, by telegraph or by fax to (852) 25283158.
- (vi) The holders of the Company's Domestic Shares who intend to attend the EGM should return the reply slip to Company's registered address at No. 99 Beihai Road, Shouguang City, Shandong Province, PRC no later than 10 December 2005 (Saturday) by hand, by post, by telegraph or by fax to 86-536-5100888.
- (vii) The EGM is expected not to exceed half a day, and all shareholders and proxies shall be responsible for their own travelling and accommodation expenses.
- (viii) Pursuant to Article 77 of the Company's Articles of Association, a poll may be demanded by the following persons:

"At any general meeting of shareholders, a resolution shall be decided on a show of hands unless a poll is demanded before or after any vote by show of hands by:

- (1) the chairman of the meeting;
- (2) at least two shareholders, who possess the right to vote, present in person or by proxy; or
- (3) any shareholder or shareholders present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all shareholders having the right to attend and vote at the meeting.

Unless a poll be so demanded, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution, that the resolution has been carried.

A demand for a poll may be withdrawn by the person who made the demand."



**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 H SHARES CLASS MEETING**

**NOTICE IS HEREBY GIVEN** that a class meeting of holders of the H Shares of Shandong Molong Petroleum Machinery Company Limited (the “**Company**”) will be convened and held at 10:00 a.m. (or immediately after the extraordinary general meeting of the Company to be convened and held on the same date and at the same place) on Friday, 30 December 2005 at No. 99 Beihai Road, Shouguang City, Shandong Province, the People's Republic of China (the “**PRC**”), for the purpose of considering and, if thought fit, approving the following special resolution:

**“THAT:**

- (a) the proposed listing of the H shares (the “**H Shares**”) of the Company on the Main Board (the “**Main Board**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Main Board Migration**”) and subject to the completion of the Main Board Migration, the proposed voluntary withdrawal of the listing of the H Shares from the Growth Enterprise Market of the Stock Exchange (the “**Voluntary Withdrawal**”) be and are hereby approved; and
- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to do such other acts and things, enter into all such transactions and arrangements, execute such other documents and/or deeds and/or take all such steps, which in their opinion may be necessary, desirable or expedient to implement the Main Board Migration and/or the Voluntary Withdrawal, and the transactions contemplated thereunder, with such changes as the Directors may consider necessary desirable or expedient, which include but are not limited to:
  - (i) setting up a board committee comprising of any two Directors to handle and decide on matters relating to the Main Board Migration and/or the Voluntary Withdrawal; and
  - (ii) attending to and handling all other necessary procedures and registrations relating to or as a result of the Main Board Migration and/or the Voluntary Withdrawal.”

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

14 November 2005  
Shandong, the PRC

\* *For identification purpose only*

# NOTICE OF CLASS MEETING OF THE HOLDERS OF THE H SHARES

## Notes:

- (i) A shareholder who has the right to attend and vote at the class meeting of the holders of the H Shares is entitled to appoint one proxy (or more) in writing to attend the meeting and vote on his behalf in accordance with the Company's Articles of Association. The proxy need not be a shareholder of the Company. Enclosed herewith a form of proxy for use in the meeting. In the case of joint registered holders, the proxy form may be signed by any joint registered holder. In the case that more than one of such joint registered holders is present at any meeting personally or by proxy, then one of such joint registered holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (ii) To be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed or certified by a notary or an official copy of that power of attorney or authority, must be delivered at the Company's H Share Registrars in Hong Kong, Tricor Investor Services Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof in order for such documents to be valid.
- (iii) Shareholders and their proxies attending the class meeting of the holders of the H Shares shall produce their proof of identification.
- (iv) The register of members of the H Shares 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 meeting and to vote thereat as shareholders, all transfers of shares together with the relevant share certificates must be delivered at the Company's H Share Registrar, Tricor Investor Services Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:00 pm on 29 November 2005 (Tuesday).
- (v) The holders of the Company's H Shares who intend to attend the meeting should return the reply slip to the Company's H Share Registrar, Tricor Investor Services Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 10 December 2005 (Saturday) by hand, by post, by telegraph or by fax to (852) 25283158.
- (vi) The meeting is expected not to exceed half a day, and all shareholders and proxies shall be responsible for their own travelling and accommodation expenses.
- (vii) Pursuant to Article 77 of the Company's Articles of Association, a poll may be demanded by the following persons:

"At any general meeting of shareholders, a resolution shall be decided on a show of hands unless a poll is demanded before or after any vote by show of hands by:

- (1) the chairman of the meeting;
- (2) at least two shareholders, who possess the right to vote, present in person or by proxy; or
- (3) any shareholder or shareholders present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all shareholders having the right to attend and vote at the meeting.

Unless a poll be so demanded, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution, that the resolution has been carried.

A demand for a poll may be withdrawn by the person who made the demand."



**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 DOMESTIC SHARES CLASS MEETING**

**NOTICE IS HEREBY GIVEN** that a class meeting of holders the Domestic Shares of Shandong Molong Petroleum Machinery Company Limited (the “**Company**”) will be convened and held at 11:00 a.m. (or immediately after the class meeting of the holders of H Shares in the Company to be convened and held on the same date and at the same place) on Friday, 30 December 2005 at No. 99 Beihai Road, Shouguang City, Shandong Province, the People's Republic of China (the “**PRC**”), for the purpose of considering and, if thought fit, approving the following special resolution:

**“THAT:**

- (a) the proposed listing of the H shares (the “**H Shares**”) of the Company on the Main Board (the “**Main Board**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Main Board Migration**”) and subject to the completion of the Main Board Migration, the proposed voluntary withdrawal of the listing of the H Shares from the Growth Enterprise Market of the Stock Exchange (the “**Voluntary Withdrawal**”) be and are hereby approved; and
- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to do such other acts and things, enter into all such transactions and arrangements, execute such other documents and/or deeds and/or take all such steps, which in their opinion may be necessary, desirable or are expedient to implement the Main Board Migration and/or the Voluntary Withdrawal, and the transactions contemplated thereunder, with such changes as the Directors may consider necessary desirable or expedient, which include but are not limited to:
  - (i) setting up a board committee comprising of any two Directors to handle and decide on matters relating to the Main Board Migration and/or the Voluntary Withdrawal; and
  - (ii) attending to and handling all other necessary procedures and registrations relating to or as a result of the Main Board Migration and/or the Voluntary Withdrawal.”

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

14 November 2005  
Shandong, the PRC

\* *For identification purpose only*

# **NOTICE OF CLASS MEETING OF THE HOLDERS OF THE DOMESTIC SHARES**

## *Notes:*

- (i) A shareholder who has the right to attend and vote at the class meeting of the holders of the Domestic Shares is entitled to appoint one proxy (or more) in writing to attend the meeting and vote on his behalf in accordance with the Company's Articles of Association. The proxy need not be a shareholder of the Company. Enclosed herewith a form of proxy for use in the meeting. In the case of joint registered holders, the proxy form may be signed by any joint registered holder. In the case that more than one of such joint registered holders is present at any meeting personally or by proxy, then one of such joint registered holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (ii) To be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed or certified by a notary or an official copy of that power of attorney or authority, must be delivered at the Company's principal place of business at No.99 Beihai Road, Shouguang City, Shandong Province, PRC not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof in order for such documents to be valid.
- (iii) Shareholders and their proxies attending the class meeting of the holders of the Domestic Shares shall produce their proof of identification.
- (iv) The register of holders of the Domestic Shares 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 meeting and to vote thereat as shareholders, all transfers of 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 p.m. on 29 November 2005 (Tuesday).
- (v) The holders of the Company's Domestic Shares who intend to attend the meeting should return the reply slip to Company's registered address at No. 99 Beihai Road, Shouguang City, Shandong Province, PRC no later than 10 December 2005 (Saturday) by hand, by post, by telegraph or by fax to 86-536-5100888.
- (vi) The meeting is expected not to exceed half a day, and all shareholders and proxies shall be responsible for their own travelling and accommodation expenses.
- (vii) Pursuant to Article 77 of the Company's Articles of Association, a poll may be demanded by the following persons:

“At any general meeting of shareholders, a resolution shall be decided on a show of hands unless a poll is demanded before or after any vote by show of hands by:

- (1) the chairman of the meeting;
- (2) at least two shareholders, who possess the right to vote, present in person or by proxy; or
- (3) any shareholder or shareholders present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all shareholders having the right to attend and vote at the meeting.

Unless a poll be so demanded, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution, that the resolution has been carried.

A demand for a poll may be withdrawn by the person who made the demand.”