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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 VOLUNTARY WITHDRAWAL OF LISTING ON
THE GROWTH ENTERPRISE MARKET OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
AND
PROPOSED LISTING ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
BY WAY OF INTRODUCTION**

Further to the announcement of the Company dated 9 November 2005, the Board would like to announce that on 11 July 2006, Guotai Junan Capital Limited acting as the Company's sponsor has, on behalf of the Company, submitted an advance booking form for the Proposed Introduction to the Stock Exchange. The Stock Exchange will also be notified of the Company's intention to implement the Proposed Withdrawal. The Proposed Withdrawal will be conditional upon, amongst other things, the approval by the Shareholders, the CSRC and the Stock Exchange of the Proposed Introduction.

The Proposed Introduction and the Proposed Withdrawal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the H Shares.

INTRODUCTION

Further to the announcement of the Company dated 9 November 2005, the Board would like to announce that on 11 July 2006, Guotai Junan Capital Limited acting as the Company's sponsor has, on behalf of the Company, submitted an advance booking form for the Proposed Introduction to the Stock Exchange. The Stock Exchange will also be notified of the

Company's intention to implement the Proposed Withdrawal. However, the Directors would like to emphasize that both the Proposed Introduction and the Proposed Withdrawal are at a preliminary stage and that the definitive timetable for the Proposed Introduction and the Proposed Withdrawal has yet to be finalized.

REASONS FOR THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION

The Group is principally engaged in the design, manufacture and sale of petroleum drilling and extracting machinery and related accessories. Since the listing of the H Shares on GEM in April 2004, the Group has experienced significant growth and has established strong market positions in each of its primary business segments. Nevertheless, the Directors believe that the listing of the H Shares on the Main Board will help to enhance the profile of the Group and increase the trading liquidity of the H Shares. The Directors consider that the listing of the H Shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Company. No change in the business of the Group is contemplated by the Directors following the Proposed Introduction.

The Proposed Introduction will involve no issue of new H Shares by the Company.

CONDITIONS OF THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION

If the Company proceeds with the Proposed Introduction, the Proposed Withdrawal will be conditional upon, among other things:

- (1) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares on the Main Board;
- (2) the CSRC granting approval for the listing of the H Shares on the Main Board;
- (3) the passing of special resolutions at the EGM and the separate Class Meetings to approve, amongst other things, the Proposed Withdrawal, the Proposed Introduction and the proposed reduction in the notice period for the Proposed Withdrawal; and
- (4) the obtaining of all other relevant consents (if any) which are required in connection with the implementation of the Proposed Withdrawal and the Proposed Introduction and fulfillment of all conditions which may be attached to such consents.

In this regard, if the Company proceeds with the Proposed Introduction, the EGM and the separate Class Meetings will be respectively convened at an appropriate time to seek the approval of the Shareholders for the Proposed Withdrawal and the Proposed Introduction.

There is no assurance that permission will be obtained from the Stock Exchange for the Proposed Introduction. Shareholders and potential investors should be aware that the implementation of the Proposed Introduction and the Proposed Withdrawal are subject to

certain conditions to be fulfilled and thus may or may not become effective. **Accordingly, the Proposed Introduction and the Proposed Withdrawal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the H Shares.**

GENERAL

If the Company proceeds with the Proposed Introduction, a circular containing, amongst other things, further details of the Proposed Introduction and the Proposed Withdrawal, the expected timetable and the notices convening the EGM and the separate Class Meetings will be despatched to the Shareholders as soon as practicable. A listing document in relation to the Proposed Introduction will also be despatched to the Shareholders for their information following the receipt of a preliminary indication of the approval for the Proposed Introduction from the Stock Exchange. In this regard, the Company will submit an application for a waiver (which may or may not be granted) from strict compliance with the minimum three-month notice period for the Proposed Withdrawal as required under Rule 9.19(3) of the GEM Listing Rules to a minimum of five clear business days.

Further announcements will be made by the Company to keep the Shareholders informed on the latest progress of the Proposed Introduction and the Proposed Withdrawal.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below, unless the context otherwise requires:

“Board”	the board of Directors
”Class Meetings”	the separate class meetings of the holders of H Shares and holders of Domestic Shares to approve, among other things, the Proposed Withdrawal and Proposed Introduction
“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 and whose H Shares are listed on GEM
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	the ordinary domestic share(s) with a nominal value of RMB0.10 each in the registered share capital of the Company which are subscribed for in RMB
“EGM”	an extraordinary general meeting of the Company to be convened to approve, among other things, the Proposed Withdrawal and the Proposed Introduction

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries (as defined in the GEM Listing Rules)
“H Share(s)”	the overseas listed foreign invested shares with a nominal value of RMB0.10 each in the registered share capital of the Company, which are subscribed for and traded in Hong Kong dollar
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 or Taiwan
“Proposed Introduction”	the proposed listing of the H Shares on the Main Board by way of introduction pursuant to the Main Board Listing Rules
“Proposed Withdrawal”	the proposed voluntary withdrawal of the listing of the H Shares on GEM
”Share(s)”	Domestic Share(s) and/or H Share(s), as the case may be
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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

Shandong, the PRC, 11 July 2006

* *for identification purpose only*

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 “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting.