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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)

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting 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 5 December 2006 at 9:00 a.m. for the purposes of considering and, if thought fit, with or without modification, passing the following resolutions each as an ordinary or special resolution (as the case may be) of the Company:

### **SPECIAL RESOLUTIONS**

1. “**THAT** conditional upon (1) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval of the listing of, and permission to deal in, on the main board (the “**Main Board**”) of the Stock Exchange the 246,276,000 H Shares of RMB0.10 each in the issued share capital of the Company (the “**H Shares**”) (the “**Proposed Introduction**”); (2) the China Securities Regulatory Commission granting approval of the listing of the H Shares in issue on the Main Board; (3) the publication by the Company of a notice in respect of the proposed withdrawal of listing of the H Shares on the Growth Enterprise Market of the Stock Exchange (“**GEM**”) (the “**Proposed Withdrawal**”) which shall be published at least five clear business days from the date on which the shareholders of the Company shall have approved the Proposed Withdrawal; (4) the GEM Listing Committee of the Stock Exchange granting a waiver for the reduction of the notice period required under Rule 9.19(3) to at least five clear business days from the date on which the shareholders of the Company shall have approved the Proposed Withdrawal and the fulfillment of such waiver by the Company; and (5) 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 the fulfillment of all conditions which may be attached to such consents, the Proposed Introduction be and is hereby approved and confirmed; the listing of the H Shares on GEM shall cease with effect from such date and time as the directors of the Company (the “**Directors**”) may designate and any Director or the company secretary of the Company be and is hereby authorised generally to do all such acts for and on behalf of the Company as he/she may deem necessary, desirable or expedient to effect and implement the foregoing; and the notice period required under Rule 9.19(3) of the Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange in connection with the Proposed Withdrawal be reduced to at least five clear business days from the date on which the shareholders of the Company shall have approved the Proposed Withdrawal.”

2. “**THAT** conditional upon the listing of the H Shares (as defined in resolution No. 1 set out in this notice) on the Main Board of the Stock Exchange:

(1) there be granted to the board of directors of the Company (“**Board**”) an unconditional general mandate (“**General Mandate**”) to issue, allot and deal with additional shares in the capital of the Company and to make or grant offers or agreements in respect thereof, subject to the following conditions:

(a) such mandate shall not extend beyond the Relevant Period save that the Board may during the Relevant Period make or grant offers or agreements which might require the exercise of such powers after the end of the Relevant Period;

(b) the aggregate nominal amount of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Board otherwise than pursuant to any scrip dividends or similar arrangement providing for the allotment of such shares in lieu of the whole or part of a dividend on such shares or any share option scheme adopted by the Company and in accordance with the articles of association of the Company (“**Articles of Association**”), shall not exceed:

(i) 20 per cent of the aggregate nominal amount of Domestic Shares of the Company in issue; and

(ii) 20 per cent of the aggregate nominal amount of H Shares of the Company in issue, in each case as at the date of passing of this resolution; and

(c) the Board will only exercise its power under such mandate in accordance with the Company Law of the People’s Republic of China (the “**PRC**”) and the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as the same may be amended from time to time) and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant PRC government authorities are obtained;

For the purposes of this resolution:

“Domestic Share(s)” mean 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;

“H Shares” mean the overseas listed foreign invested shares with a nominal value of RMB0.10 each in the registered share capital of the Company, which are listed on The Stock Exchange of Hong Kong Limited and subscribed for and traded in Hong Kong dollars;

“Relevant Period” means the period from the date of passing this resolution until the earlier of:

- (a) the conclusion of the next annual general meeting of the Company following the passing of this resolution; or
  - (b) the passing of a special resolution of the Company in a general meeting revoking or varying the authority set out in this resolution.
- (2) contingent on the Board resolving to issue shares pursuant to paragraph (1) of this resolution, the Board be authorised:
- (a) to approve, execute and do, or procure to be executed and done all such documents and matters which it may consider necessary in connection with the issue of such new shares, including but not limited to the time, quantity and place for such issue, to make all necessary applications to the relevant authorities, and to enter into underwriting agreement(s) or any other agreement(s);
  - (b) to determine the use of proceeds and to make necessary filings and registration with the relevant authorities in the PRC, and/or Hong Kong and any other places and jurisdictions (as appropriate);
  - (c) to increase the registered capital of the Company and make any amendments to the Articles of Association in accordance with such increase and to register the increased capital with the relevant authorities in the PRC and/or Hong Kong and any other places and jurisdictions (as appropriate) so as to reflect the new capital and/or share capital structure of the Company resulting from the intended allotment and issue of the shares of the Company pursuant to paragraph (1) of this resolution.
- (3) the general mandate to issue H Shares granted to the Directors as set out in the notice of the annual general meeting of the Company held on 12 May 2006 be and is hereby revoked.”

3. “**THAT** conditional upon the listing of the H Shares (as defined in resolution No. 1 set out in this notice) on the Main Board of the Stock Exchange, amendments shall be made to the existing articles of association of the Company (the “**Existing Articles**”), with effect from the date on which dealings in the H Shares on the Main Board of the Stock Exchange commences and the amendments to the Existing Articles are approved by the Ministry of Commerce (whichever is later). The details of the amendments are as follows:

(i) the first paragraph of Article 6 of the Existing Articles shall be deleted in its entirety and replaced by the following:

“The Articles will take effect upon obtaining the approval from the shareholders’ meeting and the relevant state authority in charge.”;

(ii) Articles 44(1) and (2) of the Existing Articles shall be deleted in their entirety and replaced by the following:

“(1) payment of a fee of HK\$2.50 (per transfer document), or such amount as may from time to time be requested by the board of directors which does not exceed the maximum amount as required under the Listing Rules of The Stock Exchange of Hong Kong Limited from time to time, to the Company for the registration of any transfer document(s) and other document(s) relating to or affecting the ownership of the shares in question;

(2) the transfer document relates only to overseas listed foreign shares listed in the Main Board of The Stock Exchange of Hong Kong Limited;”;

(iii) Paragraph 2 of Article 48 of the Existing Articles shall be deleted in its entirety and replaced by the following:

“Where holders of domestic shares have lost their share certificates and apply for their replacement, the matter shall be dealt with under the provisions of Article 144 of the Company Law.”;

(iv) Article 77(4) shall be inserted after Article 77(3) of the Existing Articles as follows:

“(4) the Directors and/or Chairman of the Meeting who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting (and if on a show of hands a meeting votes in the opposite manner to that instructed in those proxies).”;

(v) the words “next annual general meeting” in the sixth paragraph of Article 101 of the Existing Articles shall be deleted and replaced with the words “next general meeting”;

- (vi) Paragraphs 1 and 2 of Article 106 of the Existing Articles shall be deleted in its entirety and replaced by the following:

“Regular meetings of the Board of Directors shall be convened at least four times every year. Such meetings shall be convened by the chairman of the Board of Directors by giving notice to all the Directors fourteen (14) days before the meeting date.

Under any of the following circumstances, the chairman of the Board of Directors shall convene the extraordinary board meetings within fourteen (14) days:”;

- (vii) the words “ten (10) days” in each of Articles 107(2) and (3) of the Existing Articles shall be deleted and replaced with the words “fourteen (14) days”;
- (viii) the words “social economic order” in Article 132(2) of the Existing Articles shall be deleted and replaced with the words “Socialist market economic order”;
- (ix) the words “Article 54” in Article 139 shall be deleted and replaced with the words “Article 55”;
- (x) Article 143(1) of the Existing Articles shall be deleted in its entirety and replaced by the following:

“the provision of a loan or a guarantee for a loan by the Company to a company which is a subsidiary of the Company;”;

- (xi) Article 143(2) of the Existing Articles shall be deleted in its entirety;
- (xii) Articles 148(1) and (2) of the Existing Articles shall be deleted in their entirety and replaced by the following:
- “(1) emoluments in respect of his service as a Director, Supervisor, or senior officer of the Company;
- (2) emoluments in respect of his service as a Director, Supervisor or senior officer of any subsidiary of the Company;”;

- (xiii) the words “Article 55” in Article 149(2) of the Existing Articles shall be deleted and replaced with the words “Article 56”;

- (xiv) Article 156 shall be deleted in its entirety and replaced by the following:

“The Company shall despatch the directors’ report and its annual accounts and the auditors’ report for the purpose of its annual accounts to the shareholders of the Company at least twenty-one (21) days before the date of the annual general meeting and within one hundred and twenty (120) days after the end of the accounting year.

The Company shall prepare its interim report for the first six months of the accounting year which at least complies with the required information set out in the Main Board Listing Rules and despatch the same within sixty (60) days after the end of the first six (6) months of the accounting year.”;

(xv) the words “five (5) days later” in Article 208 of the Existing Articles shall be deleted and replaced with the words “on that date”;

(xvi) the consequential amendments to the margin notes to the effect that all references to “Appendix 11C to the Listing Rules” in the Existing Articles shall be deleted and replaced with “Appendix 13D to the Listing Rules”; and

**THAT** the Directors be and are hereby authorized 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 amend the Existing Articles further, as the Directors may deem appropriate and necessary, and file or register the amended Existing Articles (subject to further amendments (if any) being made to the same by the Directors) with the relevant authorities of the PRC and Hong Kong, if required.”

#### **ORDINARY RESOLUTIONS**

4. **“THAT** a conditional agreement (the **“Supplemental Agreement”**) entered into between the Company and 壽光墨龍機電設備有限公司 (Shouguang Molong Electromechanical Equipment Company Limited) on 22 September 2006 in relation to the extension of the term of the agreement dated 20 March 2004 between the same parties, to 31 December 2007, the continuing connected transactions contemplated thereunder and the proposed annual caps for the continuing connected transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and any director of the Company be and is hereby authorized to execute the Supplemental Agreement and do such other acts and things and execute such other documents which in his opinion may be necessary or desirable to implement the Supplemental Agreement for and on behalf of the Company.”
5. **“THAT** the board of directors of the Company be and is hereby authorised to declare and pay an interim dividend of RMB1.5 cents per share in respect of the six months ended 30 June 2006, to shareholders whose names appear on the register of members of the Company on 4 December 2006 (the **“Dividend Declaration and Payment”**); and

**THAT** the directors of the Company be and are hereby authorized 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 Dividend Declaration and Payment.”

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

Shandong, 19 October 2006  
The People’s Republic of China

**Notes:**

- (A) The H Share register of the Company will be closed from 5 November 2006 to 5 December 2006 (both days inclusive), during which no transfer of H Shares will be effected. Any holders of H Shares of the Company, whose names appear on the Company’s H Share register at the close of business on 3 November 2006, are entitled to attend and vote at the EGM after completing the registration procedures for attending the meeting. In order to be entitled to attend and vote at the EGM, share transfer documents should be lodged with the Company’s H Share registrar not later than 4:00 p.m. on 3 November 2006.

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

26th Floor  
Tesbury Centre  
28 Queen’s Road East  
Hong Kong

- (B) Holders of H Shares and Domestic Shares, who intend to attend the EGM, must complete the reply slips for attending the EGM and return them to the registered office of the Company (for holders of Domestic Shares), or to the Company’s H Share registrar, Tricor Investor Services Limited (for holders of H Shares) not later than 20 days before the date of the EGM, i.e. no later than 14 November 2006.

Details of the registered office of the Company are as follows:

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

- (C) Each holder of H Shares who has the right to attend and vote at the EGM is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the EGM. 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 authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, 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, on the 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.

- (F) Each holder of Domestic Shares is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on its behalf at the EGM. Notes (C) to (D) also apply to holders of Domestic Shares, except that the proxy form or other documents of authority must be delivered to the Office of the Secretary to the Board of Directors, the address of which is set out in Note (B) above, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.
- (G) If a proxy attends the EGM on behalf of a shareholder, he should produce his ID card and the instrument signed by the proxy or his legal representative, which specifies the date of its issuance. If the legal representative of a legal person shareholder attends the EGM, such legal representative should produce his/her ID card and valid documents evidencing his capacity as such legal representative. If a legal person shareholder appoints a representative of a company other than its legal representative to attend the EGM, such representative should produce his ID card and an authorization instrument affixed with the seal of the legal person shareholder and duly signed by its legal representative.
- (H) The EGM is expected to last for half a day. Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.

*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](http://www.hkgem.com) for at least 7 days from the date of its posting.*

*\* For identification purpose only*