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If you are in doubt as to any aspect of this circular, or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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.

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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: 568)

PROPOSED USE OF SURPLUS NET PROCEEDS OF THE A SHARES ISSUE

PROPOSED AMENDMENTS TO AND ADOPTION OF NEW PROCEDURAL RULES

**PROPOSED AMENDMENTS TO AND ADOPTION OF NEW INDEPENDENT
DIRECTORS' RULES**

**PROPOSED ADOPTION OF THE IMPLEMENTATION RULES OF THE
CUMULATIVE VOTING SYSTEM**

AND

NOTICE OF EGM

It is important to note that the purpose of distributing this circular is to provide Shareholders with information on, among other things, the proposed use of the surplus net proceeds of the A Shares Issue (as defined herein) the proposed amendments to and adoption of new Procedural Rules, the proposed amendments to and adoption of new Independent Directors' Rules and the adoption of the Implementation Rules of the Cumulative Voting System, so that Shareholders are able to make an informed decision on voting in respect of the resolutions tabled at the EGM (as defined herein). This circular does not constitute, or form part of, an offer or invitation, or solicitation or inducement for an offer, to subscribe for or purchase any securities of the Company.

A letter from the Board is set out on pages 3 to 7 of this circular.

The notice convening the EGM to be convened and held on 11 February 2011 at 9:00 a.m at the conference room, No.99 Beihuan Road, Shouguang City, Shandong Province, the People's Republic of China has been published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) on 17 December 2010 is set out on pages 65 to 67 of this circular. Whether or not you are able to attend the EGM, please complete and return the enclosed proxy form 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 meetings. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or at any adjourned meeting should you so wish.

Reply slip for the EGM has also been enclosed. You are reminded to complete and sign the reply slip and return the signed slip to the Company's H Shares share registrar on the 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong on or before 21 January 2011 in accordance with the instructions printed thereon.

* *For identification purpose only*

23 December 2010

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DEFINITIONS

“A Share(s)”	ordinary domestic shares with a nominal value of RMB1.00 each in the registered capital of the Company
“A Shares Issue”	the issue of 70,000,000 new A Shares on 21 October 2010 which have been listed on the Shenzhen Stock Exchange
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“Company”	山東墨龍石油機械股份有限公司 (Shandong Molong Petroleum Machinery Company Limited*)
“CSRC”	中國證券監督管理委員會 (China Securities Regulatory Commission)
“Cumulative Voting System”	a system of voting for the election of directors or supervisors at the shareholders’ general meeting in which voting rights of each share is equal to the number of directors or supervisors to be elected and the shareholder can aggregate his/her voting rights for one or more candidates
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 11 February 2011 or any adjournment thereof for the purpose of approving, proposed use of the surplus net proceeds of the A Shares Issue, the proposed amendments to and adoption of the new Procedural Rules, the proposed amendments to and adoption of the new Independent Directors’ Rules, the proposed adoption of the Implementation Rules of the Cumulative Voting System
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested share(s) with a nominal value of RMB1.00 each in the registered share capital of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Implementation Rules”	the rules governing the implementation of the Cumulative Voting System
“Independent Directors’ Rules”	the rules to regulate the appointment, election, powers, duties and responsibilities of independent Directors

DEFINITIONS

“Latest Practicable Date”	22 December 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange
“PRC”	People’s Republic of China
“Procedural Rules”	collectively, (i) the Rules and Procedures of the Board; (ii) the Rules and Procedures of the Meeting of the Shareholders; (iii) the Rules and Procedures of the Supervisory Committee, which shall be attached to the Articles of Association
“Regulatory Authorities”	the PRC authorities having the power to regulate and/or approve, among other things, the proposed amendments to and adoption of new Procedural Rules and new Independent Directors’ Rules and the proposed adoption of the Implementation Rules of the Cumulative Voting System
“RMB”	Renminbi, the lawful currency of the PRC
“Rules and Procedures of the Board”	the rules governing the procedures for the meeting of the Board
“Rules and Procedures of the Meeting of the Shareholders”	the rules governing the procedures for the meeting of the Shareholders
“Rules and Procedures of the Supervisory Committee”	the rules governing the procedures for the meeting of the Supervisory Committee
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of Share(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Weihai Baolong”	威海市寶隆石油專材有限公司 (Weihai Baolong Special Petroleum Materials Co., Ltd.*), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company

For ease of reference, the names of the PRC-incorporated companies and entities have been included in this circular in both the Chinese and English languages. In the event of any inconsistency, the Chinese name prevails.

LETTER FROM THE BOARD



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: 568)

Executive Directors:

Zhang En Rong (*Chairman*)

Lin Fu Long

Zhang Yun San

Xie Xin Cang

Registered Office:

No. 99 Beihuan Road

Shouguang City

Shandong Province

The PRC

Non-executive Directors:

Chen Jian Xiong

Wang Ping

*Principal place of business
in Hong Kong:*

Suite A, 11th Floor

Ho Lee Commercial Building

38-44 D' Aguilar Street

Central

Hong Kong

Independent Non-executive Directors:

John Paul Cameron

Wang Chun Hua

Chau Shing Yim David

23 December 2010

To the Shareholders

Dear Sir/Madam,

PROPOSED USE OF SURPLUS NET PROCEEDS OF THE A SHARES ISSUE
PROPOSED AMENDMENTS TO AND ADOPTION OF NEW PROCEDURAL RULES
PROPOSED AMENDMENTS TO AND ADOPTION OF NEW INDEPENDENT
DIRECTORS' RULES
PROPOSED ADOPTION OF THE IMPLEMENTATION RULES OF
THE CUMULATIVE VOTING SYSTEM

AND

NOTICE OF EGM

1. INTRODUCTION

The Company announced on 17 December 2010 that at the Board meeting held on 17 December 2010, it was resolved that, subject to the Shareholders' approval, the Company will apply the surplus net proceeds of the A Shares Issue of (i) RMB220,000,000 to increase the registered capital of Weihai

LETTER FROM THE BOARD

Baolong to finance the Petroleum Pipes Processing Project and; (ii) RMB256,738,331.5 as the general working capital of the Company. On the same date, the Company also announced that, subject to the Shareholders' approval, the Company will (i) amend the Procedural Rules; (ii) amend the Independent Directors' Rules; and (iii) adopt the Implementation Rules of the Cumulative Voting System.

The purpose of this circular is to provide you with further information in respect of (i) the proposed use of the surplus net proceeds of the A Shares Issue, the proposed amendments to and adoption of new Procedural Rules, the proposed amendments to and adoption of new Independent Directors' Rules, the proposed adoption of the Implementation Rules of the Cumulative Voting System; and (ii) to despatch the notice of the EGM to you at which resolutions will be proposed for the purpose of seeking the approval by the Shareholders of the above matters.

2. PROPOSED USE OF SURPLUS NET PROCEEDS OF THE A SHARES ISSUE

2.1. General

Reference is made to the Company's announcements dated on 9 November 2008, 2 August 2010, 6 August 2010, 20 September 2010, 7 October 2010 and 20 October 2010 respectively and circulars to the Shareholders dated on 17 November 2008 and 10 February 2010 respectively in respect of the A Shares Issue. Unless otherwise indicated, capitalised terms used in this announcement shall have the same meaning as those defined in the announcement of the Company dated 20 October 2010 (the "Announcement") and the circular of the Company dated 17 November 2008 (the "Circular").

As disclosed in the Circular and the prospectus of the A Shares Issue (details of which have been included in the Company's announcement dated 7 October 2010), the net proceeds of the A Shares Issue after deducting the relating expenses shall be used to finance a 180 millimeters special petroleum pipes reconstruction project. The total investment for such project was expected to be RMB720,000,000. If the net proceeds of the A Shares Issue is more than the expected total amount of investment, the surplus shall be used as the working capital. Such proposed use of the net proceeds of the A Shares Issue has been approved by the Shareholders during the extraordinary general meeting of the Company held on 8 January 2009.

As disclosed in the Announcement, the A Shares Issue has been completed and the A Shares have been listed and the trading of which has been commenced on the Shenzhen Stock Exchange on 21 October 2010. As a result of the A Shares Issue, the Company raised a total amount of RMB1,260,000,000. The net proceeds after deducting the relating expenses is RMB1,196,738,331.50. According, there is a surplus net proceeds of RMB476,738,331.5.

At the Board meeting held on 17 December 2010, it was resolved that, subject to the Shareholders' approval, the Company will apply the surplus net proceeds of the A Shares Issue of (i) RMB220,000,000 to finance the Petroleum Pipes Processing Project (as defined below) and; (ii) RMB256,738,331.5 as the general working capital of the Company.

LETTER FROM THE BOARD

2.2 Proposal to use the surplus net proceeds of the A Share Issue of RMB220,000,000 to finance the Petroleum Pipes Processing Project

The Company has proposed to apply the surplus net proceeds of the A Shares Issue of RMB220,000,000 to increase the registered capital of Weihai Baolong to finance the establishment of certain processing facilities for corrosion-resistant petroleum pipes in 中國山東省威海文登市 (Weihai Wendeng City, Shandong province, the PRC*) (the “**Petroleum Pipes Processing Project**”). The total investment for this project is expected to be RMB250,000,000 of which RMB170,000,000 shall be invested in fixed assets and RMB80,000,000 shall be used as the general working capital. Apart from the surplus net proceeds of the A Shares Issue of RMB220,000,000, the Company shall utilize its internal resources of RMB30,000,000 to finance this project.

The Group is principally engaged in the design, manufacture and sale of petroleum drilling and extraction machinery and related accessories. Weihai Baolong is a limited liability company established in the PRC and principally engaged in the production and sales of oil well billets and casing billets. Castings, metallurgy accessories, oil well pipe billets and casing billets are raw materials and auxiliary materials used in the Group’s manufacture of oil well pipes, casings and petroleum machinery accessories. The investment in the Petroleum Pipes Processing Project allows the Group to increase its production capacity of corrosion-resistant petroleum pipes which the Directors consider to have continued growing demands in the future and in the interests of the Company and its Shareholders as a whole.

Details regarding the proposal to use the surplus net proceeds of the A Shares Issue of RMB220,000,000 to finance the Petroleum Pipe Processing Project are out in Appendix I to this circular and the proposed resolution to be passed by the Shareholders is set out in resolution numbered 1 of the notice of the EGM.

2.3 Proposal to use the surplus net proceeds of the A Shares Issue of RMB256,738,331.5 as the general working capital of the Company

The Company has proposed to apply the surplus net proceeds of the A Shares Issue of RMB256,738,331.5 as the general working capital of the Company. Details of such proposal are out in Appendix II to this circular and the proposed resolution to be passed by the Shareholders is set out in resolution numbered 2 of the notice of the EGM.

3. PROPOSED AMENDMENTS TO AND ADOPTION OF NEW PROCEDURAL RULES

The Company has proposed to amend and adopt new sets of the Procedural Rules to replace the existing ones to ensure full compliance with the applicable PRC laws and regulations. The amended Procedural Rules are subject to the Shareholders’ approval at the EGM, and the obtaining of any approval requirement, endorsement or registration (as applicable) from the Relevant Authorities.

Details regarding the new sets of the Procedural Rules are out in Appendix III to Appendix V to this circular and the proposed resolutions to be passed by the Shareholders are set out in resolutions numbered 3 to 5 of the notice of the EGM.

LETTER FROM THE BOARD

4. PROPOSED AMENDMENTS TO AND ADOPTION OF NEW INDEPENDENT DIRECTORS' RULES

The Company has proposed to amend and adopt a new set of the Independent Directors' Rules to replace the existing one to ensure full compliance with the applicable PRC laws and regulations. The amended Independent Directors' Rules are subject to the Shareholders' approval at the EGM, and the obtaining of any approval requirement, endorsement or registration (as applicable) from the Relevant Authorities.

Details regarding the new set of the Independent Directors' Rules are out in Appendix VI to this circular and the proposed resolution to be passed by the Shareholders is set out in resolution numbered 6 of the notice of the EGM.

5. PROPOSED ADOPTION OF THE IMPLEMENTATION RULES OF THE CUMULATIVE VOTING SYSTEM

The Company has proposed to adopt the Implementation Rules of the Cumulative Voting System to ensure full compliance with the applicable PRC laws and regulations. The adoption of the Implementation Rules of the Cumulative Voting System are subject to the Shareholders' approval at the EGM, and the obtaining of any approval requirement, endorsement or registration (as applicable) from the Relevant Authorities.

Details regarding the Implementation Rules are out in Appendix VII to this circular and the proposed resolution to be passed by the Shareholders is set out in resolution numbered 7 of the notice of the EGM.

6. EGM

The Company will convene an EGM for the purpose of seeking Shareholders' approval of, the proposed use of the surplus net proceeds of the A Shares Issue, the proposed amendments to and adoption of new Procedural Rules, the proposed amendments to and adoption of new Independent Directors' Rules, the proposed adoption of the Implementation Rules of the Cumulative Voting System.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. The proxy form should be returned to the Company's H Share registrar, Tricor Investor Services Limited (for holders of H Shares) at 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. Completion and return of the forms of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish.

Reply slip for the EGM has also been enclosed. You are reminded to complete and sign the reply slip and return the signed slip to the Company's H Shares share registrar on the 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong on or before 21 January 2011 in accordance with the instructions printed thereon.

LETTER FROM THE BOARD

The register of members of the Company will be closed from 11 January 2011 to 11 February 2011, both days inclusive, during which period no share transfer will be effected. In order to qualify for attending the EGM, all instruments of transfer must be lodged with the Company's H Share registrar, Trico Investor Services Limited, for registration by later than 4:00 p.m. on 10 January 2011.

7. RECOMMENDATION

The Board is of the opinion that the proposal to use the surplus net proceeds of the A Shares Issue of RMB220,000,000 to finance the Petroleum Pipe Processing Project, the proposal to use the surplus net proceeds of the A Shares Issue of RMB256,738,331.5 as the general working capital of the Company, the proposed amendments to and adoption of new Procedural Rules, the proposed amendments to and adoption of new Independent Directors' Rules, the proposed adoption of the Implementation Rules of the Cumulative Voting System are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders vote in favour of the resolutions set out in the notice of the EGM.

8. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,

Shandong Molong Petroleum Machinery Company Limited

Zhang En Rong

Chairman

**APPENDIX I PROPOSAL TO USE THE SURPLUS NET PROCEEDS OF THE A SHARES ISSUE
OF RMB220,000,000 TO FINANCE THE PETROLEUM PIPES PROCESSING PROJECT**

The proposal to use the surplus net proceeds of the A Shares Issue of RMB220,000,000 to finance the Petroleum Pipes Processing Project is written in Chinese. The English version of this Appendix I is an unofficial translation and is for reference only. In case of any inconsistency between the English and Chinese versions, the Chinese version shall prevail.

The said proposal is set out below:

Based on market research and the Company's existing position, the Board intends to utilize the surplus net proceeds of RMB220,000,000 in implementing a petroleum pipes processing project, the specific plan of which is summarized as follows:

1. Utilizing the surplus net proceeds from the A Shares Issue of RMB220,000,000 in implementing a petroleum pipes processing project.

(1) Details of the project are as follows:

- A. Project Name: Petroleum pipes processing project.
- B. Location: South of Wanjia Village and West of Qinglong River, Gaocun Town, Wendeng City, Weihai.
- C. Operator: Weihai Baolong.
- D. Nature of the project: Building supporting facilities such as plants, purchasing advanced domestic and international production equipment, and establishing an annual production capacity of 150,000 tons of new type corrosion-resistant petroleum pipes.
- E. Planned investment: The total planned investment of the project is RMB250,000,000, comprising investment in fixed assets of RMB170,000,000 and general working capital of RMB80,000,000. The construction period will be one year.

(2) Project prospect:

Based on analysis, we estimate that in the next five to ten years, the growth of domestic demand for petroleum pipes will be characterized by the following:

- Growth of demand will be showing stability even decreased demand for low-strength petroleum pipes, rather than simple quantitative growth of demand for all types of petroleum pipes. High steel-grade, corrosion-resistant, collapse-resistant and special joint high-strength petroleum pipes will be new driver for growth of demand.

- Growth of demand will display significant differentiation in various regions. Growth will be concentrated in Northwestern China and Southwestern China. Xinjiang will be the region with the most significant growth of demand for petroleum pipes.
- Due to the complicated geologic structures of newly explored oil fields and increased oil well depths, demand of oil fields for high steel-grade, corrosion-resistant (H₂S, CO₂, etc) and special joint pipes will increase. It is estimated that the demand for high steel-grade pipe as a percentage of total demand for pipes will grow to 55% in three years from existing 50%, and the demand for gas-sealed joint and special joint pipe will increase as the gas wells drilled in oil fields increase.

As for the international market, most of undeveloped oil-producing countries, including Middle-Asian countries such as Kazakhstan, Uzbekistan, Turkmenistan and Pakistan, rely on foreign countries in respect of demand for petroleum engineering technology services and supplies and equipment. As such, the Company will target these oil-producing countries' demand for petroleum pipes when expanding its overseas markets.

(3) Risks analysis:

The risks of the project mainly arise from market competition. As production technologies continue to advance, the products will be utilized in more and more applications. In light of the relatively high economic benefits of and potential demand for the products, it is expected that the intense competition will likely adversely affect the selling prices and market share of the Company's products. In view of this, the Company will mitigate the risks by ensuring product quality, lowering production costs and enhancing marketing efforts.

(4) Necessity and feasibility of the project:

First of all, the market prospect of its products is promising. The project produces Φ60.3~139.7 mm petroleum pipes. Petroleum pipes within this range of specifications have a huge market demand. The project adopts advanced manufacturing process and equipment to produce products with high precision and premium quality which have strong competitive strengths and a promising prospect in the market.

Secondly, the product structure is more reasonable, enabling the Company to manufacture products with high added value and utilize the existing production capacity of Weihai Baolong to provide pipes promptly for the project to produce petroleum pipes with higher added value. As such, the profitability of the Company may be significantly improved.

Thirdly, the project has a strong profitability. The project has a rate of return of investment before taxes of 66.73%, a rate of return of investment after taxes of 50.05% and

a payback period of 3.7 years (including one year for construction). The financial internal rate of return of the project is 50.63%, higher than the industry benchmark rate of return of 13%. The relatively high internal rate of return indicates that both the profitability of the funds utilized and to be recovered by the project and the profitability of the project itself are strong.

In overall, the construction condition of the project is positive and the construction of the project is a necessity.

(5) Impact of the project on the Company:

1. The project has an annual sales revenue of RMB1,005,000,000, a total annual average profit of RMB200,782,800, a total annual average net profit of RMB150,587,100, a rate of return of investment after taxes of 50.05% and a payback period of 3.7 years (including one year for construction). The financial internal rate of return of the project is 50.63%, higher than the industry benchmark rate of return of 13%. The project itself has a strong profitability and may generate additional income in excess of the profit as required by the benchmark rate of return.
2. An additional capital contribution of RMB220,000,000 will be made to Weihai Baolong, a subsidiary of the Company, for the implementation of the petroleum pipes processing project. The rest of the funds required by the project will be financed by Weihai Baolong's self-raised funds.
3. Any one of the executive directors of the Company will be authorized to handle related matters at his/her full discretion.

The Company undertakes that it did not undertake any investment with high risks, such as investments in securities, in the last 12 months and will not undertake any investment with high risks, such as investments in securities, in the twelve months subsequent to this utilization of the surplus net proceeds. The utilization of the surplus net proceeds from the A Shares Issue in implementing such petroleum pipes processing project is not in conflict with the proposed implementation plan of the proceeds-funded projects as set out in the prospectus of the Company, will not affect the normal implementation of such proceeds-funded projects, and will not effectively alter the use of the proceeds and impair the interests of shareholders.

This proposal is subject to approval at a Shareholders' general meeting.

**APPENDIX II PROPOSAL TO USE THE SURPLUS NET PROCEEDS OF THE A SHARES ISSUE OF
RMB256,738,331.5 AS THE GENERAL WORKING CAPITAL OF THE COMPANY**

The proposal to use the surplus net proceeds of the A Shares Issue of RMB256,738,331.5 as the general working capital of the Company is written in Chinese. The English version of this Appendix II is an unofficial translation and is for reference only. In case of any inconsistency between the English and Chinese versions, the Chinese version shall prevail.

The said proposal is set out below:

Due to the expanding business scale of the Company in the PRC and overseas and the rapid growth of its production capacity, the demand to the working capital of the Company has been increased. In order to meet such demand to the working capital, the Company intends to utilize the surplus net proceeds of the A Shares Issue of RMB256,738,331.5 in replenishing its working capital.

The Company undertakes that it did not undertake any investment with high risks, such as investments in securities, in the last 12 months and will not undertake any investment with high risks, such as investments in securities, in the twelve months subsequent to this utilization of the over-raised funds. The utilization of the surplus net proceeds from the A Shares Issue as the general working capital of the Company is not in conflict with the proposed implementation plan of the proceeds-funded projects, will not affect the normal implementation of such proceeds-funded projects, and will not effectively alter the use of the proceeds and impair the interests of shareholders. The sponsor and the independent Directors all concurred with the above proposal.

This proposal is subject to approval at a Shareholders' general meeting.

The proposed new Rules and Procedures of the Meeting of the Shareholders are written in Chinese. The English version of this Appendix III is an unofficial translation and is for reference only. In case of any inconsistency between the English and Chinese versions, the Chinese version shall prevail.

The proposed new Rules and Procedures of the Meeting of the Shareholders are set out below:

Chapter 1 General Provision

ARTICLE 1 In order to safeguard the legitimate rights and interests of Shandong Molong Petroleum Machinery Company Limited (hereinafter referred to as the “Company”) and its shareholders, to identify the duties and powers of the shareholders’ general meeting, to ensure the legal exercise of functions and powers of the shareholders’ general meeting, these Rules of Procedures (“Rules”) are formulated pursuant to the provisions of the relevant laws and regulations such as the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Securities Law of the People’s Republic of China (hereinafter referred to as the “Securities Law”), the Rules for Shareholders’ General Meeting of Listed Company (hereinafter referred to as the “Rules for Shareholders’ General Meeting”), the Code of Corporate Governance for Listed Companies (hereinafter referred to as the “Code of Corporate Governance”), and the Articles of Association of Shandong Molong Petroleum Machinery Company Limited (hereinafter referred to as the “Articles of Association”).

Chapter 2 Nature and Function of the Shareholders’ General Meeting

ARTICLE 2 Pursuant to the Company Law and the Articles of Association, the shareholders’ general meeting is the highest authority of the Company.

ARTICLE 3 The shareholders’ general meeting shall exercise the following functions and powers:

- (1) to determine the business policies and major investment plans of the Company;
- (2) to elect and replace directors and supervisors who are not representatives of employees, and to determine their remuneration;
- (3) to consider and approve the reports of the Board;
- (4) to consider and approve the reports of the Supervisory Committee;
- (5) to consider and approve the Company’s annual financial budgets and final accounts;

- (6) to consider and approve the Company's plan for profit distribution and plan for recovery of losses;
- (7) to resolve on the increase in or reduction of the registered capital of the Company;
- (8) to resolve on the issue of bonds of the Company;
- (9) to resolve on the merger, division, dissolution, liquidation and other matters of the Company;
- (10) to amend the Articles of Association;
- (11) to resolve on the appointment and dismissal of the accounting firm;
- (12) to consider and approve external guarantees specified in Article 4;
- (13) to consider and approve Connected transactions specified in Article 5;
- (14) to examine the matters of purchase and/or sale by the Company within one year of significant assets exceeding 30% of the latest audited total assets of the Company;
- (15) to consider and approve the change of the use of proceeds;
- (16) to consider the share incentive scheme;
- (17) to consider other issues that are subject to resolution by the shareholders' general meeting as provided by the relevant Laws, administrative regulations, departmental rules and the Articles of Association.

ARTICLE 4 The following external guarantees provided by the Company shall be considered and approved by the shareholders' general meeting:

- (1) any single guarantee the amount of which exceeds 10% of the latest audited net assets of the Company;
- (2) any subsequent guarantee after the total amount of external guarantees provided by the Company and its controlled subsidiaries has exceeded 50% of the latest audited net assets of the Company;
- (3) any guarantee provided for any party with a gearing ratio exceeding 70%;
- (4) any guarantee with total amount in 12 consecutive months exceeding 30% of the Company's latest audited total assets;

- (5) any guarantee with total amount in 12 consecutive months exceeding 50% of the Company's latest audited total assets and with absolute amount more than RMB 50,000,000;
- (6) any guarantee provided for shareholders, actual controller and their connected parties.

ARTICLE 5 The following connected transactions of the Company shall be considered and approved by the shareholders' general meeting:

Any connected transactions between the Company and its connected parties the amount of which is more than RMB30,000,000 and represent more than 5% of the latest audited absolute value of net assets of the Company, except where the Company are provided with cash assets or guarantee.

Chapter 3 Convening the Shareholders' General Meeting

ARTICLE 6 The shareholders' general meeting is classified into annual general meetings and extraordinary meetings. The shareholders' general meeting shall be held once every year and convened within six months from the end of the last financial year.

ARTICLE 7 The Company shall convene an extraordinary shareholders' general ("EGM") meeting within two months from the date of the occurrence of any of the following circumstances:

- (1) where the number of directors is less than 6;
- (2) where the irretrievable losses of the Company amount to one-third of its total paid up share capital;
- (3) where shareholder(s) individually or jointly holding more than 10% of the Company's shares make a request;
- (4) wherever the Board deems it necessary to convene an EGM;
- (5) wherever the Supervisory Committee proposes to convene an EGM;
- (6) wherever independent directors propose and the proposal is approved by half of all independent directors;
- (7) other circumstances stipulated in the relevant laws, administrative regulations, departmental rules or the Articles of Association.

In the event the Company fails to convene the shareholders' general meetings within the period of time mentioned above, the Company shall report and explain to the authority under the China Securities Regulatory Commission (the "CSRC") in the jurisdiction where the Company is listed and to the Shenzhen Stock Exchange, and shall make a public announcement thereof.

ARTICLE 8 An independent director shall have the rights to propose to the board of directors (“Board”) for holding an EGM. With regard to the proposal made by the independent director for holding EGM, the Board shall, in accordance with the laws, administrative regulations, and the Articles of Association, give a written reply on whether to hold the EGM or not within 10 days upon receipt of the proposal.

If the Board agrees to hold the EGM, it shall serve a notice of such meeting within 5 days after the resolution is made by the Board. If the Board does not agree to hold the EGM, it shall give the reasons and make an announcement in respect thereof.

ARTICLE 9 The Supervisory Committee shall have the rights to propose to the Board for holding an EGM, and shall put forward its proposal to the Board in writing. The Board shall, in accordance with the laws, administrative regulations and the Articles of Association, give a written reply on whether to hold the EGM or not within 10 days upon receipt of the proposal.

If the Board agrees to hold the EGM, it shall serve a notice of such meeting within 5 days after the resolution is made by the Board. In the event of any change to the original proposal set forth in the notice, the consent of the Supervisory Committee shall be obtained.

If the Board does not agree to hold the EGM or fails to give a written reply within 10 days upon receipt of the proposal, the Board shall be regarded as being unable to perform or fails to perform the duty of convening the EGM, and the Supervisory Committee may convene and preside over the meeting by itself.

ARTICLE 10 The shareholder(s) individually or jointly holding more than 10% of the Company’s shares shall have the rights to propose to the Board in written form for holding an EGM. The Board shall, in accordance with the laws, administrative regulations and the Articles of Association, give a written reply on whether to hold the EGM or not within 10 days upon receipt of the proposal.

If the Board agrees to hold the EGM, it shall serve a notice of such meeting within 5 days after the resolution is made by the Board. In the event of any change to the original proposal set forth in the notice, the consent of the related shareholders shall be obtained.

If the Board does not agree to hold the EGM or fails to give a written reply within 10 days upon receipt of the proposal, the shareholder(s) individually or jointly holding more than 10% of the Company’s shares shall have the rights to propose to the Supervisory Committee in written for holding an EGM.

If the Supervisory Committee agrees to hold the EGM, it shall serve a notice of such meeting within 5 days after the request is received. In the event of any change to the original proposal set forth in the notice, the consent of the related shareholders shall be obtained.

If the Supervisory Committee does not agree to hold the EGM or fails to give a written reply within 10 days upon receipt of the proposal, the Supervisory Committee shall be regarded as being unable to perform or fails to perform the duty of convening the EGM, and the shareholder(s) individually or jointly holding more than 10% of the Company's shares in 90 consecutive days may convene and preside over the meeting by themselves.

ARTICLE 11 Where the Supervisory Committee or shareholders decide to convene shareholders' general meetings by itself/themselves, it/they shall notify the Board in writing and file with the agency of the CSRC in where the Company is listed and with the Shenzhen Stock Exchange.

Prior to the publication of the resolution of the shareholders' general meeting, the shareholding of the shareholders who convene the meeting shall be no less than 10%.

The Supervisory Committee or shareholders convening the shareholders' general meeting shall, upon giving a notice of such meeting and publishing the resolution thereof, submit the relevant documentation and materials to the agency of the CSRC in where the Company is listed and to the Shenzhen Stock Exchange.

ARTICLE 12 With regard to shareholders' general meetings convened by the Supervisory Committee or shareholders on its/their own initiative, the Board and its secretary shall offer cooperation. The Board shall provide a register of shareholders as of the shareholding record date. If the Board fails to provide the register of shareholders, the convener may apply to the securities registration and clearing authority to obtain it upon presentation of the announcement relating to the notice of the shareholders' general meeting. The register of shareholders obtained by the convener shall not be used for other purposes except for convening the shareholders' general meeting.

ARTICLE 13 If the Supervisory Committee or shareholders convene the shareholders general meeting by itself/themselves, any expenses necessary for the meeting shall be borne by the Company.

Chapter 4 Arrangement and File Preparations for Shareholders' General Meetings

ARTICLE 14 Arrangement for the shareholders' general meeting shall be led by the convener and in charge by the secretary to the Board who shall organize related departments of the Company to complete it.

ARTICLE 15 Document preparations for the shareholders' general meeting shall be led by the convener and in charge by the secretary to the Board who shall organize related departments of the Company to complete the preparation, and deliver before the meeting is convened the files to the shareholders or their proxies and directors, supervisors and senior officers who will attend the meeting.

Chapter 5 Notice of Shareholders' General Meeting

ARTICLE 16 A notice for convening the shareholders' general meeting shall be given by the convener 45 days prior to the date of the meeting. Period for notice of meeting shall exclude the date of the meeting but including the date of notice.

Any shareholder intending to attend the meeting shall deliver to the Company a written reply showing his intention to attend not less than 20 days (excluding the date of the meeting) before the meeting. The Company shall calculate the number of voting shares represented by the shareholders who have indicated their intention to attend the shareholders' general meeting based on the written replies received not less than 20 days (excluding the date of the meeting) before the meeting. Where the number of such voting shares reaches half of the Company's total number of such shares, the Company may convene the shareholders' general meeting. Otherwise, the Company shall, within 5 days, inform the shareholders again of the matters to be considered, the date and the venue of the meeting by way of public announcement. After making the announcement, the shareholders' general meeting may be convened.

ARTICLE 17 The notice of the shareholders' general meeting shall include the following contents:

- (1) The date, venue and time for the meeting;
- (2) The record date of shareholders who are entitled to attend the meeting;
- (3) The name and telephone number of the regular contact person of the meeting;
- (4) Matters to be discussed at the meeting;
- (5) Such information and explanations as are necessary for the shareholders to exercise an informed judgment on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to merge the Company with another, to repurchase shares, to restructure the share capital structure or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;
- (6) A disclosure of the nature and extent, if any, of the material interests of any director, supervisor, general manager or other member of the senior management in the transaction proposed and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of the shareholders of the same class;
- (7) The full text of any special resolution proposed to be passed at the meeting;

- (8) conspicuous statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote for and on his behalf and that a proxy need not be a shareholder;
- (9) The date, time and address for lodging the proxy forms for the relevant meeting; and
- (10) For an online shareholders' general meeting, a notice of meeting in which the time and procedures for online voting shall clearly be included.

ARTICLE 18 The record date which has been decided in the notice of shareholders' general meeting will not be changed.

ARTICLE 19 The notice and supplementary notice of the shareholders' general meeting shall fully and completely disclose the specific contents of all proposals, and all information and explanation necessary for the shareholders to make informed decisions in connection with the matters to be discussed. If the independent directors are needed to give their opinions to the matters to be discussed, the notice and supplementary notice of the shareholders' general meeting shall also include the independent directors' opinions and the reason thereof.

ARTICLE 20 Notice of a shareholders' general meeting shall be served on each shareholder, whether or not entitled to vote thereat, by hand or by prepaid mail to the shareholder's address as shown in the register of shareholders. For holders of domestic shares, notice of shareholders' general meetings may also be given by public announcement.

The public announcement referred to in the preceding paragraph shall be published in one or more newspapers specified by the securities regulatory authority during a period of forty-five to fifty days prior to the meeting. Once the announcement has been published, all holders of domestic shares shall be deemed to have received notice of the relevant meeting. Such public announcements shall be published in Chinese and in English in compliance with relevant provisions in the Articles of Association.

The Company shall issue a notice, so that holders of overseas listed foreign shares whose registered addresses are in Hong Kong may have sufficient time to exercise their rights or to take actions in accordance with the terms of the notice.

ARTICLE 21 The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the meeting and the resolutions adopted at the meeting.

ARTICLE 22 If the election of directors or supervisors is proposed to be discussed at a shareholders' general meeting, the notice of such meeting shall fully disclose the detailed information of the candidates for directors or supervisors, which shall at least include:

- (1) personal information, including educational background, working experiences, and concurrent positions;

- (2) whether one has any connected relationship with the Company, its controlling shareholders and actual controllers;
- (3) the amount of shares of the Company one holds;
- (4) whether one has been subjected to the punishment of the CSRC and other relevant departments or the reprimand of the stock exchange.

Other than the accumulated voting for the election of directors and supervisors, each of the candidates of directors and supervisors shall be nominated separately by single proposal.

ARTICLE 23 After the notice of shareholders' general meeting is given, such meeting shall not be postponed or cancelled and proposal set out in the notice shall not be cancelled without proper reasons. In the case of any postponement or cancellation of the meeting, the convener shall make an announcement and give the reasons therefore at least 2 working days prior to the date on which the meeting is originally scheduled, and also comply with the relevant listing rules. If such meeting is postponed or cancelled, the record date will not be changed.

Chapter 6 Agendas and Proposals of Shareholders' General Meetings

ARTICLE 24 Proposals to the shareholders' general meeting shall satisfy the following conditions:

- (1) There shall be no conflicts between the contents thereof and the relevant laws and regulations and the Articles of Association;
- (2) The proposals shall be within the functions and duties of the shareholders' general meeting;
- (3) The proposals shall have clear subjects with specific issues to be resolved.

ARTICLE 25 Shareholders individually or jointly holding more than 3% of the Company's shares shall have the rights to put forward a provisional proposal and submit it in writing to the convener 10 days prior to the holding of the shareholders' general meeting. The convener shall in two days upon receipt of the provisional proposal give supplementary notice to announce the contents of the provisional proposal. Except as stipulated above, the convener cannot modify the proposals listed in the notice of the shareholders' general meeting or add new proposals. As to any proposal which are not listed in the notice or do not accord with the Article 23 of these Rules, the shareholders' general meeting cannot put to vote and make a resolution.

ARTICLE 26 A proposal which involves investment, property disposal, acquisition and merger shall fully explain details including the amount and the price (or pricing method) involved, the carrying value of assets, influence on the Company, approval condition, whether it is related to connected a transaction, and so on. If it needs to go through assets valuation, audit or produce report of independent financial adviser in accordance with the relevant provisions, the convener shall announce the assets valuation, the audit results or report of independent financial adviser.

ARTICLE 27 If a proposal involves the change in the use of funds raised, the reasons for changing the use of funds raised, a description of any new projects and its impact on the future development of the Company shall be included in the notice of the shareholders' general meeting.

ARTICLE 28 A proposal involving issuance of additional shares or placing which shall be approved by the CSRC shall be proposed as a special proposal.

After the annual report has been considered and passed by the Board, a resolution relating to the distribution of profits shall be made and be proposed at the annual general meeting. Any proposal on capitalization of the capital reserve by the Board shall be accompanied by details for the reason of such increase in share capital and be disclosed in the announcement for such capitalization. The Board shall disclose the figures on the earning per share and net asset value per share before and after such profit distribution and capitalization and the impact on the future of the Company in such announcement.

ARTICLE 30 In the event that the Board proposes to dismiss or not to re-appoint an accountant, prior notice shall be given to such accountant and the Board shall explain the reasons thereof to the shareholders' general meeting. The relevant accountant shall be entitled to give its opinions to the shareholders' general meeting. If an accountant resigns on its own accord, the Board shall explain the reason at the next shareholders' general meeting. The resigning accountant shall be responsible for explaining in writing or by appointing a person to explain to the shareholders' general meeting whether there is anything improper matter in the Company.

ARTICLE 31 List of candidates for directors and supervisors shall be proposed for voting by the shareholders' general meeting.

Candidates for non-independent directors shall be proposed by the Supervisory Committee, the Board or shareholders individually or jointly holding more than 3% of the total voting shares outstanding.

Candidates for supervisors not represented by employees shall be proposed by the Board, the Supervisory Committee or shareholders individually or jointly holding more than 3% of the total voting shares outstanding.

Candidates for supervisors represented by employees shall be elected at general meeting of employees.

ARTICLE 32 Nomination procedures for independent directors are as follows: The Supervisory Committee, the Board or shareholders individually or jointly holding more than 3% of the total voting shares outstanding can nominate candidates for independent directors, and the nominator shall seek the consent of the nominee prior to the nomination. The nominator shall fully acquaint with the personal particulars of his/her nominee as to the profession, academic background, job title, specifics of work experience, and all part-time jobs of the nominee, and shall comment on the qualification and independence of the nominee to act as an independent director. The nominee shall make announcement that they have no relationship with the Company that would affect his independent and objective judgment.

Prior to the convening of the shareholders' general meeting for the election of independent directors, the Board shall make an announcement for the above matter pursuant to mentioned as provided. Prior to the convening of the shareholders' general meeting for the election of independent directors, the Company shall submit the relevant information of all nominees to the agency of the CSRC in where the Company is listed and to the Shenzhen Stock Exchange. The written opinions of the Board shall also be submitted in case it has any objection to the particulars of the nominee. The CSRC shall within 15 working days review the qualifications and independence of the independent directors. Nominees objected by the CSRC can be candidates for directors but not independent directors of the Company. At the shareholders' general meeting for election of independent directors, the Board shall make a statement as to whether any candidates of independent directors are objected by the CSRC.

ARTICLE 33 The Board shall provide to each shareholder (or proxy), director, supervisor and other senior management member attending the shareholders' general meeting with documents on the agenda, proposals and relevant background information and voting in respect of the topics to be considered at such meeting, to ensure the attendees' knowledge of the content of the consideration, and making exact judgments. Where the Proposing Shareholders decide to convene such a meeting by themselves, they shall present documents as required in the above article.

Chapter 7 Qualification and Registration of Shareholders to Attend the Meeting

ARTICLE 34 The Board shall determine the specific date as the record date and shareholders whose names appear on the Register of Members at the close of the record date are entitled to attend the shareholders' general meeting, to which the Company and the convener object for any reasons.

ARTICLE 35 A shareholder may attend a shareholders' general meetings in person or appoint a proxy to attend and vote on his behalf, and the votes of the appointer and the proxy shall have equal legal effect. The instrument appointing a proxy must be in writing under the hand of the shareholder or his / her attorney duly authorized in writing. For a corporate shareholder, the proxy must be affixed with the common seal or signed by its attorney duly authorized in writing.

ARTICLE 36 Any shareholder intending to attend the shareholders' general meeting shall register on the date in the venue as specified in the notice by producing the following:

- (1) A legal representative shall produce his identity card, and the identity document as a legal representative and the stock account card when attending the shareholders' general meeting on behalf of a corporate shareholder;
- (2) A proxy of a legal representative shall produce his identity card, and the written power of attorney (original) signed by the legal representative together with an official seal and the stock account card when attending a meeting on behalf of a corporate shareholder;
- (3) Individual shareholders to attend the shareholders meeting shall present his identity card together with the share certificate;
- (4) A proxy of an individual shareholder shall produce a photocopy of his identity card, and the share certificate, the power of attorney signed by the principal and his own identity card when attending a meeting on behalf of a corporate shareholder;
- (5) The third party appointed by the proxy on behalf of a shareholder (including corporate shareholder, individual shareholder, i.e. principal) who attends the meeting shall produce the principal's identity card, the business license, stock account card, the written power of attorney signed or sealed by the principal for appointment by a notarized proxy to the third party and the third party's identity card;
- (6) Any attendees for the meeting shall show to the registry office of the meeting the power of attorney thereof and their own identity card, and submit the original or photo copies thereof to the registry office of the meeting. Overseas shareholders may get through the registration by mail or facsimile which shall contain documents of the content thereof.

ARTICLE 37 The letter of attorney issued by a shareholder appointing a proxy to attend the shareholders' general meeting on his behalf shall contain the following:

- (1) Name of the proxy;
- (2) Whether the proxy is empowered with voting rights;
- (3) Instructions to vote in favour of, against or abstain from, as the case may be, each matter in the agenda of the shareholders' general meeting if not with full authority;
- (4) If not with full authority, whether the proxy is empowered with voting rights for provisional proposals which may be raised and put on the agenda of the shareholders' general meeting; and if so empowered, specific instructions as to the nature of voting right;
- (5) The date of issuance of the power of attorney appoint the proxy and the expiration date;

- (6) Signature (seal) of the principal. In the case that the principal is a corporate shareholder, the power of attorney shall bear the official seal of that legal person.

The instrument appointing a proxy shall be deposited at the residence of the Company or at the other place specified in the notice of a meeting no later than 24 hours prior to the meeting at which the proxy is authorized to vote or 24 hours before the time specified for the voting. Where such an instrument is signed by a person under power of attorney on behalf of the principal, that power of attorney or other authorization documents shall be notarized. The notarized documents and other authorization documents shall, together with the instrument appointing the proxy, be deposited at the Company's residence or at the other place specified for that purpose in the notice of the meeting.

ARTICLE 38 The eligibility of an attendee of the meeting shall be deemed invalid if the evidence produced involves one of the following:

- (1) Identity card of principal or attendee of the meeting is found to be forged or expired or has been altered with incorrect identity card or does not comply with the Provisions for Residents' Identity Cards, and detailed rules of its implementation;
- (2) Information on the identity card produced by the principal or attendee of the meeting is illegible;
- (3) Where multiple proxies have been appointed by the shareholder, and the signatures of the principal on the power of attorney are inconsistent;
- (4) The signature on the power of attorney faxed in for registration is not consistent with the original power of attorney produced when attending the general meeting;
- (5) Lack of signature or seal of principal on the power of attorney; (6) The relevant evidence produced by the principal or his proxy attending the meeting contravenes the relevant laws, regulations and the Articles of Association.

ARTICLE 39 Where the principal or his proxy is ineligible to attend the meeting as a result of irregularities of the principal's authorization or the fact that documents evidencing the legitimate identity of the principal or the authorization do not comply with the laws, regulations or provisions of the Articles of Association, the legal consequences so arising shall be borne by the principal or his proxy.

ARTICLE 40 The convenor and lawyers engaged by the Company shall verify the legitimate qualification of shareholders in accordance with the register of members, and shall register the names of shareholders and the number of voting shares each of them holds. The registration shall end before the chairman of the meeting announces the number of shareholders and proxies attending the meeting and the total number of voting shares they hold.

Chapter 8 Convening the Shareholders' General Meeting

ARTICLE 41 The shareholders' general meeting of the Company shall be held at the address of the Company or the venue specified by the Board. Shareholders' general meetings shall be held at a meeting place in the form of the onsite meeting. The Company may use a safe, economical and convenient network or any other means for its shareholders to conveniently participate in such meetings. Shareholders participating in the shareholders' general meetings by any aforesaid means shall be regarded as having attended the meetings.

ARTICLE 42 Shareholders' general meetings convened via the internet or by other means shall state clearly in the notice of shareholders' general meeting the time and procedure of voting via the internet or other means. The starting time for the voting at the shareholders' general meeting via internet and other means for shareholders shall not be earlier than 3:00 p.m. one day prior to the holding of the onsite shareholders' general meeting, and shall not be later than 9:30 a.m. on the day the shareholders' general meeting is held, and the closing time shall not be earlier than 3:00 p.m. on which the onsite shareholders' general meeting is closed.

ARTICLE 43 The Board and other conveners shall take necessary measures to ensure the normal order of the shareholders' general meeting, shall take measures to stop any acts that hinder the shareholders' general meeting, provoke troubles and harm the legal rights and interests of the shareholders and promptly report to the relevant department.

ARTICLE 44 The Company shall hold the shareholders' general meeting strictly according to the related laws, administrative regulations and the Articles of Association, and guarantee the shareholders' exercise rights according to the law. The Board shall perform duties to organize the shareholders' general meeting carefully and on time. All directors shall exercise due diligence to ensure that shareholders' general meetings are convened regularly and legally discharge its duties.

ARTICLE 45 All directors, supervisors and the secretary to the Board shall attend the shareholders' general meeting of the Company, and the general manager and other senior executives shall be present at the meeting.

Chapter 9 Registration

ARTICLE 46 The Company shall be responsible for the preparation of an attendance register to be signed by those attending the shareholders' general meeting. The attendance register shall state, among others, particulars such as the names attending persons (and/or names of the entities), their numbers of identification documents and residential addresses, the number of voting shares held or represented and names of the principals (or names of the entities).

ARTICLE 47 The registered shareholders shall show their personal identity document and sign on the attendance register. The shareholders who do not register shall submit the document referred to in Chapter 7 and sign to attend the meeting after they are confirmed to have complied with the conditions as provided in the notice.

Chapter 10 Discussion and Voting Procedure of the Shareholders' General Meeting

ARTICLE 48 A shareholders' general meeting shall be presided over by the chairman of the Board who shall preside as chairman of the meeting. If the chairman of the Board cannot attend the meeting for any reasons, the vice-chairman shall preside at the meeting as chairman. If the chairman and vice-chairman of the Board fail to attend the meeting, a director elected by more than 50% of the directors shall preside at the meeting. In case no person is appointed to chair the meeting by the Board, one of the shareholders attending the meeting may be elected to chair the meeting; in case no shareholder can be elected to chair the meeting for any reasons, the shareholder who holds the most number of shares and attends the meeting (or his proxy) shall chair the meeting.

ARTICLE 49 The shareholders' general meeting convened by the Supervisory Committee shall be presided and chaired by the chairman of the Supervisory Committee. In case that the chairman of the Supervisory Committee is not able to or fails to perform his duties, one supervisor elected by more than half of the supervisors will chair the meeting. In case no person is appointed to chair the meeting by the supervisors, one of the shareholders attending the meeting may be elected to chair the meeting; in case no shareholder can be elected to chair the meeting for any reasons, the shareholder who holds the most number of shares and attends the meeting (or his proxy) shall chair the meeting.

ARTICLE 50 The shareholders' general meeting convened by the shareholders shall be chaired by the shareholder who is recommended by the convener.

ARTICLE 51 In case the presiding chairman breaches these Rules when shareholders' general meeting is held, so that the shareholders' general meeting cannot continued, the shareholders' general meeting may elect one person as chairman to continue the meeting.

ARTICLE 52 For a shareholders' general meeting convened by the proposing shareholders, the Board and the secretary to the Board shall duly perform their duties. The Board shall ensure that the meeting will be held orderly and reasonable expenses incurred by the shareholders in convening and holding the meeting shall be borne by the Company.

ARTICLE 53 The chairman of meeting shall announce the beginning of the meeting at the scheduled time except in case of material unforeseeable circumstances.

ARTICLE 54 After announcement of beginning of the meeting, the chairman shall first announce attendance of shareholders (including their proxies) and shares carrying voting right represented by them, which shall be as the same as those indicated in the meeting's registration record.

ARTICLE 55 As the meeting is presided over by the Chairman, issues and proposals included into the agenda shall be resolved item-by-item. For issues included in the agenda of meeting, the Chairman may determine in accordance with the status of the meeting the mode of report and mass-consideration and voting shall be adopted, also for complicated issue, the Chairman may adopt case-by-case mode for report, consideration and voting of complicated issues. Reasonable time shall be given for the discussion of each issue at the shareholders' general meeting.

ARTICLE 56 At the annual general meeting, the Board shall report to shareholders the performance of respective matters entrusted to it in the resolutions passed at the preceding annual general meeting, and make an announcement thereof.

Each director shall give his work report.

ARTICLE 57 At the annual general meeting, the Supervisory Committee shall declare the special supervision report on the Company for the preceding year, including the following:

- (1) Inspection on financial performance of the Company;
- (2) Performance of duties for the Company by directors and officers and their compliance with the relevant laws and regulations, the Articles of Association and resolutions of shareholders' general meetings;
- (3) Other important matters as deemed by the Supervisory Committee necessary to report at the shareholders' general meeting. The Supervisory Committee may, whenever it thinks fit, comment on the proposals discussed at the shareholders' general meeting and produce its independent report thereon.

ARTICLE 58 Shareholders or their proxies shall declare their opinions briefly when considering issues and can make inquiries on issues affecting their judgment and vote and ask reporters to give explanation.

ARTICLE 59 Shareholders may make inquiries and suggestions in connection with the contents of proposals, and attending directors, supervisors and senior management shall make corresponding responses or statements. In one of the following situations, the chairman may refuse to answer the inquiries but specify the reasons:

- (1) Inquiries not relating to issues;
- (2) Inquiries subject to further investigation;
- (3) Information involving commercial secrets of the Company not available for the public;
- (4) Response to inquiries which shall damage the overall interests of shareholders;
- (5) Other significant events.

ARTICLE 60 For a connected transaction to be considered at a shareholders' general meeting, connected shareholders (including proxies) may attend the meeting and make appropriate statements relating to such connected transactions but shall abstain from voting. Shares carrying voting right represented by them shall not be included into the valid voting results. Such connected transactions shall be passed by way of poll by a majority of the non-connected shareholders attending the meeting

with effective voting rights. If a transaction is within the scope of a special resolution, it shall be passed by two-thirds of the shareholders with effective voting rights. Notice for resolution of the shareholders' general meeting shall fully disclose the voting process of non-connected shareholders.

ARTICLE 61 For a connected transaction to be considered at the shareholders' general meeting, the Chairman shall announce the connected shareholders, give a brief introduction to the connected transactions, and clarify whether the connected shareholders will abstain from voting. If the connected shareholders abstain from voting, the Chairman shall announce the number of shares represented by non-connected shareholders (including their proxies) attending the meeting and its percentage in the Company's total shares before the consideration and voting.

ARTICLE 62 No voting rights shall be attached to the Company's shares held by the Company, and such shares shall be excluded for the purpose of calculating the total number of voting shares held by the shareholders present at the shareholders' general meeting.

ARTICLE 63 Proposals submitted to the shareholders' general meeting shall be passed by way of voting. Each shareholder (including proxies) exercise his voting rights in proportion to his shareholdings with voting rights, and each share entitles the shareholder one voting right. Voting shall be made by way of registered poll.

ARTICLE 64 Unless the shareholders' general meeting is adjourned or no resolution can be made due to special reasons such as force majeure, all proposals accepted into the agenda shall be voted on an itemization basis at the shareholders' general meeting, and shall not be put aside or excluded from voting for any reason. In case of different proposals for the same matter are raised at the annual general meeting, the proposals shall be voted chronologically with resolutions adopted accordingly.

ARTICLE 65 For proposals relating to election of directors and supervisors to be considered at the shareholders' general meeting, voting shall be made on each candidate in a voting way required by the Articles of Association. When a resolution to re-elect directors and/or supervisor is passed, those newly elected shall assume office immediately after the conclusion of the meeting.

ARTICLE 66 Voting for proposals relating to election of directors and supervisors shall adopt a cumulative voting system, while voting for other proposals shall not apply this system.

Voting by way of cumulative voting system shall be stipulated by "The Implementation Rules for Cumulative Voting System".

ARTICLE 67 No amendment shall be made to a proposal when it is considered at a shareholders' general meeting. Otherwise, the relevant amendment shall be regarded as a new proposal and shall not be voted at the shareholders' general meeting.

ARTICLE 68 The same voting rights shall only be exercised by way of either onsite voting or online voting or one other way of voting. Where there are repeated votings for the same voting rights, results of the first voting shall prevail.

ARTICLE 69 Before a resolution is voted at a shareholders' general meeting, two representatives of the shareholders shall be elected as counting officers and scrutinizers. If a shareholder interested in any matter to be considered, the shareholder and his proxy shall not participate in vote counting or scrutinizing. When voting on the proposals is made at the shareholders' general meeting, the lawyers, shareholder representatives and supervisory representatives shall count and scrutinize the votes jointly. Shareholders or their proxies that vote on line or by other ways shall have the rights to check and inspect their voting results through the relevant voting system.

ARTICLE 70 Shareholders attending the shareholders' general meeting shall take one of the following stances when a resolution is put forward for voting: for, against or abstain.

Any votes which are incompleted, erroneously completed or illegible or un-casted votes shall be counted as an abstention of voting rights and the outcome of votes shall be counted as "abstain".

ARTICLE 71 Under provisions on meeting disciplines of these Rules, shares represented by shareholders who are being ordered to leave the meeting by the Chairman prior to voting or fail to complete the voting ballots due to halfway exit shall not be included into shares carrying voting right represented by shareholders attending the meeting.

ARTICLE 72 The presider of the meeting shall declare at the site of the meeting the voting situation and result, and whether the proposal is approved according to the voting result. Before announcing the formal voting result, companies, counting officers, scrutineers, substantial shareholders, online voting providers and other relevant persons involved in the on-site voting, online voting or voting by other means are all subject to confidentiality obligations.

Chapter 11 Resolutions of the Shareholders' General Meeting

ARTICLE 73 Resolutions shall be formed for matters passed at the shareholders' general meeting. Resolutions of shareholders' general meetings are divided into ordinary resolutions and special resolutions according to the Articles of Association. To adopt an ordinary resolution, not less than one half of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favour of the resolution in order for it to be passed; to adopt a special resolution, not less than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favour of the resolution in order for it to be passed.

ARTICLE 74 Each of the resolutions passed at a shareholders' general meeting shall comply with the laws and the requirements in the Articles of Association. The directors in attendance shall perform their duties in good faith and ensure that matters in relation to any resolutions are true, accurate and complete, and shall not be vulnerable to misrepresentation.

ARTICLE 75 The following matters shall be resolved by an ordinary resolution at a shareholders' general meeting:

- (1) Work reports of the Board and the Supervisory Committee;

- (2) Annual profit distribution plans and loss recovery plans formulated by the Board;
- (3) Appointment or removal of members of the Board and members of the Supervisory Committee, their remuneration and manner of payment;
- (4) Annual budgets and final accounts;
- (5) Annual report;
- (6) Matters other than those which are required by the laws, administrative regulations or the Articles of Association to be adopted by special resolution.

ARTICLE 76 The following matters shall be resolved by a special resolution at a shareholders' general meeting:

- (1) Increase or reduction in share capital of the Company;
- (2) Issuance of corporate bonds;
- (3) Demerger, merger, dissolution and liquidation or transformation of the Company;
- (4) Amendment to the Articles of Association;
- (5) Stock incentive plans;
- (6) Any other matters considered by the shareholders in general meeting, and resolved by way of an ordinary resolution, to be of a nature which may have a material impact on the Company and should be adopted by a special resolution in accordance with the laws, administrative regulations and the Articles of Association.

ARTICLE 77 The chairman of the meeting shall be responsible for determining whether a resolution has been passed based on the voting result, which shall be declared at the meeting. The voting results shall be recorded in the meeting minutes.

ARTICLE 78 If the chairman of the meeting has any doubt as to the result of a resolution which has been put to vote at a shareholders' meeting, he may have the votes counted. If the chairman of the meeting failed to count the votes, any shareholder who is present in person or by proxy and who objects to the result announced by the chairman of the meeting may, immediately after the declaration of the result, demand that the votes be counted and the chairman of the meeting shall have the votes counted immediately.

ARTICLE 79 The Board shall appoint lawyers to attend a shareholders' general meeting in accordance with the law, who will issue opinions on the following matters with announcements made thereon:

- (1) Whether the meeting is convened and held in accordance with the requirements of all applicable laws, regulations and the Articles of Association;
- (2) Whether the qualification of the members attending the meeting and the convener are legal and valid;
- (3) Whether the voting procedures and results of the shareholders' general meeting are legal and valid;
- (4) Legal opinions on other issues provided at the request of the Company.

The Board may also appoint a notary public to attend the meeting and notarize the related matters.

ARTICLE 80 The conveners shall ensure that the shareholders' general meeting continues within a reasonable period of time until final resolutions were reached. Where the meeting cannot be convened or no resolution can be made due to force majeure or other extraordinary causes, all necessary steps shall be taken to resume or otherwise to terminate the shareholders' general meeting. Meanwhile, the conveners shall report to the agency of CSRC in where the Company is listed or to the Shenzhen Stock Exchanges.

Chapter 12 Disciplines of the Shareholders' General Meeting

ARTICLE 81 Registered shareholders or their proxies, directors, supervisors, the company secretary, senior management members, the appointed lawyer, notary, visitors and reporters invited by the Board or shareholders can attend the meeting. Any other person shall be required to exit from the meeting as his/her admittance is refused.

ARTICLE 82 The chairman may order the following persons to exit from the meeting:

- (1) Ineligible attendees;
- (2) Those who disorder the meeting;
- (3) Those who carry dangerous goods;
- (4) Other circumstances.

The chairman of the shareholders general meeting may take necessary action to force persons who defy the order of exit to exit from the meeting.

ARTICLE 83 Upon the consideration of proposals, shareholder or their proxies has speaking rights and the speakers shall show hands to ask for approval of the Chairman and then speak at their seat or a designated seat. When more than one shareholders shows hands, the chairman shall appoint speakers. The chairman shall specify speaking time limit and times for each speaker on a practical basis. Speech of shareholders shall not be interrupted within the time limit, to ensure sufficient speaking right of shareholders. Directors, supervisors, general managers and other senior management member of the Company may speak if approved by the chairman. The chairman may refuse or stop shareholders who breach such speaking provisions twice.

ARTICLE 84 Speaking shareholders or proxies shall introduce their shareholders' identity, companies they represented and their shareholding before giving opinions.

ARTICLE 85 The shareholders' general meeting shall be convened by adhering to the principles of cost-saving and simplicity. No additional economic benefits shall be granted to the shareholders (or their proxies) attending such a meeting.

Chapter 13 Minutes of the Shareholders' General Meeting

ARTICLE 86 A secretary of the Board shall be responsible for the minutes of shareholders' general meetings. The minutes shall set out the following:

- (1) The date, venue and agendas of the meeting, and the name of the convener;
- (2) The name of the chairman of the meeting, and the names of directors, supervisors, a secretary of the Board, manager and other senior officers of the Company attending or present at the meeting;
- (3) The number of shareholders and proxies attending the meeting, the total number of voting shares they represent and the proportion of these shares to the total number of shares of the Company;
- (4) The process of discussion, main points of each spokesman and the voting result in respect of each proposal;
- (5) The inquiries and suggestions of the shareholders and the answers to these inquiries or statement made by the Board and supervisors;
- (6) The names of the lawyer, counting officers and monitoring officers;
- (7) Other matters which according to the provisions of the Articles of Association, shall be recorded in the minutes of the meeting.

Directors, supervisors, the secretary to the Board, the convener or their representatives, and the chairman of the meeting who attend the meeting shall sign the minutes of the meeting, and shall

guarantee the truthfulness, accuracy and completeness of the minutes. The minutes of the meeting and the signed attendance record of those shareholders on the spot and the powers of attorney of those attended by proxies, valid information relating to the voting on line for shareholders and by other means shall be kept for no less than 10 years.

Chapter 14 Adjournment and Conclusion of Meetings

ARTICLE 87 The chairman of the meeting has the rights to announce the adjournment of meeting in accordance with the procession and the time arrangement of the meeting. The adjournment time cannot exceed two hours.

ARTICLE 88 The chairman of the meeting can only announce the conclusion of the meeting when the voting results of all proposals at shareholders' general meeting receive no objection from shareholders.

Chapter 15 Execution of Resolutions of Shareholders' General Meetings

ARTICLE 89 Resolutions of shareholders' general meetings shall be announced in time, with the number of shareholders and proxies attending the meeting, the total voting shares held by them and the proportion in the total voting shares of the Company, voting method, voting result of each proposal and the details of the resolutions passed to be included in the announcement.

ARTICLE 90 If any proposed resolution is not passed, or any resolution previously passed is amended in the current shareholders' general meeting, special notes related shall be provided in the announcement of the resolutions of the shareholders' general meeting.

ARTICLE 91 Resolutions of shareholders' general meeting which violate the laws and regulations shall be rendered void.

If the convening procedures of the shareholders' general meeting or the voting procedures contravene any law or administrative regulation or the Articles of Association, or the content of any resolution contravenes the Articles of Association, the shareholders may, within 60 days of the date of adoption of the relevant resolution, apply to the People's Court for rescission of such resolution.

ARTICLE 92 The Board is responsible for the implementation of the resolutions passed at the general meeting and requesting the general manager to organize relevant staff to implement the resolutions in detail; For resolution need to be implemented by the Supervisory Committee, it shall be organized and implemented by the Supervisory Committee directly.

ARTICLE 93 After the dividends distribution plans and the plan for capitalization of common reserve fund are approved at the shareholders' general meeting, the Board shall complete the distribution of dividends or capital increase within 2 months after the date of the shareholders' general meeting.

ARTICLE 94 The general manager shall report the implementation of the resolutions passed at the shareholders' general meeting to the Board, and the Board shall report it to the next shareholders' general meeting. Supervisory Committee shall directly report the resolution implementation assumed by it to the Shareholders' general meeting and may notify the Board in advance when necessary.

ARTICLE 95 Chairman of the Board shall supervise the implementation of resolutions passed at the Shareholders' general meeting (exclusive of those implemented by the Supervisory Committee), and convene extraordinary Board meeting to hear and consider the report on implementation of such resolutions when necessary.

ARTICLE 96 Chairman of the Board shall, or authorize other director to, take charge of making information disclosure to the shareholders and the public. Secretary to the Board is designated as the Company's spokesman.

Chapter 16 Supplementary Provisions

ARTICLE 97 These Rules shall come into effect upon approval by the shareholders' general meeting.

ARTICLE 98 In the event of any conflict between these Rules and the Company Law, the Securities Law, the Rules for Shareholders' General Meeting, the Code of Corporate Governance and the Articles of Association, the above-mentioned laws and regulations shall prevail.

ARTICLE 99 Terms "over" and "within" shall include the number itself and the terms "exceed" and "less than" shall not include the number itself.

ARTICLE 100 In the event of one of the following situations, the Company shall modify these Rules:

- (1) After the Company Law, related laws, administrative laws and regulations or the Articles of Association are amended, the items stipulated in these Rules conflict with them;
- (2) The shareholders' general meeting resolves to amend these Rules.

ARTICLE 101 The amendment to these Rules shall be resolved at the shareholders' general meeting. Amendment proposal shall be made by the Board within the authority granted by the shareholders' general meeting and shall come into effect upon approval of the shareholders' general meeting.

ARTICLE 102 These Rules shall be interpreted by the Board.

The proposed new Rules and Procedures of the Board are written in Chinese. The English version of this Appendix IV is an unofficial translation and is for reference only. In case of any inconsistency between the English and Chinese versions, the Chinese version shall prevail.

The proposed new Rules and Procedures of the Board are set out below:

ARTICLE 1 OBJECTIVES

In order to further regulate the mode of discussion and decision making procedures of the Board, to promote the effective performance of duties by the directors and the Board, and to enhance the regulated operations and the scientific strategic decision-making of the Board, these rules are formulated in accordance with the Company Law of the People's Republic of China (hereinafter referred to as "the Company Law", relevant laws and regulations, statutory documents and the Articles of Association of the Company (hereinafter referred to as "Articles of Association").

ARTICLE 2 THE BOARD OFFICE

A Board office shall be established under the Board to handle the Board's routine business.

The secretary to the Board or the securities affairs representative is concurrently in charge of the Board office and shall be responsible for the custody of the common seal of the Board and the Board office.

ARTICLE 3 REGULAR MEETINGS

Board meetings are classified into regular meetings and extraordinary meetings.

The Board shall convene at least two regular meetings in the first half and second half of each year respectively.

ARTICLE 4 PROPOSED RESOLUTIONS OF REGULAR MEETINGS

Before the issue of the notice for regular board meetings, the Board office shall seek the opinions of all directors sufficiently to form the preliminary resolutions for consideration by the chairman of the Board. Before deciding on a resolution, the chairman shall, where necessary, seek the opinions of managers and other senior executives.

ARTICLE 5 EXTRAORDINARY BOARD MEETINGS

If any of the following circumstances occurs, the Board shall convene an extraordinary board meeting:

- (1) proposed by shareholder(s) representing more than 10% of the voting rights;
- (2) jointly proposed by more than one-third of the directors;
- (3) proposed by the supervisory committee;
- (4) where the chairman of the Board considers it necessary;
- (5) proposed by more than half of the independent directors (independent directors as referred to herein mean independent non-executive directors, same herein after);
- (6) proposed by the general manager.

ARTICLE 6 PROCEDURES FOR PROPOSING AN EXTRAORDINARY MEETING

Where an extraordinary meeting is proposed according to the aforesaid article, a written proposal signed by (or stamped with the seal of) the proposers shall be submitted through the Board office or directly to the chairman. The written proposal shall contain:

- (1) the name of the proposer;
- (2) the reason or objective basis for the proposal;
- (3) the time or time limit, venue or form of the meeting proposed;
- (4) well-defined and specific resolutions;
- (5) the means of contact of the proposer, the date of proposal, etc.

The contents of the resolution(s) shall be within the terms of reference of the Board as specified in the Articles of Association, and documents relating to the resolution(s) shall be submitted together with the proposal.

The Board office shall transfer to the chairman the aforesaid proposal and related documents on the day of receipt of the same. Where the chairman considers the resolution(s) unclear, not specific or the relevant documents inadequate, the chairman may require the proposer to amend or supplement the resolution(s).

ARTICLE 7 THE CONVENING AND PRESIDING OF MEETINGS

A board meeting shall be convened and presided over by the chairman of the Board. If the chairman of the Board is unable or fails to perform his duties, the vice chairman shall convene and preside over the meetings; if the vice chairman is unable or fails to perform his duties, a director shall be jointly elected by a simple majority of directors to convene and preside over the meetings.

ARTICLE 8 NOTICE OF MEETINGS

Notice of the meetings of the Board shall be served in the following manner:

- (1) where the time and place of regular meetings of the Board have been fixed by the Board in advance, no notice shall be served;
- (2) where the time and place of the meeting of the Board have not been fixed by the Board in advance, notice of the meeting of the Board specifying the time and place of the meetings shall be notified by the chairman to the directors by email, facsimile, courier, registered mail or by hand at least 14 days before the meeting.

The secretary of the board should notify all the directors and supervisors of the time, venue and mode of extraordinary board meetings by way of telex, telegram, facsimile, courier, registered mail, e-mail or by hand five days before holding the extraordinary board meetings. In the event of emergency where an extraordinary meeting is to be convened promptly, a notice of meeting can be issued by telephone or otherwise orally, but the convener should make explanations in the meeting.

ARTICLE 9

All matters which require the approval of more than two-thirds of the directors of the Board shall be notified to all directors within the prescribed time limit under Article 8 and sufficient information shall be supplied and the stipulated requirements in relation to the conduct of such procedures shall be strictly adhered to. When more than one-fourth of the directors or more than two external directors are of the view that the information supplied are not sufficient or the arguments are inaccurate, they may propose to postpone the meeting of the Board or to postpone the discussion of certain matters in the meeting of the Board, and the Board shall so agree.

A director shall be deemed to have received the notice of meeting if he is present at the meeting and does not raise the issue of the non-receipt of such notice prior to or at the time of his arrival at the meeting.

Regular meetings or extraordinary meetings of the Board can be conducted by way of teleconferencing or by making use of audio and video transmission as long as the attending directors can listen clearly to other directors and communicate with each other, and all attending directors shall be deemed to have attended the meeting in person.

ARTICLE 10 CONTENT OF THE NOTICE OF MEETINGS

The written notice of meetings shall at least set out the following:

- (1) the time and venue of the meeting;
- (2) the mode of the meeting;
- (3) matters (resolutions of meetings) to be considered;
- (4) the convener and presiding person of the meeting, proposer of and written proposal for the extraordinary meeting;
- (5) documents needed by directors for making voting decisions;
- (6) requirements for directors to attend the meeting in person or by other directors on their behalf;
- (7) contact person and contact details.

A verbal notice of meeting shall at least include (1) and (2) above, and an explanation for an extraordinary meeting to be held promptly in case of emergency.

ARTICLE 11 CHANGES TO THE NOTICE OF MEETING

If, after the written notice of a regular board meeting has been issued, it is necessary to change the time, venue, etc. of the meeting or add, change or cancel resolution(s) to the meeting, a written notice of such change(s) shall be issued 2 days before the date original set for the meeting to provide explanations and the contents and documents relating to the new resolution(s). Where such notice is issued less than 2 days prior to the meeting, the date of meeting shall be postponed accordingly or the meeting shall be held on schedule with the approval of all the attending directors.

If, after the notice of an extraordinary board meeting has been issued, it is necessary to change the time, venue, etc. of the meeting or add, change or cancel resolution(s) to the meeting, then the prior consent of all the attending directors is required and relevant records shall be made.

ARTICLE 12 THE CONVENING OF MEETINGS

A meeting of the Board shall only be convened if it is attended by more than half of the directors. Supervisors may attend board meetings as observers; the general manager and the secretary to the Board who are not directors shall attend board meetings as observers. Other relevant persons may be notified to attend board meetings as observers if considered necessary by the chairman.

ARTICLE 13 ATTENDANCE IN PERSON AND ATTENDANCE BY PROXY

In principle, directors should attend board meetings in person. If a director is unable to attend a meeting for certain reasons, he may appoint another director in writing to attend the meeting on his behalf after reviewing the meeting materials and forming a clear opinion.

The letter of proxy shall set forth:

- (1) the name of the principal and the proxy;
- (2) the principal's brief opinion on each resolution;
- (3) the principal's scope of authority and instruction for voting on the resolution(s);
- (4) the principal's signature and the date, etc.

Where another director is entrusted to sign confirmation of written opinions, such authorisation shall be specified in the letter of proxy.

The proxy director shall present the written letter of proxy to the person presiding the meeting, and state that he is attending the meeting as a proxy in the attendance book.

The director attending the meeting of the board as proxy shall exercise the power of directors within the scope of authorisation. A director who fails to attend a meeting of the Board in person or by proxy shall be deemed to have waived his voting right at such meeting.

ARTICLE 14 RESTRICTIONS ON PROXY ATTENDANCE

Proxy attendance at board meetings shall follow the principles below:

- (1) When considering any connected transactions, a non-connected director shall not appoint any connected director to attend a meeting on his behalf; and a connected director shall not accept the appointment by any non-connected director;
- (2) An independent director shall not appoint any non-independent director to attend a meeting on his behalf; and a non-independent director shall not accept the appointment by any independent director;
- (3) A director shall not appoint any other director to exercise his full discretion in attending a meeting on his behalf without providing his own opinion on the resolutions and his voting intent, and the relevant director shall not accept any discretionary appointment or any appointment which is not well defined;

- (4) A director shall not accept appointment by more than two directors, and a director shall not appoint any other director who has been appointed by two other directors to attend a meeting on their behalf.

ARTICLE 15 MODE OF MEETINGS

In principle, board meetings shall be held onsite, or where necessary, meetings may be conducted by way of written resolution(s) voted via communication other than convening meetings provided that the directors can adequately express themselves. However, such draft resolution(s) shall be delivered to each director by hand or via courier, email, facsimile. Where such resolution(s) has/have been sent to all directors by the Board, and the number of directors who have signed and returned their written approval in respect of such resolution(s) to the secretary to the Board has reached the quorum, such resolution(s) shall become a resolution of the Board and no meetings of the Board are required.

ARTICLE 16 PROCEDURES OF CONSIDERATION

The person presiding the meeting shall request the attending directors to express specific opinion on each resolution.

For resolutions that require prior acknowledgement by independent directors, the person presiding the meeting shall, before discussing the relevant resolutions, appoint one independent director to read out the written acknowledgement of the independent directors.

The person presiding the meeting shall promptly stop any director from hindering the normal progress of the meeting or interrupting the speech of other directors.

The board meeting shall not vote on any resolution not included in the notice of the meeting except with the unanimous consent of the attending directors. A proxy director shall not vote on any resolution not included in the notice of the meeting.

ARTICLE 17 EXPRESSING OPINIONS

The directors shall carefully read the documents relating to the meeting and shall express independent and well-advised opinions in an informed manner.

The directors may, before the meeting, inquire information needed for decision making from relevant persons or institutions such as the Board office, the convener of the meeting, the manager and other senior management officers, special committees, the accounting firm and the law firm, or may, during the meeting, suggest to person presiding the meeting that the aforesaid persons or institutions be invited to attend the meeting to make relevant explanations.

ARTICLE 18 VOTING AT THE MEETINGS

After adequate discussion of each resolution, the person presiding the meeting shall submit it to voting by the attending directors at the appropriate time.

Directors may cast affirmative votes, dissenting votes or abstain. All directors present at the meeting shall cast either an affirmative or dissenting vote, or abstain from voting. Where any director is undecided or votes in two or more ways, the person presiding the meeting shall require the said director to vote again, failing which the said director shall be deemed to have abstained from voting; any director who leaves during a meeting without returning to vote shall be deemed to have abstained from voting.

Each director shall have one vote. The resolutions of the Board must be passed by more than half of all directors. If the number of affirmative votes is equal to the number of dissenting votes, the chairman of the Board shall have one more vote.

ARTICLE 19 COMPUTING VOTING RESULTS

After voting by attending directors, the securities affairs representative and staffs from the Board office shall promptly collect and deliver the ballots cast by the directors to the secretary to the Board for counting under supervision of a supervisor or independent director.

Where a meeting is held onsite, the person presiding the meeting shall announce the results onsite; in other circumstances, the person presiding the meeting shall request the secretary to the Board to notify the voting results to the directors before the next business day after the prescribed voting deadline.

Voting by directors after the person presiding the meeting announces the voting results or after the prescribed voting deadline shall not be counted.

ARTICLE 20 PASSING OF RESOLUTIONS

Except for the circumstances stipulated in Article 21 of these Rules, the relevant resolutions passed by way of consideration of proposed resolutions by the Board shall be voted for by more than half of all directors of the Company. Where laws, administrative rules or the Articles of Association provide that any board resolution shall be approved by more directors, such provisions shall prevail. Where different resolutions conflict with each other in their contents and meanings, the resolutions passed later shall prevail.

Any decision by the Board relating to connected transactions of the Company must be signed off by the independent non-executive directors before it can come into effect.

ARTICLE 21 ABSTAIN FROM VOTING

In any of the following circumstances, a director shall abstain from voting on the relevant resolution:

- (1) the stock exchange on which the Company's shares are listed requires that the director(s) shall abstain from voting;

- (2) the director himself considers it necessary to abstain from voting;
- (3) the director is connected with the entities involved in the resolutions and shall therefore abstain from voting pursuant to the Articles of Association.

When directors abstain from voting, such board meetings can be convened with more than half of the directors who are not connected, and resolutions shall be passed by more than half of the directors who are not connected. If the number of non-connected directors attending the board meeting is less than three, the relevant resolutions shall not be voted on, and such matters shall be submitted to the Company's general meeting for consideration.

ARTICLE 22 NOT ACTING BEYOND AUTHORITY

The Board shall act strictly in accordance with the authority given by the shareholders' general meetings and the Articles of Association, and shall not pass any resolution beyond authority.

ARTICLE 23 HANDLING OF UN-PASSED RESOLUTIONS

Where any resolution is not passed, provided that there is no significant change in the relevant conditions and factors, any board meetings shall not reconsider resolutions with the same contents within a month.

ARTICLE 24 SUSPENSION OF VOTING

Where more than half of the attending directors or more than two independent directors determine that they cannot make decisions with respect to a resolution because the relevant resolution is not clear nor specific or the meeting materials are inadequate, the person presiding the meeting shall require the meeting to suspend voting on the said resolution.

The director proposing suspension of voting shall provide definite requirements for the conditions to be met for resubmitting the said resolution for consideration.

ARTICLE 25 MINUTES OF MEETINGS

At board meetings, minutes of decisions on matters discussed and voted in board meetings and by means of communication shall be made in Chinese. The minutes of board meetings shall contain the following information:

- (1) The session of the meeting and the time, venue and mode of the meeting;
- (2) The status of delivery of the notice of the meeting;
- (3) The convener and person presiding the meeting;
- (4) Directors attending the meeting in person or by proxy;

- (5) Resolutions considered at the meeting, the summary of speeches, opinions and voting intentions of each director (including independent non-executive directors);
- (6) The voting method and result of each resolution (the result of the voting shall set out the respective number of affirmative, dissenting and abstained votes);
- (7) Other matters deemed necessary to be recorded by the attending directors.

Minutes of each meeting of the Board shall be promptly provided to all directors for review, and directors who wish to revise and supplement the minutes shall report the written revision opinion in writing to the chairman of the Board within one week after the receipt of the minutes. After the finalization of the minutes, it shall be signed by the attending directors and minute taker. The minutes of meetings of the Board shall be maintained at office of the Company located in China and full copy of the minutes shall be promptly delivered to each director.

ARTICLE 26 SUMMARY OF MEETINGS AND RECORD THE RESOLUTIONS

Apart from the minutes of meetings, the secretary to the Board may, where necessary, arrange staff of the Board office to compile a summary of meeting, and make separate records of the resolutions passed at the meetings according to the voting results.

ARTICLE 27 DIRECTORS' SIGNATURES

Directors who attended a meeting shall sign the minutes of the meeting and record of resolutions for himself and on behalf of the directors appointing them to attend the meeting. Where the directors disagree with the minutes of the meeting or the record of resolutions, they may provide written remarks when signing the said minutes or record. Where any director fails to sign and confirm the minutes as required above nor provide his written remarks in respect of his disagreement, the said director shall be deemed to agree with the minutes of the meeting and the record of the resolutions in its entirety.

Directors shall take responsibility for the resolutions passed at the meetings of the Board. If the Company suffers material loss as a result of the breach of laws, administrative rules or the Articles of Association by any resolution of the meetings of the Board, the directors involved in such resolution shall indemnify the company; however, those directors who expressed their objection at the time of voting and with their intent recorded in the minutes shall be exempted.

ARTICLE 28 ANNOUNCING OF RESOLUTIONS

Matters related to announcing of resolutions of the Board shall be handled by the secretary to the Board pursuant to the relevant regulations of the regulatory authority at the place of listing. Before disclosure of the announcement of resolutions, the attending directors and observers to the meeting, the minute taker and service staff are obliged to keep the contents of the resolutions confidential.

ARTICLE 29 IMPLEMENTATION OF RESOLUTIONS

The chairman shall urge the relevant personnel to implement the resolutions of the Board, supervise such implementation, and report at future board meetings the progress of implementation of the resolutions passed.

ARTICLE 30 KEEPING OF MEETING ARCHIVES

Archives of board meetings, including notices of meetings, meeting materials, attendance book, letters of proxy for proxy directors, audio recordings of meetings, ballots, minutes of meetings signed and confirmed by the attending directors, summaries of meetings, records of resolutions, announcements of the resolutions, etc., shall be kept by the secretary to the Board.

Archives of board meetings shall be kept for over 10 years.

ARTICLE 31 SUPPLEMENTARY PROVISIONS

References to “more than” herein are inclusive.

Terms used and matters not set out in these Rules shall be construed in accordance with the Articles of Association and not based on interpretations and references set out in other rules and regulations of the Company.

These Rules (and any amendments thereof) are prepared by the Board and shall come into effect upon approval at a shareholders’ general meeting.

These Rules are subject to interpretation by the Board.

**APPENDIX V PROPOSED AMENDMENTS TO AND ADOPTION OF NEW RULES
AND PROCEDURES OF THE SUPERVISORY COMMITTEE**

The proposed new Rules and Procedures of the Supervisory Committee are written in Chinese. The English version of this Appendix V is an unofficial translation and is for reference only. In case of any inconsistency between the English and Chinese versions, the Chinese version shall prevail.

The proposed new Rules and Procedures of the Supervisory Committee are set out below:

Chapter 1 General Provisions

ARTICLE 1 In order to safeguard the legitimate rights and interests of Shandong Molong Petroleum Machinery Company Limited (hereinafter referred to as the “Company”) and its shareholders, to identify the duties and powers and procedures for supervisory committee meetings, to ensure the effective exercise of functions and powers of the Supervisory Committee, these Rules of Procedures (“Rules”) are formulated in the light of the actual situation of the Company and pursuant to the provisions of the relevant laws and regulations such as the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Code of Corporate Governance for Listed Companies (hereinafter referred to as the “Code of Corporate Governance”), and the Articles of Association of Shandong Molong Petroleum Machinery Company Limited (hereinafter referred to as the “Articles of Association”).

ARTICLE 2 The Supervisory Committee shall be responsible to all shareholders with focus on financial supervision, and shall supervise the fulfillment of duties of directors, the general manager and other senior management in protecting the safety of the Company’s assets, reducing the Company’s financial and operational risks, and maintaining legal rights of the Company and its shareholders.

ARTICLE 3 The Supervisors shall perform their supervisory duties faithfully in accordance with laws, administrative regulations and the Articles of Association.

ARTICLE 4 The Supervisors shall perform their supervisory duties independently with no interference or obstruction of directors, the general manager and other senior management. The Company shall ensure the supervisors’ rights to learn about the Company’s matters and shall provide necessary assistance to supervisors for their normal performance of duties. The work expenses and reasonable costs necessary to perform their duties shall be borne by the Company.

Chapter 2 The Supervisors

ARTICLE 5 The members of the supervisory committee shall possess the following qualifications:

- (1) Strictly obey State laws, administrative regulations and the Articles of Association;
- (2) Perform their duties with integrity, diligence, and faith;
- (3) Possess the ability to communicate with shareholders, employees and other stakeholders.

ARTICLE 6 The following persons shall not serve as supervisors of the Company:

- (1) Those without civil capacity or with limited civil capacity;
- (2) Those who have committed offences relating to corruption, bribery, conversion of property, misappropriation of property or disruption of social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence, or who have been deprived of their political rights due to the commission of a criminal offence, where less than five years have elapsed since the date of restoring their political rights;
- (3) Those who were former supervisors, factory managers or managers of a company or enterprise which was declared bankrupt and was liquidated due to mismanagement and who were personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;
- (4) Those who were legal representatives of a company or enterprise which had its business license revoked due to a violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license;
- (5) Those who have a relatively substantial amount of debt due and outstanding;
- (6) persons who are prohibited from participating in the market or have not been released from such prohibition by the China Securities Regulatory Commission;
- (7) Those who are not qualified due to the provisions of other laws, administrative regulations or departmental rules. Where supervisor are elected or appointed in violation of this article, such election, appointment or employment shall be invalid. The Company has the right to discharge any time the duties of those supervisors who experience the situations prescribed in this Article.

**APPENDIX V PROPOSED AMENDMENTS TO AND ADOPTION OF NEW RULES
AND PROCEDURES OF THE SUPERVISORY COMMITTEE**

ARTICLE 7 Supervisors shall comply with the requirements of laws, regulations and the Articles of Association, and carry out their duties loyally to safeguard the interests of the Company. In the event of clash between their personal interests and that of the Company and its shareholders, the supervisors shall act in the interests of the Company and its shareholders.

ARTICLE 8 The supervisors have the duty of confidentiality for the information which may have a significant impact on the sale or price of the Company’s shares and other confidential information until the Company has made a formal announcement thereof.

ARTICLE 9 The supervisors may not act on behalf of the Company or the Supervisory Committee in violation of the Articles of Association or without legal authorization of the Supervisory Committee. Where a supervisor acting in his/her own name would reasonably be considered by a third party to be acting on behalf of the Company or the Supervisory Committee, such supervisor shall first declare his/her position and capacity.

ARTICLE 10 When a supervisor or another enterprise he serves or controls has entered into or intends to enter into directly or indirectly any contract, transaction and arrangement (other than employment contracts) with the Company which constitutes connected transactions, regardless of whether the matter shall be approved by the Board or the Supervisory Committee under normal circumstances, such supervisor shall be immediately disclosed to the board of directors (“Board”) or the Supervisory Committee the nature and extent of such connected transaction.

Unless the supervisor associated with the connected transaction has made the disclosure to and obtained approval from the Board of Directors or the Supervisory Committee in accordance with the above-mentioned requirements of this Article, , the Company has the rights to revoke such contract, transaction or arrangement, except where the counterparty is a bona fide third party.

ARTICLE 11 If such supervisor has served written notice to the Board before he first considers entering into such contract, transaction or arrangement, stating that due to the content listed in the notice he has an interests in the contract, transactions and arrangements entered into by the Company in the future, such supervisor shall be deemed to have made the disclosure as provided in the preceding Article of this chapter to the extent as explained in the notice.

ARTICLE 12 A supervisor who fails to attend in person two consecutive supervisory committee meetings and appoint another supervisor to attend in his/her stead is deemed to be unable to perform his/her duties. The Supervisory Committee shall propose the removal of such supervisor at the shareholders’ general meeting.

ARTICLE 13 The Company shall not pay taxes or expenses in any forms which shall be paid by supervisors themselves.

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ARTICLE 14 A supervisor may resign before the expiry of his/her term. A resigning supervisor shall deliver to the Supervisory Committee a resignation report which shall then have immediate effect without approval by the shareholders' general meeting except for the following situations:

- (1) Such supervisor is performing and has not been released from his/her duty and responsibilities;
- (2) The Company is or will soon be a subject of acquisition or merger.

ARTICLE 15 Where the resignation of a supervisor may result in failure of the Supervisory Committee to have the minimum number of supervisors as required by the Company Law, the resignation of a supervisor shall take effect only after a new supervisor has been elected to take his/her office.

ARTICLE 16 Before such supervisor's resignation has taken effect and within two years after such taking effect, the duty of loyalty to the Company and the shareholders of such supervisor is not necessarily released, and such supervisor's duty of keeping trade secrets of the Company remains in force after the end of his/her term until the secrets come to the public domain. Other obligations for confidentiality shall sustain after such supervisor's resignation has taken effect or after two years upon expiry of his/her term.

If a supervisor who is still in his/her office has caused the Company to suffer losses due to his leaving office without permission in violation of provisions of laws or Article 14 and Article 15 in the Articles of Association, such supervisor shall be liable to compensation. If a supervisor fails the audit and leaves office without permission and hence causes the Company to suffer losses shall be liable to compensation.

Chapter 3 The Supervisory Committee

ARTICLE 17 The Supervisory Committee is a supervisory organ established by the Company by law and responsible to the shareholders' general meeting. The Supervisory Committee shall exercise its functions and powers according to the Company Law, the Articles of Association and other laws and regulations.

The supervisory committee may where necessary establish a supervisory committee office, which shall be responsible for handling the supervisory committee's routine business. Chairman of the supervisory committee concurrently takes charge of the supervisory committee office, and he may also request securities affair representative or other persons to give assistance for the supervisory committee's routine business.

ARTICLE 18 The Supervisory Committee shall have three supervisors, with two external supervisors (independent supervisors) and one supervisor representing the employees of the Company. The external supervisors shall be elected and removed by the shareholders' general meeting whereas the supervisor representing the employees shall be elected and replaced through democratic election by employees of the Company.

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ARTICLE 19 The Supervisory Committee shall have one chairman, who shall be elected by not less than two-third of members of the Supervisory Committee. The chairman of the Supervisory Committee shall serve a term for three (3) years and is subject to re-election.

ARTICLE 20 A supervisor shall serve a term of three years, and may serve consecutive terms if re-elected.

ARTICLE 21 The Supervisory Committee shall exercise the following functions and powers:

- (1) to review regular reports prepared by the Board and to issue written opinions accordingly;
- (2) to inspect the Company's financial issues;
- (3) to oversee the behaviors of the Company's directors and senior management in performing their duties for the Company, and to propose removal of directors and senior management who have violated provisions of laws, administrative regulations, the Articles of Association or resolutions passed at the shareholders' general meetings;
- (4) to request the Company's directors, manager and senior management to rectify behaviors which harm the interests of the Company;
- (5) to propose the convening of provisional meetings and to convene and preside over shareholders' general meetings in the event that the Board fails to perform its duties in convening and presiding over shareholders' general meetings in accordance with the Company Law;
- (6) to submit proposals to shareholders' general meetings;
- (7) to attend meetings of the Board and to raise questions for or suggestions on the resolutions thereof;
- (8) to negotiate with or initiate legal proceedings against directors on behalf of the Company; to initiate legal proceedings against directors and senior management pursuant to article 152 of the Company Law;
- (9) to carry out investigation when the operation of the Company is found abnormal; to employ accounting firm and law firms for assistance if necessary at the expense of the Company;
- (10) other functions and powers empowered by laws and regulations, the Articles of Association and the shareholders' general meeting.

The external supervisor shall report on senior managements' performance of integrity and diligence to the shareholders' general meeting.

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ARTICLE 22 the Supervisory Committee may require directors, managers, other senior officers, internal and external auditors, lawyers and certified public accountants and other relevant professionals of the Company to attend supervisory committee meetings to answer questions which the Supervisory Committee has concern.

Chapter 4 The Convening, Notice and Attendance of Supervisory Committee Meetings

ARTICLE 23 Supervisory committee meeting shall be held at least once every six months.

ARTICLE 24 Provisional supervisory committee meeting shall be held by the chairman within ten days from occurrence of any of the following circumstances:

- (1) The chairman of the Supervisory Committee considers it necessary;
- (2) More than one third of the supervisors make a joint proposal;
- (3) Resolutions are passed at the shareholders' general meeting and Board meetings, which have violated laws, rules and regulations, provisions and requirements of regulatory departments, the Articles of Association, the resolutions passed by the shareholders' general meeting of the Company and determinations under other relevant regulations;
- (4) The acts of the Company's directors and senior management may harm the interests of the Company significantly or adversely affect the market;
- (5) Shareholders take an action against the Company and its directors, supervisors and senior management;
- (6) The Company, its directors, supervisors and senior management are punished by the securities regulatory authority or publicly censured by the stock exchanges on which the Company's shares are listed;
- (7) The securities regulatory authority requires a meeting to be held;
- (8) Any other circumstances specified in the Articles of Association.

A proposal for convening a provisional supervisory committee meeting by the supervisors shall be in written form and affixed with the signature of the proposers and submitted to the chairman. A written proposal shall specify:

- (1) names of the proposing supervisors;
- (2) reasons for or the objective facts on which the proposal is based;
- (3) proposed time or time frame, venue and form of the meeting;

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- (4) clear and specific motion;
- (5) contact information of the proposing supervisor and the date of the proposal.

ARTICLE 25 Regular supervisory committee meetings shall be convened by chairman of the Supervisory Committee and written notice shall be delivered by fax, letter or email to all supervisors within 10 to 30 days before the meetings. Written notice of provisional supervisory committee meetings shall be sent to all supervisors five days before the meetings (In case of emergency, notice of such meetings shall be sent by other methods no less than 48 hours before the meetings). Provided that the supervisors can fully express their views, an provisional supervisory committee meeting can be held by way of a call meeting or by fax, and the resolutions shall be faxed or sent to the Company after being signed by the supervisors participating the meeting.

ARTICLE 26 Under special circumstances where the chairman of the Supervisory Committee is unable to perform his/her duty to convene a supervisory committee meeting, a supervisor selected by more than half of the supervisors shall convene and preside over such supervisory committee meeting.

ARTICLE 27 The written notice of a supervisory committee meeting shall include:

- (1) the time of the meeting;
- (2) the venue and duration of the meeting;
- (3) reasons and agendas for the meeting;
- (4) the name of the convener and the chairman of the meeting; the name of the proposer and his/her written proposals in case of a provisional meeting;
- (5) the materials of meeting required for voting by the supervisors;
- (6) the date of the notice;
- (7) the name of contact person and means of contact.

ARTICLE 28 The Supervisory Committee shall give notice to all the supervisors in the required time frame to provide sufficient information, including but not limited to background information relating to the agendas together with information and data which will help supervisors understand the business progress of the Company.

ARTICLE 29 A supervisory committee meeting shall be attended by more than two-thirds (including two-thirds) of the supervisors.

ARTICLE 30 Supervisors have duty to attend supervisory committee meetings in person.

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If for any reason a supervisor is unable to attend a meeting, he/she may authorize in writing another supervisor to attend the meeting on his/her behalf. Such written authorization shall state the name of the proxy, the issues in respect of which he/she is authorized, the authority of the proxy and the period of validity, and shall be signed or affixed by the person appointing the proxy. The supervisors attended the meeting as a proxy shall perform the rights of the appointing supervisor within the scope of authority.

A supervisor who fails to attend in person a meeting of the Supervisory Committee and appoint another supervisor to attend in his/her stead is deemed to give up his/his rights of voting at the meeting.

Chapter 5 Agendas and Proposals of Supervisory Committee Meeting

ARTICLE 31 The proposals of the Supervisory Committee shall meet the following requirements:

- (1) The contents thereof shall not conflict with State laws, regulations and the Articles of Association, and shall be within the business scope of the Company and functions of the Supervisory Committee;
- (2) The proposals shall have clear subjects with specific matters to be resolved;
- (3) The proposals shall be submitted in writing.

ARTICLE 32 The agendas of the Supervisory Committee meeting shall be determined by the chairman of the Supervisory Committee. Apart from proposals pre-determined, the Supervisory Committee may determine new proposals during the meeting as the case may be.

Where any new proposal is raised, the Supervisory Committee meeting shall ensure that sufficient information are provided, including but not limited to background information of the proposal, any information and data which can facilitate the supervisors to understand the business development of the Company. When two or more (including 2) supervisors consider that the information is inadequate or unclear, they may jointly propose in writing to the Supervisory Committee not to add the new proposal or to consider the proposal at the next supervisory committee meeting, and the Supervisory Committee shall adopt such joint proposal.

ARTICLE 33 If a supervisor has any proposal or topic to submit for discussion at meeting of the Supervisory Committee, such supervisor shall submit in writing to the Supervisory Committee prior to the meeting, and the chairman of the Supervisory Committee shall decide whether to list the same on the agendas. If the chairman decides not to list the same on the agendas, he/she shall state the reasons therefor on the meeting. Disagreement of any supervisor with the any proposal shall be recorded in the minutes of the meeting. Any inclusion of proposal in the agendas shall be subject to the procedures prescribed in the second paragraph of the preceding Article.

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ARTICLE 34 If the supervisors propose any temporary proposal during the supervisory committee meeting, the chairman of the Supervisory Committee shall decide whether to list the temporary proposal on the agendas. If it is decided not to list the temporary proposal on the agendas, no reason shall be given but the process shall be recorded in the minutes of the meeting. Any inclusion of temporary proposal in the agendas shall be subject to the procedures prescribed in the second paragraph of the Article 32.

Chapter 6 Voting of Supervisory Committee Meeting

ARTICLE 35 The voting of the Supervisory Committee shall be by written poll with each supervisor having one vote. The voting can be carried out in the form of open ballot and in writing.

The supervisors can vote for or against a resolution or abstain from voting. The supervisors present at the meeting shall choose one of options. If a supervisor does not make a choice or choose two or more of the options, the chairman shall ask such supervisor to make a choice again. Any supervisor who refuses to make a choice or who leaves the venue without making a choice will be treated as waiving his/her rights.

ARTICLE 36 The Supervisory Committee shall vote on the proposals listed in the agendas item by item. For proposals relating to connected transaction, related supervisors shall abstain from voting and the votes he holds shall not be included in the total valid votes.

Chapter 7 Resolutions of Supervisory Committee Meetings

ARTICLE 37 Resolutions of supervisory committee meetings shall be passed by voting of more than two-thirds of the members of the supervisory committee.

ARTICLE 38 Resolutions of supervisory committee meeting shall be in written form.

ARTICLE 39 Resolutions of supervisory committee meeting shall be signed by the supervisors and recorder attending the meeting.

ARTICLE 40 The supervisors shall be responsible for the resolution of supervisory committee meeting. If any resolution of the Supervisory Committee violates laws and regulations or the Articles of Association and results in loss of the Company, the supervisors who have participated in the resolution are liable to compensation to the Company. But if a supervisor can be proved to have vote against the proposal and such vote is recorded in the minutes of the meeting, such supervisor can be exempted from liability.

ARTICLE 41 Resolutions of supervisory committee meeting shall be disclosed in accordance with the relevant requirements of the stock exchange listing rules.

Chapter 8 Minutes of Supervisory Committee Meetings

ARTICLE 42 Detailed minutes shall be recorded for supervisory committee meetings. All attending supervisors and the recorder shall sign on the minutes of meeting. Attending supervisors shall have the rights to request to record in the minutes explanatory notes to their statements in the meetings.

Any supervisor who has not signed for confirmation as specified in the previous paragraph or provided any written statement stating his/her different opinion or reported to the regulatory authority or announced public statement shall be deemed to have totally agreed with the contents of the minutes.

ARTICLE 43 Minutes of supervisory committee meetings shall include but not limited to the following contents:

- (1) The date, venue and the names of the convener and the chairman of the meeting;
- (2) the names of attending supervisors or supervisors attending on behalf of other supervisors(proxies);
- (3) the agendas of the meeting;
- (4) The proposals considered at the meeting, the main points and key opinions of each supervisor on related matters and their tendency of voting to the proposals;
- (5) The means and result of voting of each proposal, with the numbers of votes for and against the proposal and for abstaining voting;
- (6) Other items that supervisors present at the meeting consider necessary.

ARTICLE 44 Minutes of supervisory committee meetings shall be complete and accurate, and shall be properly maintained as important basis for responsibilities of the supervisor in the future.

ARTICLE 45 Minutes of supervisory committee meetings shall be maintained by the secretary to the Board for 15 years.

Chapter 9 Implementation of the Resolutions of Supervisory Committee Meetings

ARTICLE 46 The Supervisory Committee shall urge the relevant personnel to execute its resolutions. The chairman of the Supervisory Committee shall report at future supervisory committee meetings the implementation of resolutions passed.

Chapter 10 Supplementary Provisions

ARTICLE 47 In the event of any matter not covered by these Rules , the related State laws and regulations and the Articles of Association shall be applicable.

**APPENDIX V PROPOSED AMENDMENTS TO AND ADOPTION OF NEW RULES
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ARTICLE 48 In the event of any conflict between these Rules and the Company Law, the Code of Corporate Governance and the Articles of Association, the above-mentioned laws and regulations shall prevail.

ARTICLE 49 These Rules (and any amendments thereof) shall come into effect upon approval by the shareholders' general meeting.

ARTICLE 50 These Rules are interpreted by the Supervisory Committee.

The proposed new Independent Directors' Rules are written in Chinese. The English version of this Appendix VI is an unofficial translation and is for reference only. In case of any inconsistency between the English and Chinese versions, the Chinese version shall prevail.

The proposed new Independent Directors' Rules are set out below:

RULE 1 In order to regulate the operation of Shandong Molong Petroleum Machinery Company Limited (hereinafter referred to as the "Company"), further upgrade the corporate governance structure, and to provide better protection to the interests of the Company's shareholders taken as a whole, these rules have been formulated based on the relevant provisions under the relevant laws, regulations, and regulatory documents such as the Company Law of the People's Republic of China and the Articles of Association, and by reference to document Zheng Jian Fa [2001] No. 102 "Guideline opinions regarding the establishment of an independent director system for listed companies" issued by the CSRC.

RULE 2 An independent director is one who does not hold any other positions in the Company other than acting as a director, and does not maintain any connection with the Company and its substantial shareholders which may impair his independent and objective judgment.

RULE 3 Independent directors shall have the obligation of fidelity and diligence to the Company and all the shareholders. Independent directors shall seriously perform their duties in accordance with the requirements of the related laws, regulations, the Articles of Association and these rules in order to protect the overall interests of the Company. An independent director shall perform his duties independently without being influenced by a substantial shareholder, a person who exercises effective control of the Company or a unit or individual who or which has an interest in the Company.

RULE 4 The independent directors shall attend board meetings on schedule to have understanding towards the operations of the Company, aggressively take part in investigation and obtain information and data that are necessary for decision making.

RULE 5 Board of Directors of the Company comprises 3 or more independent directors, among which at least one shall have appropriate professional qualification or accounting or financial management related specialty.

The aforesaid "accounting or financial management related specialty" refers to the experiences gained through the employment as accountant or auditor or as a financial controller or chief accounting officer in public companies or performs duty in similar positions, and has experiences in internal control and preparing or auditing comparable financial statements, or experiences in analyzing audited financial statement of public companies.

RULE 6 In the event an independent director does not fulfill the condition of independence or other situations making him unsuitable to perform his duties as an independent director, resulting in the number of independent directors to be less than as required in these rules, the Company shall make up the number of independent directors as required.

RULE 7 Apart from fulfilling the requirements for the appointment of directors stipulated in the Articles of Association, an independent director shall also fulfill the following requirements:

1. to possess at least five years legal or economic experience or other experience in performing the duties of an independent director;
2. to possess basic operational knowledge of listed companies and to be familiar with the relevant laws, regulations and rules;
3. to devote a certain amount of time and effort to performing the duties of an independent director;
4. to possess independence as required by the relevant provisions of the CSRC.

RULE 8 The following persons shall not serve as an independent director:

1. persons employed by the Company or its subsidiaries (including subsidiaries controlled by the Company) and their immediate family members and major social connections (immediate family members mean spouse, parents and offspring, etc. and major social connections mean siblings, parents-in-law, daughters/sons-in-law, spouse of siblings, siblings of spouse, etc.);
2. persons employed by the shareholder company which holds or controls 5% or more of the Company's equity interests or by the top five shareholder companies of the company and their immediate family members and major social connections;
3. natural person shareholders who hold or control 5% or more of the Company's equity interests and their immediate family members and major social connections;
4. persons who provide financial, legal and consultation services to the Company or its subsidiaries and their immediate family members and major social connections;
5. persons who fell into (1) to (3) above during the immediate previous year;
6. other persons as stipulated by laws and administrative regulations;
7. other persons as determined by the CSRC or the general meeting of the Company to be not suitable for serving as an independent director of the Company.

RULE 9 Independent director candidates shall be nominated by: (1) the Board; (2) the Supervisory Committee; (3) shareholders who individually or jointly hold 3% or above of the equity interests of the Company.

RULE 10 The nominator for any independent director shall seek the consent of the nominee prior to the nomination. The nominator shall submit particulars such as career, academic background, position as well as detailed working experience and all part-time jobs of the nominee, and shall give opinions on the qualification and independence of the nominee to act as an independent director. The nominee shall make a statement as to the absence of any relationship between the Company and him that would affect his independent and objective judgment.

Prior to the convening of the general meeting for the election of independent directors, the directors of the Company shall provide the documents and data mentioned above to the shareholders.

RULE 11 The term of service of an independent director shall be 3 years. Independent directors shall be eligible for re-election for not more than twice. Independent directors shall not be removed for no reason before the expiry of terms of service. Information of the elected independent directors shall lodge in CSRC, Shandong CSRC by the Company.

RULE 12 In the event one of the following conditions of independent directors occur, general meetings shall be convened by the Board to release or terminate his/her term of service:

- (1) Occurrence of events specified in RULE 8 by the independent director during his service term;
- (2) The independent director absents from Board meetings for three times successively.

Apart from the aforesaid provision, independent directors shall not be terminated or dismissed the service term with no reasons before expiry of his term. In the event dismissal occurs, the Company shall make it discloses as special discloseable matter. In the event the independent director being dismissed considers the reason from the Company was not reasonable, he shall make statement in public.

RULE 13 An independent director may resign before the expiry of his term. The independent director shall deliver to the Board a written report for resignation, he shall specify any matter which is related to his resignation or which he considers necessary to bring to the attention of the Company's shareholders and creditors. Where the resignation of an independent director results in the Company having less than the minimum number of independent directors required by these rules, the original independent director shall perform his duties as an independent director in accordance with the laws, administrative regulations, department regulations, the Articles of Association and these rules until the replacing independent director takes office.

RULE 14 An independent director of the Company shall have the following special functions and powers in addition to those conferred by the relevant laws and regulations and the Articles of Association:

- (1) to engage an external audit or advisory organ when necessary based on the need to perform his duties;
- (2) to propose to the Board to convene an Extraordinary General Meeting (EGM);
- (3) to propose the convening of a board meeting;
- (4) to propose to the Board to engage or remove the existing accountant;
- (5) to solicit voting rights from shareholders prior to the convening of a general meeting;
- (6) Material connected transactions shall, upon recognition by independent directors, be submitted to the Board for discussion.

An independent director shall seek the consent of more than half of all independent directors in exercising the rights stipulated in (1) to (6) above.

RULE 15 An independent director shall undertake obligations stipulated in the laws and regulations of the PRC, the listing rules of the place of listing and the Articles of Association.

RULE 16 The Company shall provide requisite conditions for the independent directors:

- (1) Independent directors shall have same rights to information as other directors.
- (2) The relevant personnel of the Company shall actively assist the independent directors as to the fulfillment of their duties, and shall not refuse, hinder or conceal or interfere the exercise of their duties independently.
- (3) The Company shall provide the necessary working conditions for independent directors to perform their duties.
- (4) Expenses incurred in the appointment of arbitrators by independent directors and expenses necessary in discharging their duties shall be to the Company's account.
- (5) The Company shall provide an independent director with an appropriate amount of subsidies. Independent directors shall not receive other undisclosed additional benefits from the Company and its substantial shareholders or interested parties except for the above allowances.

RULE 17 For the matters uncovered by these rules, they shall be subject to the relevant laws, administrative regulations, regulatory documents and the Articles of Association.

RULE 18 These rules shall be construed by the Board of Directors.

**APPENDIX VII PROPOSED ADOPTION OF THE IMPLEMENTATION RULES
OF THE CUMULATIVE VOTING SYSTEM**

The proposed Implementation Rules of the Cumulative Voting System are written in Chinese. The English version of this Appendix VII is an unofficial translation and is for reference only. In case of any inconsistency between the English and Chinese versions, the Chinese version shall prevail.

The proposed Implementation Rules of the Cumulative Voting System are set out below:

Chapter 1 General Provisions

Article 1 In order to further improve the corporate governance structure of Shandong Molong Petroleum Machinery Company Limited (the “Company”), protect the legal interest of the Company’s shareholders in the election of directors and supervisors, these Implementation Rules are formulated in accordance with the provisions of the Company Law of the People’s Republic of China, Code of Corporate Governance for Listed Companies and other relevant laws, administrative regulations and the Articles of Association of the Company.

Article 2 Cumulative voting referred to in these Implementation Rules means where there is an election or a change of two or more directors or supervisors at the general meeting, the voting right of each share held by the shareholders is equal to the same number of directors or supervisors to be elected, and the number of votes entitled by a shareholder is equal to the number of shares held multiplied by the number of directors or supervisors to be elected. The votes of a shareholder may be casted on one person or may be casted on different persons, the elected directors or supervisors will be dependent on the final number of votes obtained.

Article 3 If two or more directors or supervisors are proposed to be elected at the general meeting of shareholders, the Board of Directors shall state in the notice of general meeting to be convened that the method of cumulated voting will be adopted in the election of directors or supervisors.

Article 4 During the election process of directors or supervisors by the method of cumulative voting, the number of director or supervisor candidates shall be equal to or more than the proposed number of directors or supervisors to be elected.

Article 5 Directors referred to in these Implementation Rules include independent directors and non-independent directors. These Implementation Rules are not applicable to the election or change of supervisor from employee representatives.

**APPENDIX VII PROPOSED ADOPTION OF THE IMPLEMENTATION RULES
OF THE CUMULATIVE VOTING SYSTEM**

Chapter 2 Nomination of Director and Supervisor Candidates

Article 6 Shareholders who are, individually or jointly, holding 3% or above of the issued and outstanding shares of the Company may nominate candidates for directors to the Board of Directors or nominate candidates for external supervisors to the Supervisory Board.

Article 7 The Board of Directors of the Company may nominate candidates for independent directors and non-independent directors. The Supervisory Board of the Company may nominate candidates for independent directors.

Article 8 Shareholder(s) who is/are solely or jointly holding 1% or above of the issued shares of the Company may nominate candidates for independent directors.

Article 9 The number and qualification of candidates nominated by the nominators must comply with the provisions of the laws and the Articles of Association and must not be more than the number of persons to be elected.

Article 10 Candidates should submit personal details to the Board of Directors of the Company, including but not limited to: name, sex, age, nationality, education background, details of working experience, all part-time commitments, relationship with the nominator, existence of any circumstances undesirable for being appointed as director or supervisor, etc.

Article 11 Candidates of directors or supervisors shall, before the holding of the general meeting of shareholders, undertake in writing that they have accepted the nomination and agreed to disclose their personal information to the public, and undertake that the information on the candidates of directors and supervisors disclosed to the public is true and complete, and warrant to perform the duties and responsibilities of the directors or supervisors after being elected.

Article 12 When the resolution of their proposed appointments is tabled for consideration by the general meeting of shareholders, the relevant directors or supervisors should be present at the general meeting in person and provide explanation on their qualifications, professional capability, past experience, any violations of laws and regulations, any conflict of interest with the Company, and their relationship with the controlling shareholders, de facto controlling person and other directors, supervisors and senior management of the Company, etc.

Article 13 A nominated candidate for independent director should also made a public declaration that no relationship exists between him and the Company would affect his independence and objective judgment and accept questioning from shareholders.

Article 14 Upon receiving the information from candidates, the Board of Directors should review the eligibility qualifications of the candidates carefully. The eligibility qualifications of independent directors, after passing the review, will be submitted to the Shenzhen Stock Exchange for examination of eligibility qualifications. If no dissent is raised, the candidates may be offered for election at the general meeting of shareholders.

**APPENDIX VII PROPOSED ADOPTION OF THE IMPLEMENTATION RULES
OF THE CUMULATIVE VOTING SYSTEM**

Chapter 3 Election and Voting for Directors and Supervisors

Article 15 The method of vote counting in cumulative voting:

- (1) The total votes entitled by a shareholder is equal to the number of shares held by each shareholder multiplied by the number of directors or supervisors to be elected.
- (2) If several rounds of election are conducted at the general meeting, the total votes entitled by a shareholder should be re-calculated at each round of election according to the number of directors or supervisors to be elected at each round of election.

Article 16 To ensure the number of independent directors elected is in compliance with the provisions of the Articles of Association, elections of independent directors and non-independent directors should be conducted separately to ensure the ratio of independent directors is maintained. The specific operation is as follows:

- (3) During the election of independent directors, the total number of votes entitled by each shareholder is equal to the number of shares held multiplied by the number of independent directors to be elected at the general meeting, and such votes may be casted only on the candidates of independent directors at the current general meeting.
- (4) During the election of non-independent directors, the total number of votes entitled by each shareholder is equal to the number of shares held multiplied by the number of non-independent directors to be elected at the general meeting, and such votes may be casted only on the candidates of non-independent directors at the current general meeting.

Article 17 During the election of supervisors, the total number of votes owned by each shareholder is equal to the number of shares held multiplied by the number of supervisors to be elected, and such votes may be casted only on the candidates of supervisors of the Company.

Article 18 Voting method:

- (1) Shareholders may cast the votes separately or entirely on any one director or supervisor candidate at their own will (proxies should follow instructions given in the proxy authorization) and state the number of votes casted on such candidate of directors or supervisors.
- (2) The number of votes casted by each shareholder should not exceed the total number of votes entitled, and the number of candidates of directors or supervisors casted by the votes must not exceed the number of directors or supervisors to be elected.
- (3) If the number of votes casted by a shareholder exceeds the total number of votes entitled by such shareholder, the votes casted on the candidate of directors or supervisors by such shareholder shall be invalid and all the votes from such shareholder are deemed to be abstention votes.

**APPENDIX VII PROPOSED ADOPTION OF THE IMPLEMENTATION RULES
OF THE CUMULATIVE VOTING SYSTEM**

- (4) If the number of candidates of directors or supervisors voted exceeds the number of directors or supervisors to be elected, all the votes from such shareholders are deemed to be abstention votes.
- (5) If the number of votes casted by a shareholder is less than or equal to the total number of votes entitled legitimately, such votes are valid, and the shortfall are deemed to be abstention votes.
- (6) After voting is completed, the scrutineer of the general meeting will count the votes and announce the votes received by each candidate of directors or supervisors, and determine the elected directors or supervisors according to the number of votes received by the candidates of directors and supervisors.

Chapter 4 Elected Directors and Supervisors

Article 19 The number and structure of directors and supervisors elected at the general meeting should be in compliance with the provisions of the Articles of Association.

Article 20 Whether a candidate of directors or supervisors is elected depends on the number of votes received, and the number of votes received by each elected director or supervisor must exceed half of the shares with valid votes held by shareholders who are present at the general meeting.

Article 21 When the number of elected persons is less than the number of directors or supervisors to be elected, differential treatment according to the following circumstances is applicable:

- (1) If the number of elected persons is less than the number of directors or supervisors to be elected, but the number of elected directors or supervisors has exceeded two-thirds or above (inclusive of two-thirds) of the number of members of the Board of Directors or Supervisory Committee provided in the Articles of Association of the Company, the vacancies of directors or supervisors will be filled by election at the next general meeting.
- (2) If the number of elected persons is less than the number of directors or supervisors to be elected, and is less than two-thirds of the number of members of the Board of Directors or Supervisory Committee provided in the Articles of Association of the Company, then a second round of election should be conducted for the unelected candidates of directors or supervisors.
- (3) If two-thirds (inclusive of two-thirds) of the number of members of the Board of Directors or Supervisory Committee provided in the Articles of Association of the Company are still not reached after the second round of election, but is more than or equal to the minimum number (that is, 5 members for the Board of Directors and 2 supervisors from shareholder representatives) provided in the Company Law, then election of the vacancies of directors or supervisors (from shareholder representatives) will be conducted in the general meeting re-convened within two months by the new Board of Directors after the end of the current general meeting.

**APPENDIX VII PROPOSED ADOPTION OF THE IMPLEMENTATION RULES
OF THE CUMULATIVE VOTING SYSTEM**

- (4) Cumulative voting will be adopted for the election of directors or supervisors for a change of session of the Board of Directors or Supervisory Board. If the number of elected persons is less than the minimum number (that is, less than 5 persons are elected for the Board of Directors and less than 2 persons are elected as supervisor from shareholder representatives) provided in the Company Law, then election of the new session should be re-conducted again.
- (5) Save for the change of session mentioned above in item (4), if the number of directors or supervisors (from shareholder representatives) is less than the minimum number (that is, less than 5 members for the Board of Directors and less than 2 supervisors from shareholder representatives) provided in the Company Law, then the remaining directors should convene a general meeting as soon as possible for the election of directors or supervisors (from shareholder representatives).

Article 22 If the number of candidates of directors or supervisors receiving votes from more than one-half or above of the shares with voting rights held by shareholders present at the general meeting exceeds the number of directors or supervisors to be elected, then in the order of the number of votes received, those who have received more votes are successfully elected.

If two or more than two candidates received the same number of votes and is not able to determine who is successfully elected, then a second round of election should be conducted for those candidates. If the second round of election is still unable to determine who is successfully elected, another election should be conducted at the next general meeting of shareholders.

During a change of session, if the resulting number of members of the Board of Directors is less than the minimum number (that is, less than 5 members for the Board of Directors and less than 2 supervisors from shareholder representatives) provided in the Company Law, then the election for a new session should be conducted again. If the resulting number of members of the Board of Directors is more than or equal to 5 persons, but less than two-thirds of the number of members of the Board of Directors provided in the Articles of Association of the Company, then election of the vacancies of directors will be conducted in the general meeting re-convened within two months by the new Board of Directors after the end of the current general meeting.

Article 23 After completion of voting by shareholders present at the general meeting, the voting counting officers of the general meeting will count the votes and announce the total number of votes received by each candidate of directors or supervisors (if online voting is provided, the registration company should provide the voting statistical results) and determine the elected directors or supervisors in the manner as mentioned above. The name list of directors or supervisors elected will be announced on-site by the chairman of the meeting.

Chapter 5 Supplemental Provisions

Article 24 Prior to voting for the candidates of directors or supervisors in the general meeting, the chairman of the meeting or person designated by him is responsible to explain the Implementation Rules for Cumulative Voting and to ensure that shareholders are voting correctly.

Article 25 Any matters not covered by these Implementation Rules will be implemented in compliance with the provisions of the relevant national laws and regulations, regulatory documents and the Articles of Association of the Company. If any inconsistency exists between these Implementation Rules and the future national laws, regulations and provisions, these Implementation Rules will be amended accordingly.

Article 26 These Implementation Rules are formulated by the Board of Directors and shall be effective after review and approval by the general meeting of shareholders, and will be construed by the Board of Directors.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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: 568)

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 11 February 2011 at the conference room, at No. 99 Beihuan Road, Shouguang City, Shandong Province, the People's Republic of China (the “**PRC**”), to consider and, if thought fit, approve the following resolutions.

SPECIAL RESOLUTIONS

1. “**THAT** the proposal for the use of the surplus net proceeds of the initial offering of the A Shares of the Company of RMB220,000,000 to finance a petroleum pipes processing project be and is hereby approved.”
2. “**THAT** the proposal for the use of the surplus net proceeds of the initial offering of the A Shares of the Company of RMB256,738,331.5 as the general working capital of the Company be and is hereby approved.”
3. “**THAT** amendments to the rules governing the procedures of the meeting of the shareholders of the Company be and are hereby approved.”
4. “**THAT** amendments to the rules governing the procedures of the board of directors of the Company be and are hereby approved.”
5. “**THAT** amendments to the rules governing the procedures of the supervisory committee of the Company be and are hereby approved.”
6. “**THAT** amendments to the rules in relation to the independent directors of the Company be and are hereby approved.”
7. “**THAT** the implementation rules of the cumulative voting system of the Company be and are hereby approved.”

By Order of the Board

Shandong Molong Petroleum Machinery Company Limited

Zhang En Rong

Chairman

Shandong, the PRC
17 December 2010

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (A) Details of the proposed resolutions will be included in the circular of the Company to be dispatched to the Shareholders as soon as practicable.
- (B) The register of members of the Company's H Shares will be closed from 11 January 2011 to 11 February 2011, both days inclusive, during which period no H Share transfer will be effected. In order to qualify for attending and voting at the EGM, all instruments of transfer must be lodged with the share registrar for the Company's H Shares not later than 4:00 p.m. on 10 January 2011.

The address of the share registrar for the Company's H Shares is as follows:

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

- (C) Holders of H Shares, who intend to attend the EGM, must complete the reply slips for attending the EGM and return them to the share registrar for Company's H Shares, Tricor Investor Services Limited not later than 20 days before the date of the EGM, i.e. no later than 21 January 2011.
- (D) 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.
- (E) 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.
- (F) 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 share registrar for the Company's H Shares, Tricor Investor Services Limited, 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.
- (G) If a proxy attends the EGM on behalf of a shareholder, he should produce his proof of identity 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 share shareholder attends the EGM, such legal representative should produce his/her proof of identity and valid documents evidencing his

NOTICE OF EXTRAORDINARY GENERAL MEETING

capacity as such legal representative. If a legal person share shareholder appoints a representative of a company other than its legal representative to attend the EGM, such representative should produce his proof of identity and an authorization instrument affixed with the seal of the legal person share shareholder and duly signed by its legal representative.

- (H) The EGM is expected to last for an hour. Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.

BOOK CLOSURE NOTICE

The register of members of H Shares of Shandong Molong Petroleum Machinery Company Limited* (the “**Company**”) will be closed from 11 January 2011 to 11 February 2011 (both days inclusive) during which period no transfer of the Company’s shares will be effected.

In order to be entitled to attend and vote at the EGM to be convened and held on 11 February 2011, share transfer documents should be lodged with the Company’s H Shares share registrar not later than 4:00 p.m. on 10 January 2011.

The address of the share registrar for the Company’s H Shares is as follows:

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen’s Road East
Hong Kong

As at the date of this notice, the executive Directors of the Company are Mr. Zhang En Rong, Mr. Lin Fu Long, Mr. Zhang Yun San and Mr. Xie Xin Cang; the non-executive Directors are Mr. Chen Jian Xiong and Mr. Wang Ping; and the independent non-executive Directors are Mr. John Paul Cameron, Ms. Wang Chun Hua and Mr. Chau Shing Yim David.

* *For identification purpose only*