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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)

ANNOUNCEMENT 2013 THIRD QUARTERLY REPORT

This announcement is published simultaneously in The People's Republic of China pursuant to the Rules Governing Listing of Stocks on the Shenzhen Stock Exchange and in Hong Kong pursuant to the disclosure obligations under Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Part 1 IMPORTANT NOTICE

- 1.1 The Board of Directors, Supervisory Committee and the Directors, Supervisors and senior management of Shandong Molong Petroleum Machinery Company Limited (the "Company") confirm that this report does not contain any false information, misleading statements or material omissions, and collectively and individually accept responsibility for the truthfulness, accuracy and completeness of its contents.
- 1.2 All directors attended the Board meeting for approving this report.
- 1.3 Mr. Zhang En Rong, Chairman of the Company, Mr. Yang Jin, Chief Financial Officer of the Company and Mr. Ding Zhi shui, Head of Finance Division of the Company, hereby confirm the truthfulness and completeness of the financial report contained in this quarterly report.

Part 2 MAJOR ACCOUNTING DATE & SHAREHOLDER CHANGE

I. Major Accounting Data

Does the reporting period has a retroactive adjustment or restatement on the previous period of financial data.

☐ Yes ☒ No

Items	The reporting period	Same period last year	Increase or decrease (%)	
Total assets (RMB)	5,803,863,822.70	5,285,750,978.82	9.8%	
Net assets attributable to shareholders of the listed company (RMB)	2,890,274,943.50	2,889,416,712.61	0.03%	
	The reporting period	Increase or decrease (%)	The beginning of the year to the end of the reporting period	Increase or decrease (%)
Operating Revenue (RMB)	537,736,440.62	-26.77%	1,677,089,906.71	-27.66%
Net profit attributable to shareholders of the listed company (RMB)	-5,065,287.14	-111.31%	40,536,410.49	-66.36%
Net profit after extraordinary gains or losses attributable to equity holders of Listed Company (RMB)	-5,050,895.54	-113.89%	30,884,571.05	-68.56%
Net cash flow from operating activities(RMB)	--	--	-424,335,569.23	-2,460.77%
Basic earnings per share (RMB)	-0.01	-116.67%	0.05	-66.67%
Diluted earnings per share (RMB)	-0.01	-116.67%	0.05	-66.67%
Weighted average return on net assets (%)	-0.19%	-1.75%	1.38%	-2.87%

Extraordinary items and amounts

☒ Applicable ☐ N/A

Items	Amount (RMB)	Notes (if applicable)
Gains or losses from disposal of non-current assets (including offset part of the provision for impairment of assets)	-488,641.14	

Government grants were recognized in current profit and loss (excluding those closely relating to the normal business operations of the Company and subject to specified quota or quantitative requirements consecutively entitled in compliance with the State policies)	11,485,000.00	
Non-operating net gain or loss other than the above	338,446.94	
Effect of extraordinary gains or losses on income tax	1,673,396.09	
Effect of minority interests (after tax)	9,570.27	
Total	9,651,839.44	--

II. Total number of shareholders and top ten holders of shares not subject to lock-up as at the end of the reporting period

Units: Shares

Total number of shareholders as at the end of the reporting period		42,403				
Top 10 holders of shares						
Name of shareholder	nature of shareholders	Shareholding ratio（%）	Number of shares	The number of shares sold holdings limited conditions	The pledge or freeze	
					Shares in state	amount
Zhang En Rong	Domestic natural person	35.03%	279,517,000	279,517,000		
HKSCC Nominees Limited	Overseas legal person	32.03%	255,511,890	0		
Lin Fu Long	Domestic natural person	4.29%	34,216,000	34,216,000		
Zhang Yun San	Domestic natural person	3.84%	30,608,000	30,608,000		
Xie Xin Cang	Domestic natural person	2.68%	21,410,000	21,410,000		
Liu Yun Long	Domestic natural person	1.84%	14,670,000	14,670,000		
Cui Huan You	Domestic natural person	1.16%	9,238,000	9,238,000		
Liang Yong Qiang	Domestic natural person	0.85%	6,819,000	6,819,000		
Zhang Yun San	Domestic natural	0.19%	1,576,000	0		

	person					
Liao Chang Long	Domestic natural person	0.11	876,249	0		
Top ten holders of shares not subject to lock-up						
Name of shareholder		Number of shares not subject to		Stock class		
				Class		Amount
HKSCC Nominees Limited		255,511,890		H Shares		255,511,890
Zhang Yun San		1,576,000		H Shares		1,576,000
Liao Chang Long		876,249		A Shares		876,249
Lin Chuan		838,400		A Shares		838,400
Yu Jing Chen		527,500		A Shares		527,500
Liu Zong Hui		470,000		A Shares		470,000
Han Tian Hong		430,020		A Shares		430,020
Wu Wen Yan		420,000		A Shares		420,000
Cheng Fang Lin		402,700		A Shares		402,700
Chen Hong Wei		366,205		A Shares		366,205
Connected relationship or concert-party relationship among the above shareholders		Zhang En Rong is the controlling shareholder of the Company and the father of Zhang Yun San, a director of the Company. Save as disclosed, the Company has no further information as to whether the other shareholders have connected relationships or are acting in concert.				
Participate in the securities lending and borrowing business information about shareholders (if any)		N/A				

Part 3 MATERIAL MATTERS

I. During the reporting period the main accounting statements, financial projects situation and the reasons of major change

Balance Sheet:

Unit: RMB

Item	As of September 30, 2013	As of December 31, 2012	Increase or decrease (%)	Notes
	(Unaudited)	(Audited)		
Advance payment	195,993,257.08	33,896,626.16	478.21%	(1)
Construction in progress	478,883,993.86	134,351,091.69	256.44%	(2)
Research and development expenditures	36,724,290.61	7,077,238.89	418.91%	(3)
Short-term borrowing	1,361,928,216.00	1,030,006,883.57	32.23%	(4)
Notes payable	409,368,634.52	603,403,515.62	-32.16%	(5)
Advance receipts	69,060,084.77	25,837,981.59	167.28%	(6)
Employee pay payable	11,307,427.49	18,425,303.12	-38.63%	(7)
Tax payable	22,955,771.13	33,669,386.02	-31.82%	(8)
Interest payable	11,388,840.33	6,968,896.69	63.42%	(9)
Bonds payable	496,444,444.44	0	100.00%	(10)

1. Advance payment increased by 478.32% as compared to the amount at the beginning of the year, mainly attributable to advance payments made earlier than usual by the Company in order to lock in the prices of raw materials which fluctuated widely;
2. Construction in progress increased by 256.44% as compared to the amount at the beginning of the year, mainly attributable to the Company's investments in a 90-ton electric furnace project and in a technology transformation project on the casting and forging of products applying the "Hismelt" technology of Australia Rio Tinto Group;
3. Research and development expenditure increased by 418.91% as compared to the amount at the beginning of the year, mainly attributable to the increasing number of the Company's products which were in the research stage and had not been converted into capital;
4. Short-term borrowing increased by 32.23% as compared to the amount at the beginning of the year, mainly attributable to an increase in the Company's borrowing to replenish its working capital;
5. Notes payable decreased by 32.16% as compared to the amount at the beginning of the year, mainly attributable to the Company's increased payments in cash as compared to the preceding period;
6. Advance receipts increased by 32.23% as compared to the amount at the beginning of the year, mainly attributable to an increase in the advance payments received from customers by the Company;
7. Employee pay payable decreased by 38.63% as compared to the amount at the beginning of the year, mainly attributable to the introduction of a year-end bonus to employees during the period;
8. Tax payable decreased by 31.82% over as compared to the amount at the beginning of the year, mainly attributable to a decline in income tax payable for the period as a result of a decline in profits;
9. Interest payable increased by 63.42% as compared to the beginning of the year, mainly attributable to an increase in

loans and in the interest accruing on the issuance of corporate bonds during the period;

10. Bonds payable increased by 100% as compared to the beginning of the year, mainly attributable to an issuance of corporate bonds by the Company during the period.

Income Statement :

Unit: RMB

Item	As of September 30, 2013	As of September 30, 2012	Increase or decrease (%)	Notes
	(Unaudited)	(Unaudited)		
Business tax and surcharges	1,732,110.34	1,175,057.08	47.41%	(1)
Assets impairment loss	-1,570,211.51	-634,935.90	147.30%	(2)
Non-operating income	12,195,228.87	26,174,692.86	-53.41%	(3)
Non-operating expenses	860,423.07	619,530.47	38.88%	(4)
Income tax expense	7,122,003.25	24,809,273.32	-71.29%	(5)

1. Business tax and surcharges increased by 47.41% as compared to the same period last year, mainly attributable to an increase in urban construction tax and educational surcharges as a result of an increase in the value-added tax incurred by the Company during the quarter compared with last year.

2. Assets impairment loss decreased by 147.30% as compared to the same period last year, mainly attributable to sale of the inventories in respect of which the Company had made provision for price decrease.

3. Non-operating income decreased by 53.14% as compared to the same period last year, mainly attributable to a decrease of the financial subsidies received by the Company as compared to the same period last year;

4. Non-operating expenses increased by 38.88% as compared to the same period last year, mainly attributable to an increase in the retirement of fixed assets as compared to the same period last year, and a transfer of some net fixed assets to the "loss" account;

5. Income tax decreased by 71.29% as compared to the same period last year, mainly attributable to a decrease in income tax and charges as a result of a fall in profits.

Cash Flow Statement

Unit: RMB

Item	As of September 30, 2013	As of September 30, 2012	Increase or decrease (%)	Notes
	(Unaudited)	(Unaudited)		
Net cash flows from operating activities	-424,335,569.23	17,974,455.01	-2460.77%	(1)
Net cash flows from investing activities	-488,249,050.13	-304,416,762.83	60.39%	(2)
Net cash flows from financing activities	813,427,179.87	427,100,952.30	90.45%	(3)

1. Net cash flows from operating activities fell by RMB442.31 million as compared to over the same period of last year, mainly attributable to advance payments made earlier than usual by the Company in order to lock in the prices of raw materials which fluctuated widely, and an increase in cash payments in order to reduce purchasing costs;

2. Net cash flows from investing activities decreased by RMB183.83 million as compared to over the same period last year, mainly attributable to the Company's investments in a 90-ton electric furnace project and in a technology transformation project on the casting and forging of products applying the "Hismelt" technology of Australia Rio Tinto

Group

3. Net cash flow from financing activities decreased by RMB386.33 million as compared to over the same period last year, mainly attributable to an issuance of corporate bonds by the Company during the period.

II. Undertakings made by the Company and shareholders interested in 5% or more of the shares of the Company made in the reporting period or subsisting to the reporting period

Item	Acceptor	Commitment to content	Commitment of time	Period for acceptance	Degree of performance
Commitments on share reform	N/A	N/A	N/A	N/A	N/A
Commitments under the reports of acquisition or equity changes	N/A	N/A	N/A	N/A	N/A
Commitments upon the restructuring of significant asset	N/A	N/A	N/A	N/A	N/A
Undertaking made on initial public offering or refinancing	Zhang En Rong, Zhang Yun San	Within 36 months since the date of the listing of the A Shares, shares shall not be transferred or entrusted to others to manage, and not be purchased by the Company. Also, they also committed that the shares transferred by them shall not exceed 25% of the total shares of the Company held by them during the terms of office after the above period expires, and they shall not transfer the shares held by them within	On 21 October 2010	36 months	During the Reporting period, the above officials strictly performed their commitment items.

		half a year after leaving.			
Other undertakings made to minority shareholders of the Company	N/A	N/A	N/A	N/A	N/A
Does the undertaking performed timely	Yes.				
Specific reasons of unfinished commitment and the next step program	N/A				

III. Result Forecast for the year 2013

Expected business performance for the year 2013: Net profit attributable to shareholders of listed companies is positive and not belongs to the situation of turning losses into gains.

In 2013, the change for net profit attributable to shareholders of the listed company compared with the same period last year (%)	-80%	~	-30%
In 2013, the change for net profit attributable to shareholders of the listed company compared with the same period last year (RMB'0000)	2685	~	9398
In 2013, net profit attributable to shareholders of the listed company (RMB'0000)	13426		
Reasons for change in results	During the reporting period, due to the impacts of both the internal and external economic environments, decline in demand under the weak market and keen competition, the selling prices of our products decreased as compared with that of the corresponding period of last year and the market demand for high-end products also decreased. In addition, the completion time of the third quarter review of the main production line of the Company is later than expected, resulting in the drop of revenue from sales and operating profit.		

Part 4 FINANCIAL STATEMENT

I. Financial Statement

(1) Consolidated Balance Sheet

Prepared by: Shandong Molong Petroleum Machinery Company Limited

Unit: RMB

Item	At the end of the current reporting period	At the beginning of this year
Current assets:		
Cash and bank balances	430,292,900.14	483,870,151.44
Balances with clearing companies		
Placements with banks and other financial institutions		
Held for trading financial assets		
Bills receivable	140,084,162.80	197,194,589.32
Accounts receivable	584,160,216.81	455,105,433.22
Prepayments	195,993,257.08	33,896,626.16
Premiums receivable		
Reinsurance accounts receivable		
Deposits receivable from reinsurance treaty		
Interests receivable		
Dividends receivables		
Other receivable	18,965,693.43	18,953,847.29
Purchases of resold financial assets		
Inventories	1,222,727,371.65	1,220,618,577.83
Non-current assets due within one year		
Other current assets	47,203,567.74	41,379,809.50
Total current assets	2,639,427,169.65	2,451,019,034.76
Non-current assets:		
Loans and advances granted		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investment	60,487,288.65	58,634,400.43
Investment properties		

Fixed assets	1,746,768,657.75	1,833,866,660.51
Construction in progress	478,883,993.86	134,351,091.69
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	392,239,279.88	378,586,638.46
Development expenses	36,724,290.61	7,077,238.89
Goodwill	132,723,383.21	132,723,383.21
Long-term deferred expenses	180,555.60	243,055.56
Deferred income tax assets	22,251,803.49	19,249,475.31
Other non-current assets	294,177,400.00	270,000,000.00
Total non-current assets	3,164,436,653.05	2,834,731,944.06
Total assets	5,803,863,822.70	5,285,750,978.82
Current liabilities:		
Short-term borrowings	1,361,928,216.00	1,030,006,883.57
Loans from central bank		
Deposit taking and deposit in inter-bank market		
Placements from banks and other financial institutions		
Held for trading financial liabilities		
Bills payable	409,368,634.52	603,403,515.62
Accounts payable	404,900,862.55	570,841,701.67
Advance receipts	69,060,084.77	25,837,981.59
Disposal of repurchased financial assets		
Fee and commission payable		
Salaries payable	11,307,427.49	18,425,303.12
Taxes payable	22,955,771.13	33,669,386.02
Interests payable	11,388,840.33	6,968,896.69
Dividends payable	20,252,283.55	
Other payables	25,003,407.64	24,475,042.80
Reinsurance accounts payable		
Reserve for insurance policies		
Customer deposits for trading in securities		

Customer deposits for underwriting		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	2,336,165,527.98	2,313,628,711.08
Non-current liabilities:		
Long-term loans		
Debentures payable	496,444,444.44	
Long-term payables		
Special payables		
Accrued liabilities		
Deferred income tax liabilities	11,485,555.87	11,603,555.23
Other non-current liabilities	5,424,000.00	7,232,000.00
Total non-current liabilities	513,354,000.31	18,835,555.23
Total liabilities	2,849,519,528.29	2,332,464,266.31
Owners' equity(or Shareholders' equity):		
Paid-up capital (or share capital)	797,848,400.00	797,848,400.00
Capital reserve	849,500,658.42	849,500,658.42
Less: treasury stock		
Special reserve		
Surplus reserve	168,908,489.86	168,908,489.86
General risk reserve		
Undistributed profit	1,073,741,089.29	1,073,097,098.79
Foreign currency translation differences	276,305.93	62,065.54
Total equity attributable to owners of the Company	2,890,274,943.50	2,889,416,712.61
Minority interests	64,069,350.91	63,869,999.90
Total owners' equity	2,954,344,294.41	2,953,286,712.51
Total liabilities and owners' equity	5,803,863,822.70	5,285,750,978.82

Legal Representative: Zhang En Rong

Chief Financial Officer: Yang Jin

Head of the Finance Section: Ding Zhi Shui

(2) Balance Sheet of The Company

Prepared by: Shandong Molong Petroleum Machinery Company Limited

Unit: RMB

Item	At the end of the current reporting period	At the beginning of this year
Current assets:		

Cash and bank balances	420,939,106.93	469,439,865.77
Held for trading financial assets		
Bills receivable	132,735,537.80	181,652,729.32
Accounts receivable	580,584,144.27	461,652,893.75
Prepayments	505,014,266.12	135,378,309.84
Interests receivable		
Dividends receivables		
Other receivable	222,119,189.76	222,102,947.24
Inventories	907,374,779.92	989,379,929.85
Non-current assets due within one year		
Other current assets		1,521,778.24
Total current assets	2,768,767,024.80	2,461,128,454.01
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investment	652,069,921.73	652,069,921.73
Investment properties		
Fixed assets	1,341,958,294.69	1,392,000,620.11
Construction in progress	296,586,379.04	45,916,706.90
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	288,506,434.46	284,671,539.96
Development expenses	31,551,524.89	5,527,255.20
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	17,138,314.48	14,135,986.30
Other non-current assets	47,530,000.00	33,000,000.00
Total non-current assets	2,675,340,869.29	2,427,322,030.20
Total assets	5,444,107,894.09	4,888,450,484.21
Current liabilities:		
Short-term borrowings	1,192,243,416.00	980,006,883.57

Held for trading financial liabilities		
Bills payable	409,368,634.52	653,403,515.62
Accounts payable	243,262,609.80	377,503,612.67
Advance receipts	223,140,698.25	25,536,367.16
Salaries payable	7,373,749.15	13,068,782.18
Taxes payable	11,662,637.39	13,406,043.28
Interests payable	10,775,879.32	6,968,896.69
Dividends payable	20,252,283.55	
Other payables	14,141,591.44	13,490,303.33
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	2,132,221,499.42	2,083,384,404.50
Non-current liabilities:		
Long-term loans		
Debentures payable	496,444,444.44	
Long-term payables		
Special payables		
Accrued liabilities		
Deferred income tax liabilities	591,580.10	457,855.65
Other non-current liabilities	5,424,000.00	7,232,000.00
Total non-current liabilities	502,460,024.54	7,689,855.65
Total liabilities	2,634,681,523.96	2,091,074,260.15
Owners' equity(or Shareholders' equity):		
Paid-up capital (or share capital)	797,848,400.00	797,848,400.00
Capital reserve	849,481,990.92	849,481,990.92
Less: treasury stock		
Special reserve		
Surplus reserve	168,908,489.86	168,908,489.86
General risk reserve		
Undistributed profit	993,187,489.35	981,137,343.28
Foreign currency translation differences		
Total owners' equity	2,809,426,370.13	2,797,376,224.06
Total liabilities and owners' equity	5,444,107,894.09	4,888,450,484.21

Legal Representative: Zhang En Rong

Chief Financial Officer: Yang Jin

Head of the Finance Section: Ding Zhi Shui

(3) Consolidated Income Statement

Prepared by: Shandong Molong Petroleum Machinery Company Limited

Unit: RMB

Item	Amount for the period	Amount for the previous period
I . Total revenue from operations	537,736,440.62	734,336,698.09
Among which: operating revenue	537,736,440.62	734,336,698.09
Interest income		
Premium earned		
Fee and commission income		
II . Total cost of operations	543,001,573.86	693,666,572.92
Among which: Operating cost	480,303,732.63	637,199,077.84
Interest expenses		
Fees and commission expenses		
Surrender payment		
Net expenditure for compensation payments		
Net provision for insurance deposits		
Policyholder dividend expenses		
Reinsurance costs		
Business tax and surcharges	857,161.07	502,549.01
Selling expenses	22,061,684.29	20,831,869.95
Administrative expenses	29,203,769.81	23,166,820.10
Finance costs	10,885,204.71	11,966,256.02
Asset impairment losses	-309,978.65	
Add: Gains from changes in fair value (losses are represented by “-”)		
Investment income (losses are represented by “-”)	823,925.95	
Among which: Gains from investment in associates and joint ventures		
Gains from foreign currencies exchange (losses are represented by “-”)		
III. Operating profit (loss is presented by “—”)	-4,441,207.29	40,670,125.17
Add: Non-operating income	206,754.27	10,170,578.01
Less: Non-operating expenses	249,123.00	139,878.39
Among which: Loss from disposal of non-current assets	3,886.17	29,747.84
IV. Total profit (loss is represented by “—”)	-4,483,576.02	50,700,824.79

Less: Income tax expenses	-773,399.46	5,154,021.12
V. Net profit (loss is represented by “—”)	-3,710,176.56	45,546,803.67
Among them: the combined party which was before the implementation of net profit		
Net profit attributable to owners of the Company	-5,065,287.14	44,805,264.15
Minority interests	1,355,110.58	741,539.52
VI. Earnings per share:	--	--
(1) Basic earnings per share	-0.01	0.06
(2) Diluted earnings per share	-0.01	0.06
VII. Other comprehensive income	56,210.81	
VIII. Total comprehensive income	-3,653,965.75	45,546,803.67
Total comprehensive income attributable to owners of the Company	-5,014,697.41	44,805,264.15
Total comprehensive income attributable to minority interests	1,360,731.66	741,539.52

Legal Representative: Zhang En Rong

Chief Financial Officer: Yang Jin

Head of the Finance Section: Ding Zhi Shui

(4) Income Statement of the Company

Prepared by: Shandong Molong Petroleum Machinery Company Limited

Unit: RMB

Item	Amount for the period	Amount for the previous period
I . Total revenue from operations	558,984,124.99	764,541,360.73
Less: Operating cost	509,705,142.15	671,979,272.95
Business tax and surcharges	559,845.22	
Selling expenses	22,049,677.99	20,818,884.90
Administrative expenses	25,616,530.11	16,288,145.38
Finance costs	12,224,586.15	9,040,434.16
Asset impairment losses		
Add: Gains from changes in fair value (losses are represented by “-”)		
Investment income (losses are represented by “-”)		
Among which: Gains from investment in associates and joint ventures		
II. Operating profit (loss is presented by “—”)	-11,171,656.63	46,414,623.34
Add: Non-operating income	162,326.47	10,048,732.21
Less: Non-operating expenses	83,886.17	132,747.84

Among which: Loss from disposal of non-current assets	3,886.17	29,747.84
III. Total profit (loss is represented by “—”)	-11,093,216.33	56,330,607.71
Less: Income tax expenses	-1,933,897.01	6,424,975.65
IV. Net profit (loss is represented by “—”)	-9,159,319.32	49,905,632.06
V. Earnings per share:	--	--
(1) Basic earnings per share		
(2) Diluted earnings per share		
VI. Other comprehensive income		
VII. Total comprehensive income	-9,159,319.32	49,905,632.06

Legal Representative: Zhang En Rong

Chief Financial Officer: Yang Jin

Head of the Finance Section: Ding Zhi Shui

(5) Consolidated income statement for the beginning to the end of reporting period

Prepared by: Shandong Molong Petroleum Machinery Company Limited

Unit: RMB

Item	Amount for the period	Amount for the previous period
I . Total revenue from operations	1,677,089,906.71	2,318,236,546.96
Among which: operating revenue	1,677,089,906.71	2,318,236,546.96
Interest income		
Premium earned		
Fee and commission income		
II . Total cost of operations	1,642,443,640.48	2,190,808,844.77
Among which: Operating cost	1,496,204,737.93	2,056,332,007.89
Interest expenses		
Fees and commission expenses		
Surrender payment		
Net expenditure for compensation payments		
Net provision for insurance deposits		
Policyholder dividend expenses		
Reinsurance costs		
Business tax and surcharges	1,732,110.34	1,175,057.08
Selling expenses	45,814,491.99	47,144,799.85
Administrative expenses	77,344,662.17	64,866,569.09
Finance costs	22,917,849.56	21,925,346.76
Asset impairment losses	-1,570,211.51	-634,935.90

Add: Gains from changes in fair value (losses are represented by “-”)		
Investment income (losses are represented by “-”)	1,852,888.22	
Among which: Gains from investment in associates and joint ventures		
Gains from foreign currencies exchange (losses are represented by “-”)		
III. Operating profit (loss is presented by “—”)	36,499,154.45	127,427,702.19
Add: Non-operating income	12,195,228.87	26,174,692.86
Less: Non-operating expenses	860,423.07	619,530.47
Among which: Loss from disposal of non-current assets	579,401.24	167,747.55
IV. Total profit (loss is represented by “—”)	47,833,960.25	152,982,864.58
Less: Income tax expenses	7,122,003.25	24,809,273.32
V. Net profit (loss is represented by “—”)	40,711,957.00	128,173,591.26
Among them: the combined party which was before the implementation of net profit		
Net profit attributable to owners of the Company	40,536,410.49	120,510,247.60
Minority interests	175,546.51	7,663,343.66
VI. Earnings per share:	--	--
(1) Basic earnings per share	0.05	0.15
(2) Diluted earnings per share	0.05	0.15
VII. Other comprehensive income	238,044.89	
VIII. Total comprehensive income	40,950,001.89	128,173,591.26
Total comprehensive income attributable to owners of the Company	40,750,650.88	120,510,247.60
Total comprehensive income attributable to minority interests	199,351.01	7,663,343.66

Legal Representative: Zhang En Rong

Chief Financial Officer: Yang Jin

Head of the Finance Section: Ding Zhi Shui

(6) Income Statement of the Company for the beginning to the end of reporting period

Prepared by: Shandong Molong Petroleum Machinery Company Limited

Unit: RMB

Item	Amount for the period	Amount for the previous period
I . Total revenue from operations	1,750,083,145.51	2,403,287,746.30
Less: Operating cost	1,565,525,574.20	2,197,576,820.15
Business tax and surcharges	926,403.77	8,449.89

Selling expenses	45,780,343.05	47,036,551.90
Administrative expenses	67,505,758.25	52,104,899.24
Finance costs	24,356,552.73	16,967,831.39
Asset impairment losses		-634,935.90
Add: Gains from changes in fair value (losses are represented by “-”)		
Investment income (losses are represented by “-”)		
Among which: Gains from investment in associates and joint ventures		
II. Operating profit (loss is presented by “—”)	45,988,513.51	90,228,129.63
Add: Non-operating income	12,033,102.27	25,925,877.84
Less: Non-operating expenses	607,603.25	527,747.55
Among which: Loss from disposal of non-current assets	513,603.25	167,747.55
III. Total profit (loss is represented by “—”)	57,414,012.53	115,626,259.92
Less: Income tax expenses	5,471,446.46	15,244,323.48
IV. Net profit (loss is represented by “—”)	51,942,566.07	100,381,936.44
V. Earnings per share:	--	--
(1) Basic earnings per share		
(2) Diluted earnings per share		
VI. Other comprehensive income		
VII. Total comprehensive income	51,942,566.07	100,381,936.44

Legal Representative: Zhang En Rong

Chief Financial Officer: Yang Jin

Head of the Finance Section: Ding Zhi Shui

(7) Consolidated Cash Flow Statement

Prepared by: Shandong Molong Petroleum Machinery Company Limited

Unit: RMB

Item	Amount for the period	Amount for the previous period
I. Cash flows from operating activities:		
Cash received from selling goods and rendering services	2,086,352,531.29	2,689,792,580.81
Net increase in deposits from customers and placements from banks and other financial institutions		
Net increase in borrowings from central bank		
Net increase in placements from other financial institutions		

Cash received from premiums of original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits from policyholders and investments		
Net increase in disposal of tradable financial assets		
Cash received from interest, handling charges and commissions		
Net increase in capital due to banks and other financial institutions		
Net increase in repurchases business fund		
Tax rebate received	50,572,200.08	114,253,882.50
Other cash received relating to operating activities	24,336,305.71	30,608,687.30
Sub-total of cash inflow from operating activities	2,161,261,037.08	2,834,655,150.61
Cash paid for purchasing goods and receiving services	2,314,836,351.52	2,491,924,941.70
Net increase in loans and advances to customers		
Net increase in placements with central bank and other financial institutions		
Cash paid for claims on original insurance contracts		
Cash payment for interest, handling charges and commissions		
Cash payment for policyholder dividend		
Cash paid to and on behalf of employees	103,954,400.43	99,763,399.96
Taxes and surcharges paid	43,335,814.42	39,739,592.60
Other cash paid relating to operating activities	123,470,039.94	185,252,761.34
Sub-total of cash outflow from operating activities	2,585,596,606.31	2,816,680,695.60
Net cash flows from operating activities	-424,335,569.23	17,974,455.01
II. Cash flows from investing activities:		
Cash received from disposal of investments		
Cash received from return on investments		150,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	370,958.54	
Net cash received from disposal of subsidiaries and other business entities		
Other cash received relating to investing activities		

Sub-total of cash inflow from investing activities	370,958.54	150,000.00
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	488,620,008.67	259,566,762.83
Cash paid for investment		45,000,000.00
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business entities		
Other cash paid relating to investing activities		
Sub-total of cash outflow from investing activities	488,620,008.67	304,566,762.83
Net cash flows from investing activities	-488,249,050.13	-304,416,762.83
III. Cash flows from financing activities:		
Cash received from equity investments		
Among which: Cash received by subsidiaries from minority shareholders' investment		
Cash received from borrowings	1,735,265,685.00	1,844,114,583.36
Cash received from issue of bonds	496,000,000.00	
Other cash received relating to financing activities		
Sub-total of cash inflow from financing activities	2,231,265,685.00	1,844,114,583.36
Cash paid for repayment of liabilities	1,353,344,352.57	1,340,272,595.23
Cash paid for dividends, profits distribution or interest repayment	64,494,152.56	76,741,035.83
Among which: Dividend and profit paid by subsidiaries to minority shareholders		
Other cash paid relating to financing activities		
Sub-total of cash outflow from financing activities	1,417,838,505.13	1,417,013,631.06
Net cash flows from financing activities	813,427,179.87	427,100,952.30
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate	-11,788,832.94	-4,301,450.23
V. Net increase in cash and cash equivalents	-110,946,272.43	136,357,194.25
Add: Balance of cash and cash equivalents at the beginning of the period	369,092,906.46	350,636,120.73
VI. Balance of cash and cash equivalents at the end of the period	258,146,634.03	486,993,314.98

Legal Representative: Zhang En Rong

Chief Financial Officer: Yang Jin

Head of the Finance Section: Ding Zhi Shui

(8) Cash Flow Statement of The Company

Prepared by: Shandong Molong Petroleum Machinery Company Limited

Unit: RMB

Item	Amount for the period	Amount for the previous period
I. Cash flows from operating activities:		
Cash received from selling goods and rendering services	2,072,256,047.26	2,587,128,578.61
Tax rebate received	50,572,200.08	106,448,898.34
Other cash received relating to operating activities	18,651,045.81	34,115,902.26
Sub-total of cash inflow from operating activities	2,141,479,293.15	2,727,693,379.21
Cash paid for purchasing goods and receiving services	2,303,613,482.39	2,593,144,769.05
Cash paid to and on behalf of employees	76,506,329.73	72,021,364.40
Taxes and surcharges paid	22,143,754.08	18,687,712.23
Other cash paid relating to operating activities	120,141,030.64	177,512,579.74
Sub-total of cash outflow from operating activities	2,522,404,596.84	2,861,366,425.42
Net cash flows from operating activities	-380,925,303.69	-133,673,046.21
II. Cash flows from investing activities:		
Cash received from disposal of investments		
Cash received from return on investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	370,958.54	
Net cash received from disposal of subsidiaries and other business entities		
Other cash received relating to investing activities		
Sub-total of cash inflow from investing activities	370,958.54	
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	358,766,173.12	193,480,585.87
Cash paid for investment		
Net cash paid for acquisition of subsidiaries and other business entities		
Other cash paid relating to investing activities		
Sub-total of cash outflow from investing activities	358,766,173.12	193,480,585.87
Net cash flows from investing activities	-358,395,214.58	-193,480,585.87
III. Cash flows from financing activities:		
Cash received from equity investments		

Cash received from borrowings	1,565,580,885.00	1,620,749,953.36
Cash received from issue of bonds	496,000,000.00	
Other cash received relating to financing activities		
Sub-total of cash inflow from financing activities	2,061,580,885.00	1,620,749,953.36
Cash paid for repayment of liabilities	1,353,344,352.57	1,139,263,230.23
Cash paid for dividends, profits distribution or interest repayment	63,718,545.84	72,543,028.92
Other cash paid relating to financing activities		
Sub-total of cash outflow from financing activities	1,417,062,898.41	1,211,806,259.15
Net cash flows from financing activities	644,517,986.59	408,943,694.21
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate	-11,067,248.54	-4,301,450.23
V. Net increase in cash and cash equivalents	-105,869,780.22	77,488,611.90
Add: Balance of cash and cash equivalents at the beginning of the period	354,662,620.79	314,143,139.67
VI. Balance of cash and cash equivalents at the end of the period	248,792,840.57	391,631,751.57

Legal Representative: Zhang En Rong

Chief Financial Officer: Yang Jin

Head of the Finance Section: Ding Zhi Shui

II. Auditors' report

Auditors' opinion: Unaudited

By Order of the Board

Shandong Molong Petroleum Machinery Company Limited

Zhang En Rong

Chairman

Shandong, the PRC

25 October 2013

As at the date of this announcement, the executive Directors are Mr. Zhang En Rong, Mr. Zhang Yun San, Mr. Lin Fu Long and Mr. Guo Huan Ran; the non-executive Directors are Mr. Xiao Qing Zhou, Mr. Guo Hong Li and the independent non-executive Directors are Mr. John Paul Cameron, Ms. Wang Chun Hua and Mr. Qin Xue Chang.

** For identification purpose only*