



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)

ANNUAL RESULT ANNOUNCEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

HIGHLIGHTS

- As at 31 December 2012, the revenue of the Company together with its subsidiaries (collectively the "**Group**") amounted to RMB2,952,063,832.16, which represents a growth of approximately 7.79% as compared with last year.
- Profit attributable to equity holders of the Company amounted to RMB134,263,035.30 representing a decrease by approximately 20.24% as compared with last year.
- Earnings per share of the Group amounted to RMB0.17 representing an decrease by approximately 19.05% as compared with last year.
- The Board proposed to dispatch to the holders of H Shares and the holders of A Shares whose names appear on the registers of members of the Company on the Record Date with a cash dividend of RMB0.05 (tax inclusive) for every Share held.

The board of directors (the "**Board**") of Shandong Molong Petroleum Machinery Company Limited (the "**Company**") is pleased to announce the audited results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2012.

The financial information set out in this announcement below does not constitute the Group's statutory financial statements for the year ended 31 December 2012, but represents an extract from those financial statements. The financial information has been reviewed by the audit committee of the Company (the "**Audit Committee**") and agreed by the Group's external auditors, Deloitte Touche Tohmatsu Certified Public Accountants Ltd., Certified Public Accountants, PRC.

Unless specified otherwise, the financial information of the Company was stated in RMB Yuan.

CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December 2012

	<i>Note</i>	2012	2011
Total revenue from operations		2,952,063,832.16	2,738,691,830.21
Including: operating revenue	4	2,952,063,832.16	2,738,691,830.21
Total costs of operations		2,836,551,935.91	2,572,677,653.23
Including: Operating cost		2,624,241,003.24	2,407,671,724.80
Business tax and surcharges		1,568,674.39	1,931,536.70
Selling expenses		67,450,580.50	57,586,499.79
Administrative expenses		96,130,216.28	87,944,411.71
Finance costs	6	37,123,383.67	14,649,473.96
Asset impairment losses	7	10,038,077.83	2,894,006.27
Gains from changes in fair value			
Investment income		1,203,776.32	253,344.29
Including: Gains from investment in associates and joint ventures		1,203,776.32	253,344.29
Operating profit		116,715,672.57	166,267,521.27
Add: Non-operating income	8	49,857,539.87	34,476,972.35
Less: Non-operating expenses		718,732.89	679,969.16
Including: Loss from disposal of non-current assets		296,929.41	429,020.39
Total profit	9	165,854,479.55	200,064,524.46
Less: Income tax expenses	10	25,688,302.21	31,022,289.46
Net profit		140,166,177.34	169,042,235.00
Net profit attributable to shareholders of the Company		134,263,035.30	168,330,282.50
Minority interests		5,903,142.04	711,952.50
Earnings per share:	11		
Basic earnings per share		0.17	0.21
Diluted earnings per share		N/A	N/A
Other comprehensive income		35,226.82	570,763.42
Total comprehensive income		140,201,404.16	169,612,998.42
Total comprehensive income attributable to owners of the Company		134,294,739.43	168,843,969.55
Total comprehensive income attributable to minority interests		5,906,664.73	769,028.87
Dividends	12	0.05	0.10

CONSOLIDATED BALANCE SHEETS

As at 31 December 2012

	Note	2012	2011
Current assets			
Cash and bank balances		483,870,151.44	413,632,018.60
Bills receivable		197,194,589.32	73,528,915.23
Accounts receivable	13	455,105,433.22	460,164,130.15
Prepayments		33,896,626.16	42,127,891.20
Dividends receivable			
Other receivable		18,953,847.29	29,820,567.73
Inventory		1,220,618,577.83	1,176,981,854.52
Other current assets		41,379,809.50	72,538,796.17
Total current assets		2,451,019,034.76	2,268,794,173.60
Non-current assets			
Long-term equity investment		58,634,400.43	12,580,624.11
Fixed assets		1,833,866,660.51	1,831,368,142.96
Construction in progress		134,351,091.69	83,523,080.85
Intangible assets		378,586,638.46	333,019,939.03
Goodwill		132,723,383.21	142,973,383.21
Development expenditure		7,077,238.89	
Long-term prepaid expenses		243,055.56	
Deferred income tax assets		19,249,475.31	16,672,092.94
Other non-current assets		270,000,000.00	
Total non-current assets		2,834,731,944.06	2,420,137,263.10
Total assets		5,285,750,978.82	4,688,931,436.70
Current liabilities			
Short-term borrowings		1,030,006,883.57	710,502,077.23
Bills payable		603,403,515.62	383,690,165.06
Accounts payable	14	570,841,701.67	616,716,194.34
Advance receipts		25,837,981.59	20,713,521.63
Salaries payable		18,425,303.12	19,905,460.32
Taxes payable		33,669,386.02	35,749,257.97
Interests payable		6,968,896.69	5,557,955.40
Dividends payable			
Other payables		24,475,042.80	22,561,056.57
Total current liabilities		2,313,628,711.08	1,815,395,688.52
Non-current liabilities			
Deferred income tax liabilities		11,603,555.23	11,518,019.83
Other non-current liabilities		7,232,000.00	9,040,000.00
Total non-current liabilities		18,835,555.23	20,558,019.83
Total liabilities		2,332,464,266.31	1,835,953,708.35
Shareholders' equity			
Share capital		797,848,400.00	398,924,200.00
Capital reserve		849,500,658.42	1,248,424,858.42
Surplus reserve		168,908,489.86	157,965,274.48
Undistributed profit		1,073,097,098.79	989,669,698.87
Foreign currency translation differences		62,065.54	30,361.41
Total equity attributable to shareholders of the Company		2,889,416,712.61	2,795,014,393.18

Minority interests		63,869,999.90	57,963,335.17
Total shareholders' equity		2,953,286,712.51	2,852,977,728.35
Total liabilities and shareholders' equity		5,285,750,978.82	4,688,931,436.70

CONSOLIDATED STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2012

	2012						
	Attributable to the shareholders of the Company					Minority interests	Total equity
	Share capital	Capital reserve	Surplus reserve	Undistributed profit	Translation differences		
I. Balance at the end of the previous year	398,924,200.00	1,248,424,858.42	157,965,274.48	989,669,698.87	30,361.41	57,963,335.17	2,852,977,728.35
II. Changes in the current year							
(1) Net profit	-	-	-	134,263,035.30	-	5,903,142.04	140,166,177.34
(2) Other comprehensive income	-	-	-	-	31,704.13	3,522.69	35,226.82
Sub-total of (1) and (2)	-	-	-	134,263,035.30	31,704.13	5,906,664.73	140,201,404.16
(3) Shareholder's capital injection and capital reduction							
1. Capital injection from shareholders							
2. Equity settled share expenses charged to equity							
3. Others							
(4) Profit distribution							
1. Transfer to surplus reserves	-	-	10,943,215.38	(10,943,215.38)	-	-	-
2. Distribution to shareholders	-	-	-	(39,892,420.00)	-	-	(39,892,420.00)
3. Others	-	-	-	-	-	-	-
(5) Transfer of shareholders' equity							
1. Transfer of capital reserve to share capital	398,924,200.00	(398,924,200.00)	-	-	-	-	-
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-
3. Surplus reserves making up of losses	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
III. Balance at the end of the current year	797,848,400.00	849,500,658.42	168,908,489.86	1,073,097,098.79	62,065.54	63,869,999.90	2,953,286,712.51

	2011						
	Attributable to the shareholders of the Company					Minority interests	Total equity
	Share capital	Capital reserve	Surplus reserve	Undistributed profit	Translation differences		
I. Balance at the end of the previous year	398,924,200.00	1,248,406,190.92	140,393,447.06	898,749,873.79	(483,325.64)	57,212,973.80	2,743,203,359.93
II. Changes in the current year							
(1) Net profit	-	-	-	168,330,282.50	-	711,952.50	169,042,235.00
(2) Other comprehensive income	-	-	-		513,687.05	57,076.37	570,763.42
Sub-total of (1) and (2)	-	-	-	168,330,282.50	513,687.05	769,028.87	169,612,998.42
(3) Shareholder's capital injection and capital reduction							
1. Capital injection from shareholders							
2. Equity settled share expenses charged to equity							
3. Others	-	18,667.50	-	-	-	(18,667.50)	
(4) Profit distribution							
1. Transfer to surplus reserves	-	-	17,571,827.42	(17,571,827.42)	-	-	-
2. Distribution to shareholders	-	-	-	(59,838,630.00)	-	-	(59,838,630.00)
3. Others							
(5) Transfer of shareholders' equity							
1. Transfer of capital reserve to share capital							
2. Transfer of surplus reserves to share capital							
3. Surplus reserves making up of							

losses							
4. Others							
III. Balance at the end of the current year	398,924,200.00	1,248,424,858.42	157,965,274.48	989,669,698.87	30,361.41	57,963,335.17	2,852,977,728.35

1. General

The Company was established in the People's Republic of China ("**PRC**") with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and Small and Medium-sized Enterprises Board of Shenzhen Stock Exchange (the "**Shenzhen Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

The principal business of the Group is designing, manufacturing and selling petroleum extraction machinery and related accessories, including oil well pipes, oil well sucker rods, oil well pumps and oil well pumping machines.

2. Basis for preparation of financial statements

The Company's financial statements were used to be prepared in accordance with accounting principles generally accepted in Hong Kong ("**HKGAAP**") for disclosure purposes. According to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" published by the Stock Exchange in December 2010, the Company decided to prepare its financial statements in accordance with the "Accounting Standards for Business Enterprises" and other related regulations issued by the China Ministry of Finance ("**PRC Accounting Standards**").

The Group's financial statements have been prepared on a going concern basis and based on the actual transactions and matters incurred; in accordance with the PRC Accounting Standards, Information Disclosure Rule 15 of Public Offerings Company - Financial Reporting General Provisions (2010 Amendments) issued by China Securities Regulatory Commission ("**CSRC**") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) ("**Hong Kong Companies Ordinance**"); and the accounting policies and estimates of the Group.

3. Changes in accounting policies and its effect

Content and reasons for changes in accounting policies	Name of statement items affected	Amounts affected
Relevant expenses directly attributable to business combination Prior to 1 January 2010, for business combination not under common control, all relevant costs directly attributable to business combination were included in the combined financial statements as the business combination cost, and recognized as initial investment cost of long-term equity investment in the Company's financial statements. According to the requirements under "Enterprise Accounting Standard Interpretation No. 4", since 1 January 2010, for business	None	Nil

combination not under common control, all intermediate fees such as audit, legal services and assessment and consultation incurred during business combination and other relevant management fees are both included in profit or loss for the period in the combined financial statements and the company's financial statements upon occurrence.		
The Group adopts future applicable method to calculate the above changes in accounting policies.		

4. Total revenue from operations

The total revenue from operations consists of operating revenue and revenue from other operation, the operating revenue only represents the net amounts received and receivables for goods sold and services rendered by the Group to outside customers, less trade discount during the year.

Analysis of the Group's operating revenue during the year is as follows:

Products	2012	2011
Casing and Tubing	2,598,091,671.18	2,334,253,537.27
Three kinds of pumping units	83,240,409.14	78,296,157.27
Petroleum machinery	173,068,574.45	165,947,013.60
Others	50,947,946.39	105,618,832.00
Total	2,905,348,601.16	2,684,115,540.14

5. Segment information

In accordance with the disclosure requirements of 《Enterprise Accounting Standards No. 35 – Segment Reporting》(企業會計準則第35號—分部報告), operating segment has been identified on the basis of internal organization structure, management requirements and internal reporting policies. The reporting segments are determined on the basis of operating segments. An operating segment represents a component of the Group that satisfied both of the following criteria: 1) it engages in business activities from which it may earn revenue and incur expenses; and 2) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(1) Segment Reporting

According to the internal organization structure, management requirements and internal reporting system of the Group, the Group's operating segments are divided into 4 reportable segments. The Group's management regularly evaluates the operating results of these reportable segments to determine the resources to be allocated and evaluates its results. Each of the Group's reportable segments includes casing, tubing, three kinds of pumping units, petroleum machinery and others.

Segment reporting information is disclosed in accordance to the accounting policies and measurement standards adopted for reporting to the management by each segment, which are consistent with the accounting policies and measurement basis for preparing financial statements.

Transfer and transaction among segments are measured on the basis of actual transaction price. Segment income and segment expenses are recognized on the basis of actual income and expense of each segment. Segment assets or liabilities are allocated in accordance with assets attributable to such operating segment used or liabilities attributable to such operating segment incurred during normal course of operation of the operating segment.

Segment reporting information - 2012

	Casing and Tubing	Three kinds of pumping units	Petroleum machinery	Other	Unallocated Items	Intersegment elimination	Total
Operation revenue							
External transaction income	2,598,091,671.18	83,240,409.14	173,068,574.45	97,663,177.39	-	-	2,952,063,832.16
Income for inter-segment transaction	-	-	-	-	-	-	-
Total Segment Operation Revenue	2,598,091,671.18	83,240,409.14	173,068,574.45	97,663,177.39	-	-	2,952,063,832.16
Total operation revenue presented	2,598,091,671.18	83,240,409.14	173,068,574.45	97,663,177.39	-	-	2,952,063,832.16
Segment Costs	2,393,184,938.36	70,123,182.16	143,691,598.12	96,298,617.32	-	-	2,703,298,335.96
Segment operating profit	204,906,732.82	13,117,226.98	29,376,976.33	1,364,560.07	-	-	248,765,496.20
Adjustment items:							
Administrative Expenses	-	-	-	-	96,130,216.28	-	96,130,216.28
Finance expenses	-	-	-	-	37,123,383.67	-	37,123,383.67
Investment income	-	-	-	-	1,203,776.32	-	1,203,776.32
Operation profit presented	204,906,732.82	13,117,226.98	29,376,976.33	1,364,560.07	(132,049,823.63)	-	116,715,672.57
Non-operation income	-	-	-	-	49,857,539.87	-	49,857,539.87
Non-operation expenditure	-	-	-	-	718,732.89	-	718,732.89
Total Profit	204,906,732.82	13,117,226.98	29,376,976.33	1,364,560.07	(82,911,016.65)	-	165,854,479.55
Income tax	-	-	-	-	25,688,302.21	-	25,688,302.21
Net profit	204,906,732.82	13,117,226.98	29,376,976.33	1,364,560.07	(108,599,318.86)	-	140,166,177.34
Total segment assets	3,871,642,444.97	179,253,472.12	256,359,484.93	416,741,549.62	561,754,027.18	-	5,285,750,978.82
Total segment liabilities	1,134,162,295.81	21,065,646.76	69,541,809.50	59,115,178.75	1,048,579,335.49	-	2,332,464,266.31
Supplementary Information:							
Depreciation	100,042,110.26	6,058,573.01	3,265,015.65	8,526,522.75	56,873,177.77	-	174,765,399.44
Amortization	35,478,019.65	8,545.77	1,688.29	-	7,488,753.09	-	42,977,006.80
Interest Income	-	-	-	-	11,734,207.72	-	11,734,207.72

Interest cost	-	-	-	-	46,970,204.90	-	46,970,204.90
Impairment losses recognized in current year:	10,038,077.83	-	-	-	-	-	10,038,077.83
Non-current assets other than long-term equity investment	2,246,050,246.04	77,794,772.28	162,953,510.31	270,049,539.69	19,249,475.31	-	2,776,097,543.63
Capital expenditure	284,795,959.66	10,804,212.48	87,641.11	22,021,048.34	-	-	317,708,861.59
Consist of : Expenses on construction in progress	170,650,752.36	-	-	17,955,871.67	-	-	188,606,624.03
Expenses on purchase of fixed assets	30,625,194.91	5,780,518.64	87,641.11	4,065,176.67	-	-	40,558,531.33
Expenses on purchase of intangible assets	83,520,012.39	5,023,693.84	-	-	-	-	88,543,706.23
Non-cash expenses other than depreciation and amortization	-	-	-	-	-	-	-

Segment reporting information - 2011

	Casing and Tubing	Three kinds of pumping units	Petroleum machinery	Other	Unallocated items	Intersegment elimination	Total
Operation Revenue							
External transaction income	2,334,253,537.27	78,296,157.27	165,947,013.60	160,195,122.07	-	-	2,738,691,830.21
Income for inter-segment transaction	-	-	-	-	-	-	-
Total Segment Operation Revenue	2,334,253,537.27	78,296,157.27	165,947,013.60	160,195,122.07	-	-	2,738,691,830.21
Total operation revenue presented	2,334,253,537.27	78,296,157.27	165,947,013.60	160,195,122.07	-	-	2,738,691,830.21
Segment costs	2,111,666,214.36	67,047,080.77	141,583,732.74	149,947,779.69	(161,040.00)	-	2,470,083,767.56
Segment operating profit	222,587,322.91	11,249,076.50	24,363,280.86	10,247,342.38	161,040.00	-	268,608,062.65
Adjustment items:							
Administrative expenses	-	-	-	-	87,944,411.71	-	87,944,411.71
Finance expenses	-	-	-	-	14,649,473.96	-	14,649,473.96
Investment income	-	-	-	-	253,344.29	-	253,344.29

Operation Profit presented	222,587,322.91	11,249,076.50	24,363,280.86	10,247,342.38	(102,179,501.38)	-	166,267,521.27
Non-operation income	-	-	-	-	34,476,972.35	-	34,476,972.35
Non-operation expenditure	-	-	-	-	679,969.16	-	679,969.16
Total Profit	222,587,322.91	11,249,076.50	24,363,280.86	10,247,342.38	(68,382,498.19)	-	200,064,524.46
Income tax	-	-	-	-	31,022,289.46	-	31,022,289.46
Net profit	222,587,322.91	11,249,076.50	24,363,280.86	10,247,342.38	(99,404,787.65)	-	169,042,235.00
Total segment assets	3,704,280,140.19	119,942,369.19	254,215,259.92	167,608,931.75	442,884,735.65	-	4,688,931,436.70
Total segment liabilities	978,297,235.93	25,998,192.73	59,814,850.84	44,265,376.39	727,578,052.46	-	1,835,953,708.35
Supplementary Information :							
Depreciation	127,351,622.79	3,421,346.61	7,251,470.22	-	8,965,906.75	-	146,990,346.37
Amortization	21,446,606.22	-	-	376,794.69	4,112,252.89	-	25,935,653.80
Interest Income	-	-	-	-	(11,521,908.44)	-	(11,521,908.44)
Interest cost	-	-	-	-	28,496,324.62	-	28,496,324.62
Impairment losses recognized in previous year:	3,289,143.71	-	-	(234,097.44)	(161,040.00)	-	2,894,006.27
Non-current assets other than long term equity investment	2,120,244,420.03	66,547,725.59	141,046,466.49	63,045,933.94	16,672,092.94	-	2,407,556,638.99
Capital expenditure	324,648,269.44	3,072,365.76	7,431,471.53	-	66,616,209.83	-	401,768,316.56
Consist of : Expenses on construction in progress	241,059,062.92	-	-	-	14,009,879.85	-	255,068,942.77
Expenses on purchase of fixed assets	18,335,572.93	3,072,365.76	7,431,471.53	-	9,380,447.64	-	38,219,857.86
Expenses on purchase of intangible assets	65,253,633.59	-	-	-	43,225,882.34	-	108,479,515.93
Non-cash expenses other than depreciation and amortization	-	-	-	-	-	-	-

(2) External transaction income by location of income source and non-current assets by location of assets.

In 2012 and 2011, all of the Group's external transaction income was from China and overseas, while all assets were located in China, hence the external transaction income by location of income source is disclosed as follows:

Items	2012	2011
Domestic external transaction income	1,801,919,443.99	1,708,533,817.17
Foreign external transaction income	1,150,144,388.17	1,030,158,013.04
Total	2,952,063,832.16	2,738,691,830.21

6. Finance costs

Items	2012	2011
Interest expenses (bank borrowings due within one year)	50,655,585.69	28,496,324.62
Less : Capitalized interest expenses	3,685,380.79	4,746,373.93
Less : Interest income	11,734,207.72	11,521,908.44
Foreign exchange difference	(4,594,132.74)	(1,394,006.70)
Other	6,481,519.23	3,815,438.41
Total	37,123,383.67	14,649,473.96

Borrowing cost capitalized during the year is calculated by applying a capitalization rate of 6.48% (2011: 5.73%) per annum to expenditure on qualifying assets.

7. Assets impairment losses

Items	2012	2011
Provision of bad debt	(3,709,308.57)	2,227,325.85
Including: accounts receivable	(3,709,308.57)	2,227,325.85
Other accounts receivable	-	-
Provision of allowance for inventory	3,497,386.40	666,680.42
Including : Raw materials	(55,793.33)	774,172.97
Finished product	2,806,551.82	(33,984.45)
Work-in-progress	746,627.91	(73,508.10)
Impairment loss on goodwill	10,250,000.00	
Total	10,038,077.83	2,894,006.27

8. Non-operating revenue

Items	2012	2011
Total income on disposal of non-current assets	109,479.26	152,697.88
Of which: Income on disposal of fixed assets	109,479.26	152,697.88
Government grants	49,141,000.00	31,474,069.50
Income from penalty	364,282.53	1,562,707.27
Others	242,778.08	1,287,497.70
Total	49,857,539.87	34,476,972.35

9. Total profit

Total profit has been arrived at after charging (crediting):

Items	2012	2011
Staff costs (including director's remuneration)	129,303,930.85	119,973,126.87
Amortization of intangible assets	42,977,006.8	25,935,653.80
Auditors remuneration (included in administrative expenses)	1,200,000.00	1,100,000.00
Recognized cost of inventories	2,624,241,003.24	2,407,671,724.80
Depreciation on fixed assets	174,765,399.44	146,990,346.37
Research and development expenses (Included in administrative expenses)	5,616,345.55	15,057,324.94
Loss(Gain) on disposal of fixed assets	(187,450.15)	(276,322.51)

10. Income tax expenses

Items	2012	2011
Current income tax	28,180,149.18	34,107,953.83
— Hong Kong	-	120,470.56
— Chinese mainland	28,180,149.18	33,987,483.27
Deferred tax expenses	(2,491,846.97)	(3,085,664.37)
Total	25,688,302.21	31,022,289.46

The Company was subject to the PRC enterprise income tax at a rate of 15% (2011: 15%) as the Company was classified as new technology enterprise.

Hong Kong Profits Tax has been provided for the subsidiary in Hong Kong at 16.5% on the estimated assessable profits.

11. Earnings per share

Items	2012	2011
Calculated based on net profits attributable to the equity holders of the Company:		
Basic earnings per share	0.17	0.21
Diluted earnings per share	0.17	0.21
Calculated based on net profits attributable to equity holders of the Company on the going concern basis:		
Basic earnings per share	0.17	0.21
Diluted earnings per share	0.17	0.21

12. Dividends

Items	2012	2011
Dividends recognized as distribution during the year		
2012 final dividend: RMB0.05(2012:2011 final dividend RMB0.10) per ordinary share(Before taxes)	39,892,420.00	39,892,420.00

The final dividend of RMB 0.05 in respect of the year ended 31 December 2012 (2011: final dividend of RMB0.10 in respect of the year ended 31 December 2011) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

13. Accounts receivables

Items	2012	2011
Accounts receivables	460,345,374.25	469,113,379.75
Provision for bad debts	5,239,941.03	8,949,249.60
Total	455,105,433.22	460,164,130.15

Prior to the acceptance of new customers, the Group applies internal credit assessment policies to access the credit quality of potential customers and formulates credit limit. Apart from requiring new customers to pay in advance, the Group formulates different credit policies according to different customers. The credit period is generally three months, and can be extended to six months for major customers.

The following is an aged analysis of accounts receivable net of provision for bad debts:

Aging	2012	2011
Within 1 year	452,653,405.89	444,600,302.69
1 to 2 years	1,799,900.20	8,210,585.63
2 to 3 years	491,300.86	3,889,060.09
Over 3 years	160,826.27	3,464,181.74
Total	455,105,433.22	460,164,130.15

14. Accounts payables

The following is an aged analysis of accounts payables:

Aging	2012	2011
Within 1 year	506,117,449.52	554,887,296.45
1 to 2 years	44,550,531.57	41,850,903.42
2 to 3 years	6,823,230.96	5,317,135.68
Over 3 years	13,350,489.62	14,660,858.79
Total	570,841,701.67	616,716,194.34

15. Commitment

As at 31 December 2012, the Group has the capital expenditure commitment as follows:

Items	2012	2011
Contracted but not recognized in financial statements - Commitment on acquisition and construction of long-term assets	85,892,970.52	45,726,786.00

16. Contingent liabilities

In the year ended 31 December 2012 and 2011, the Company did not have significant contingent liabilities.

Annual Results

For the year ended 31 December 2012, the Group achieved revenue of RMB2,952,063,832.16, representing an increase of approximately 7.79% as compared with last year. Over the same period, the profit attributable to equity holders of the Company and earnings per share were RMB134,263,035.30 and RMB 0.17 respectively, representing approximately a decrease of 20.24% and decrease 19.05%, respectively, as compared with last year.

Business Review

The Company reported RMB2,952,063,832.16 in operating revenue for the year 2012, representing a 7.79% growth compared with the previous year. Total profit in 2012 of RMB 165,854,479.55, representing a 17.10% decrease compared with the previous year; the net profit attributable to shareholders of the Company in 2012 decreased by 20.24% as compared with the previous year to RMB134,263,035.30. The net profit of the Company after non-recurring profit and loss was RMB88,497,742.61, decreased by 36.66% compared with last year.

(1) In terms of domestic market expansion, the Group's main customers are major oil fields in the PRC, including the Daqing Oil Field (大慶油田), Changqing Oil Field (長慶油田), Xinjiang Oil Field (新疆油田), Liaohe Oil Field (遼河油田), Qinghai Oil Field (青海油田), Talimu Oil Field (塔里木油田), Huabei Oil Field (華北油田), Jidong Oil Field (冀東油田) and Jilin Oil Field (吉林油田), all of which are oil fields of PetroChina Company Limited and its subsidiaries (collectively, "**PetroChina Group**"), as well as the Shengli Oil Field (勝利油田), Zhongyuan Oil Field (中原油田), Jiangsu Oil Field (江蘇油田) and Jiangnan Oil Field (江漢油田), all of which are oil fields of China Petroleum & Chemical Corporation and its subsidiaries (collectively, "**Sinopec Group**"). During the reporting period, the Group increased its efforts to cooperate with existing oil field customers, and gained wide market evaluation. The sales to the above oil fields under the PetroChina Group and the Sinopec Group accounted for approximately 26.73% of the Group's sales revenue.

The cooperation between the Group and China National Petroleum Corporation ("CNPC") was further strengthened. During the reporting period, the non-API OCTGs received further promotion in the OCTG market and gas orders from the Xinjiang Oil Field and Southwest were mass produced. The large inner diameter tubing, simple and special buckle casing, anti twist release buckle tubing, internal coupling tubing and other new products were tested downhole successfully in the Xinjiang Oil Field, Changqing Oil Field, Huabei Oil Field, Jidong Oil Field,

Daqing Oil Field and other oilfields. The thermal recovery well tubing has also been supplied for downhole testing.

In addition, the Group's products such as oil well pipes, oil well pumps and oil well pumping machines and other products have successfully entered the northeast coalfield market to be used for coalbed methane development. Meanwhile, the sales of non-oil well tubes and seamless tubes have also increased largely while the suspension pillars tubes, vehicle cylinder market tubes and other products began to occupy major domestic markets.

(2) In terms of overseas market, during the reporting period, apart from further strengthening the existing markets and customers, the Group also continued to increase its efforts in developing its business in other regions including the Middle East, South America, North Africa and Australia. The Group has also developed new customers which are major in sales of casing and tubing, line pipe products and sucker rods. In addition, during the reporting period, the casing and tubing of the Group has achieved the product certification from many well-known international oil companies. With the development of new customers and achieving the production certifications of international oil companies, the Group has further expanded its market shares in the overseas market, and increases its popularity in the international oil drilling equipment market. Currently, the Group has established and maintained good and long-term cooperative relationships with many overseas stock companies and oil field service companies, which in turn boosted the sales of its products in the overseas markets. During the reporting period, the Group's revenue generated from exports accounted for approximately 39.59% of the Group's total sales revenue.

(3) In terms of development of new products, with the scientific research advantages of "Province-class Enterprise Technical Center of Shandong Province" and "Shandong Molong post-doctoral research station", the Group continued to strengthen its technological cooperations with research institutes such as Xi'an Jiaotong University, Northeastern University, and Xi'an Goods Research Institute of CNPC to increase its efforts to develop high-end products, expand product structures and enrich product categories. The Group has successfully developed products including the large inner diameter tube, Cr auto-CO₂ corrosion casing, and Anti-H₂S tube, Anti-hydrogen sulfide corrosion tube, extra-long and thick tube, suspension pillar tube, thin-walled high-pressure alloy tube, nickel plating anticorrosion sucker rod, acidic line pipe, and other new products which was bulk supplied to domestic and overseas customers. In particular, the research and development of the following four products including the economic gas seal threaded sleeve, ultra-high strength anti-torque sucker rod, ML140V high strength and toughness casing, large inner diameter tubing was classified as the province-level technology innovation

projects of the Shandong Province, and related research and development work have been carried out.

Moreover, the Company's patent protection of its new research and development achievements are as follows. The Company has achieved national patents in seven new product's researches including "rod anti-tripping connected device and manufacturing method", "subsequent guidance devices for seamless steel pipes and mills", "adjustable fixture for the use in three-way valves", "tooling for metal parts quenching treatment", "two-roll cross piercing roll" and "2-7/8 large internal diameter tubing" have been granted seven national patents; and the Company's three patent applications including "Cross-Roll puncher roll", "pumping unit brakes", "anti-twisting sucker rod" have officially been accepted by the State Intellectual Property Office of the PRC.

Prospects

1. The development trend of the industry to which the Company belongs and the strategic plans for the Company's future development

According to the data disclosed in the "World Energy Outlook" released by the U.S. International Energy Agency, a steady economic growth worldwide is expected and the demand for crude oil will still keep a growth trend, reaching 110 million barrels daily in the year 2025 with global oil consumption growing at the rate of 1.4% per year to the year of 2025 while the yearly growth of the oil production is 1.25%, being a little lower than the oil consumption yearly growth. Therefore from the medium to long run analysis, the scale of oil exploration and drilling special equipment industry will continue to expand, with a promising market. According to the forecast of the "World Energy Outlook" released by the U.S. International Energy Agency, China's oil consumption will maintain 3.5% growth per year to the year of 2025, which is higher than the global growth rate.

Meanwhile, the U.S. International Energy Agency states that to avoid the oil crisis and to deal with the increase in demand and the decline in the output of oil, there is a need to invest heavily in the crude oil production industry, to update the basic infrastructure and to improve the oil extraction ability of existing facilities over the next 20 years.

The Group considers that with the global economy beginning to recover, and the oil industry as one of the pillar industries of the PRC, with the government of the PRC also expressly encouraging the investment in petroleum industry in its "Twelfth Five-Year Plan", the petroleum industry will keep solid growth under these policies, and the petroleum machinery industry in which the Company operates will definitely benefit from these policies. The Group will continue

to input more resources into new projects and research and development of the technology of high end products and the production technology so as to guarantee product quality, reserve high-quality technology and enhance accessory production capacity. Subject to ensuring the continuing growth in the domestic market, the Group will continue to consolidate the overseas markets.

2. In line with its strategic plans, the work of the Company will focus on the following areas in 2012

1、In respect of product research and development, the Group plans to further enhance its efforts on the research and development of high value-added products and non-API products of self propriety series. The Group will continue to place its focus on the development of new products such as high-end aluminum casing (strong and high bearable), strong anti-pressure+anti-H₂S corrosion casing, L80-9Cr anti-CO₂ corrosion casing, ultra 13Cr and anti- H₂S+CO₂ corrosion casing, ML110-9Cr anto-CO₂ corrosion casing, API acid conduit pipes, economy special thread casing, and anti-corrosion special casing satisfy customized needs for the development of oil, natural gas, shale Gas, and Coalbed Methane of various kinds of domestic and foreign customers.

2、In respect of new product exploration, the Group will actively research on suitable products of higher level in accordance with the special requirement and development trend of natural gas, shale gas, and coalbed methane by the market. For coalbed methane exploration equipment, the Group has already formulated its foundation and will research on appropriate low-cost product with better customization on users, thus enhancing our competitive edges in the industry.

3、In respect of production capacity, base on the operation in 2011, with the high-end equipment performance, the “180mm Special Project” combined with the research and development of high-end productions, improved the Company’s production capacity, and enhance the profitability and market competitiveness of the Company.

4、In respect of domestic market, the Group will further strengthen the good cooperation relationship with CNPC Group, Sinopec Group, CNOOC, and Yanchang Petroleum, expanded the markets of shale gas and Coalbed Methane equipment, safety device for coal mining industry, and high-pressure boiler tube.

5、In respect of foreign market, the Group will thoroughly consider the trading policy of various oil producing nations and the development and demand of overseas regional market, increasing the development in markets such as South America, Middle East and Africa to diversify its market concentration. Meanwhile, long-term co-operation with foreign inventory operators with market resources, service advantages and good reputations will also be reinforced, and the market

share will be improved.

Significant Investments

In the year ended 31 December 2012, The Company did not have any significant investments.

Acquisition and Disposals during the Year and Future Investment Plans

In the year ended 31 December 2012, the Group did not have other relevant acquisition, disposals or significant investment plans.

Corporate Governance

The Company is committed to the establishment of a good corporate governance standard. The principles of corporate governance adopted by the Company emphasize a quality Board, sound internal control, and transparency and accountability to all shareholders. For the year ended 31 December 2012, the Company has complied with all the former and revised code provisions, and where applicable the recommended best practices of the “Code on Corporate Governance Practices” as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Please refer to the Corporate Governance Report in the Annual Report for the year ended 31 December 2011 for more details.

The Audit Committee (its members include three independent non-executive directors of the Company) held four meetings in the year of 2012 to discuss such matters as the accounting standards and practices adopted by the Group, internal control and financial reporting matters, and reviewed the audited annual results for the year ended 31 December 2012.

Director’s Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules and requires the Directors to follow the Model Code while conducting securities transactions. Such requirements also apply to the Company’s management. The Company has made specific enquiries to all Directors and has confirmed that all of the Directors have complied with the required standard of securities transactions by the Directors set out in the Model Code for the year of 2012.

Purchase, sale or redemption of securities

Neither the Company nor its subsidiary has purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2012.

Closure of Register of Members of H Shares

The register of members of H shares of the Company (“**H Shares**”) will be closed from 30 April 2013 to 31 May 2013 (both days inclusive) during which period no transfer of the H Shares will be effected. In order to be entitled to attend and vote at the forthcoming annual general meeting and the class meetings of the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the registrar for H Shares (for holders of H Shares), Tricor Investor Services Limited, at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 29 April 2013.

Publication of the Results Announcement and the Annual Report on the website of Stock Exchange

This announcement is published on the website of the Stock Exchange. The annual report for the year ended 31 December 2012 will be dispatched to shareholders as soon as possible and will be available on the company’s website at <http://www.molonggroup.com> and the website of the Stock Exchange and Shenzhen Stock Exchange.

By order of the Board of Directors

Zhang En Rong

Chairman

Shandong, the PRC

28 March 2013

As at the date of this announcement, the Board is comprised of Mr. Zhang En Rong, Mr. Zhang Yun San, Mr. Lin Fu Long and Mr. Xie Xin Cang as executive directors of the Company, Mr. Xiao Qing Zhou and Mr. Guo Hong Li as non-executive directors of the Company and Mr. John Paul Cameron, Ms Wang Chun Hua and Mr. Chau Shing Yim David as independent non-executive directors of the Company.

* *For identification purpose only*