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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

HIGHLIGHTS

- For the period Under Review, the revenue of the Group amounted to RMB1139.35 million, which represents decrease of approximately 28.07% as compared with the same period last year.
- Profit attributable to equity holders of the Company amounted to RMB45.60 million which represents decrease of approximately 39.76% as compared with the same period last year.
- Earnings per share of the Group amounted to RMB0.06, representing a decrease by approximately 40% as compared with the same period last year.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013.

The board of directors (the "**Board**") of Shandong Molong Petroleum Machinery Company Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2013 (the "**Period Under Review**") together with comparative figures for the corresponding period in 2012. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee..

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

* *For identification purpose only*

UNAUDITED CONSOLIDATED INCOME STATEMENTS

For the six months ended 30 June 2013

	Note	Six months ended 30 June 2013 (unaudited)	2012 (unaudited)
Total revenue from operations		**1,139,353,466.09**	1,583,899,848.87
Total costs of operations		**1,099,442,066.62**	1,497,142,271.85
Operating cost		**1,015,901,005.30**	1,419,132,930.05
Business tax and surcharges		**874,949.27**	672,508.07
Selling expenses		**23,752,807.70**	26,312,929.90
Administrative expenses		**48,140,892.36**	41,699,748.99
Finance costs		**12,032,644.85**	9,959,090.74
Asset impairment losses		**(1,260,232.86)**	(634,935.90)
Gains from changes in fair value			
Investment income		**1,028,962.27**	—
Including: Gains from investment in associates and joint ventures		**1,028,962.27**	—
Operating profit		**40,940,361.74**	86,757,577.02
Add: Non-operating income		**11,988,474.60**	16,004,114.85
Less: Non-operating expenses		**611,300.07**	479,652.08
Total profit		**52,317,536.27**	102,282,039.79
Less: Income tax expenses		**7,895,402.71**	19,655,252.20
Net profit		**44,422,133.56**	82,626,787.59
Other comprehensive income		**181,834.08**	(2,418,976.09)
Total comprehensive income		**44,603,967.64**	80,207,811.50
Net profit attributable to			
Shareholders of the Company		**45,601,697.63**	75,704,983.45
Minority interests		**(1,179,564.07)**	6,921,804.14
Total comprehensive income attributable to			
Shareholders of the Company		**45,765,348.29**	75,042,371.21
Minority interests		**(1,161,380.65)**	5,165,440.29
Earnings per share:			
Basic earnings per share		**0.06**	0.10
Diluted earnings per share		**N/A**	N/A
Dividends		**N/A**	N/A

UNAUDITED CONSOLIDATED BALANCE SHEETS

As at 30 June 2013

	Note	As at 30 June 2013 (unaudited)	As at 31 December 2012 (audited)
Current assets			
Cash and bank balances		**679,735,766.21**	483,870,151.44
Bills receivable		**194,832,249.29**	197,194,589.32
Accounts receivable	*13*	**605,804,312.82**	455,105,433.22
Prepayments		**177,641,736.47**	33,896,626.16
Dividends receivable		**—**	—
Other receivable		**20,392,895.61**	18,953,847.29
Inventory		**1,264,821,124.84**	1,220,618,577.83
Other current assets		**44,676,255.41**	41,379,809.50
Total current assets		**2,987,904,340.65**	2,451,019,034.76
Non-current assets			
Long-term equity investment		**59,663,362.70**	58,634,400.43
Fixed assets		**1,787,694,255.86**	1,833,866,660.51
Construction in progress		**352,030,159.01**	134,351,091.69
Construction materials		**—**	—
Intangible assets		**352,667,437.67**	378,586,638.46
Goodwill		**132,723,383.21**	132,723,383.21
Deferred income tax assets		**20,683,579.84**	19,249,475.31
Research and Development expense		**65,487,507.94**	7,077,238.89
Long-term deferred expenses		**201,388.92**	243,055.56
Gains and losses from assets to be processed		**—**	—
Other non-current assets		**284,530,000.00**	270,000,000.00
Total non-current assets		**3,055,681,075.15**	2,834,731,944.06
Total assets		**6,043,585,415.80**	5,285,750,978.82

	Note	As at 30 June 2013 (unaudited)	As at 31 December 2012 (audited)
Current liabilities			
Short-term borrowings		**1,195,807,024.00**	1,030,006,883.57
Bills payable		**679,550,356.73**	603,403,515.62
Accounts payable		**524,588,457.94**	570,841,701.67
Advance receipts		**56,042,988.35**	25,837,981.59
Salaries payable		**12,740,013.34**	18,425,303.12
Taxes payable		**22,945,608.40**	33,669,386.02
Interests payable		**5,894,400.49**	6,968,896.69
Dividends payable		**—**	—
Other payables		**35,218,264.82**	24,475,042.80
Non-current liabilities due within 1 year		**—**	—
Total current liabilities		**2,532,787,114.07**	2,313,628,711.08
Net current assets		**455,117,226.58**	137,390,323.68
Total assets less current liabilities		**3,510,798,301.73**	2,972,122,267.74
Non-current liabilities			
Long-term loans		**—**	—
Deferred income tax liabilities		**11,483,621.58**	11,603,555.23
Other non-current liabilities		**5,424,000.00**	7,232,000.00
Total non-current liabilities		**512,907,621.58**	18,835,555.23
Total liabilities		**3,045,694,735.65**	2,332,464,266.31
Shareholders' equity			
Share capital		**797,848,400.00**	797,848,400.00
Capital reserve		**849,500,658.42**	849,500,658.42
Surplus reserve		**168,908,489.86**	168,908,489.86
Undistributed profit		**1,118,698,796.42**	1,073,097,098.79
Foreign currency translation differences		**225,716.20**	62,065.54
Total equity attributable to shareholders of the Company		**2,935,182,060.90**	2,889,416,712.61
Minority interests		**62,708,619.25**	63,869,999.90
Total shareholders' equity		**2,997,890,680.15**	2,953,286,712.51

UNAUDITED CONSOLIDATED STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2013

	2013						
	Attributable to the shareholders of the Company						
	Share capital	Capital reserve	Surplus reserve	Undistributed profit	Others	Minority interests	Total equity
As at 1 Jan 2013 (audited)	**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**
Net profit	—	—	—	**45,601,697.63**	—	**(1,179,564.07)**	**44,422,133.56**
Other comprehensive income	—	—	—	—	**163,650.66**	**18,183.42**	**181,834.08**
Total comprehensive income	—	—	—	—	—	—	—
Capital injection from shareholders	—	—	—	—	—	—	—
Equity settled share expenses charged to equity	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—
Profit distribution	—	—	—	—	—	—	—
Transfer to surplus reserves	—	—	—	—	—	—	—
Distribution to shareholders	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—
Transfer of shareholders' equity	—	—	—	—	—	—	—
Transfer of capital reserve to share capital	—	—	—	—	—	—	—
Transfer of surplus reserves to share capital	—	—	—	—	—	—	—
Surplus reserves making up of losses	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—
As at 30 June 2012 (unaudited)	**797,848,400.00**	**849,500,658.42**	**168,908,489.86**	**1,118,698,796.42**	**225,716.20**	**62,708,619.25**	**2,997,890,680.15**

	2012						
	Attributable to the shareholders of the Company						
	Share capital	Capital reserve	Surplus reserve	Undistributed profit	Others	Minority interests	Total equity
As at 1 Jan 2012 (audited)	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
Net profit	—	—	—	75,704,983.45	—	6,921,804.14	82,626,787.59
Other comprehensive income	—	—	—	—	(662,612.24)	(1,756,363.85)	(2,418,976.09)
Total comprehensive income	—	—	—	—	—	—	—
Capital injection from shareholders	—	—	—	—	—	—	—
Equity settled share expenses charged to equity	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—
Profit distribution	—	—	—	—	—	—	—
Transfer to surplus reserves	—	—	—	—	—	—	—
Distribution to shareholders	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—
Transfer of shareholders' equity	—	—	—	—	—	—	—
Transfer of capital reserve to share capital	—	—	—	—	—	—	—
Transfer of surplus reserves to share capital	—	—	—	—	—	—	—
Surplus reserves making up of losses	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—
As at 30 June 2012 (unaudited)	398,924,200.00	1,248,424,858.42	157,965,274.48	1,065,374,682.32	(632,250.83)	63,128,775.46	2,933,185,539.85

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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 "Hong Kong Stock Exchange") and Small and Medium-sized Enterprises Board of Shenzhen Stock Exchange. The address of the registered office of the Company is at No. 999 Wensheng Street, Shouguang City, Shandong province, the PRC.

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

During the Period under Review, the principal activities of the Group are the design, manufacture and sale of 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 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. TOTAL OPERATING REVENUE

Total operating revenue contains operating revenue and income from other business. Operating revenue only represents the net amounts received and receivables for goods sold and services rendered by the Group to outside customers, less trade discounts during terms of capacity promotion.

Analysis of the Group's operating revenue during the Period under Review is as follows:

	For the six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Casing and Tubing	**1,020,856,745.38**	1,413,174,306.16
Three kinds of pumping units	**35,900,532.73**	33,999,074.87
Petroleum machinery	**54,415,772.25**	89,591,133.53
Others	**9,634,984.44**	27,054,938.82
Total	**1,120,808,034.80**	1,563,819,453.38

4. 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: it engages in business activities from which it may earn revenue and incur expenses; and 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 and 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 — for the six months ended 30 June 2013 (unaudited)

	Casing and Tubing	Three kinds of pumping units	Petroleum machinery	Other	Unallocated items	Inter-segment elimination	Total
Operation Revenue							
External transaction income	**1,020,856,745.38**	**35,900,532.73**	**54,415,772.25**	**28,180,415.73**	**—**	**—**	**1,139,353,466.09**
Income for inter-segment transaction	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total segment operation revenue	**1,020,856,745.38**	**35,900,532.73**	**54,415,772.25**	**28,180,415.73**	**—**	**—**	**1,139,353,466.09**
Total operation revenue presented	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Segment costs	**941,290,995.28**	**29,666,942.48**	**41,531,724.71**	**27,164,150.53**	**(385,283.59)**	**—**	**1,039,268,529.41**
Segment operating profit	**79,565,750.10**	**6,233,590.25**	**12,884,047.54**	**1,016,265.20**	**385,283.59**	**—**	**100,084,936.68**
Adjustment items:	**—**	**—**	**—**	**—**	**59,144,574.94**	**—**	**59,144,574.94**
Administrative expenses	**—**	**—**	**—**	**—**	**48,140,892.36**	**—**	**48,140,892.36**
Finance expenses	**—**	**—**	**—**	**—**	**12,032,644.85**	**—**	**12,032,644.85**
Investment income	**—**	**—**	**—**	**—**	**1,028,962.27**	**—**	**1,028,962.27**
Operation profit presented	**79,565,750.10**	**6,233,590.25**	**12,884,047.54**	**1,016,265.20**	**(58,759,291.35)**	**—**	**40,940,361.74**
Non-operation income	**—**	**—**	**—**	**—**	**11,988,474.60**	**—**	**11,988,474.60**
Non-operation expenditure	**—**	**—**	**—**	**—**	**611,300.07**	**—**	**611,300.07**
Total Profit	**79,565,750.10**	**6,233,590.25**	**12,884,047.54**	**1,016,265.20**	**(47,382,116.82)**	**—**	**52,317,536.27**
Income tax	**—**	**—**	**—**	**—**	**7,895,402.71**	**—**	**7,895,402.71**
Net profit	**79,565,750.10**	**6,233,590.25**	**12,884,047.54**	**1,016,265.20**	**(55,277,519.53)**	**—**	**44,422,133.56**
Total segment assets	**5,188,658,410.72**	**157,421,345.63**	**310,204,557.17**	**18,492,049.39**	**368,809,052.89**	**—**	**6,043,585,415.80**
Total segment liabilities	**2,441,426,804.19**	**56,224,437.16**	**124,310,432.11**	**10,419,427.21**	**413,313,634.97**	**—**	**3,045,694,735.65**
Supplementary Information:							
Depreciation	**78,372,606.77**	**3,093,626.51**	**2,453,607.96**	**1,400,874.08**	**2,446,111.59**	**—**	**87,766,826.91**
Amortize	**24,406,915.91**	**3,319.13**	**1,142,017.26**	**—**	**370,848.49**	**—**	**25,923,100.79**
Interest Income	**—**	**—**	**—**	**—**	**5,159,060.24**	**—**	**5,159,060.24**
Interest cost	**—**	**—**	**—**	**—**	**22,261,341.50**	**—**	**22,261,341.50**
Impairment losses recognized in previous year:	**(1,260,232.86)**	**—**	**—**	**—**	**—**	**—**	**(1,260,232.86)**
Non-current assets other than long-term equity investment	**2,572,200,346.79**	**78,039,294.12**	**153,779,302.16**	**9,167,158.85**	**182,831,610.53**	**—**	**2,996,017,712.45**
Capital expenditure	**239,276,778.68**	**3,075,097.23**	**—**	**6,024,197.78**	**—**	**—**	**248,376,073.69**
Consist of: Expenses on construction in progress	**232,758,206.81**	**—**	**—**	**6,020,297.78**	**—**	**—**	**238,778,504.59**
Expenses on purchase of fixed assets	**6,518,571.87**	**3,075,097.23**	**—**	**—**	**—**	**—**	**9,593,669.10**
Expenses on purchase of intangible assets	**—**	**—**	**—**	**3,900.00**	**—**	**—**	**3,900.00**
Non-cash expenses other than depreciation and amortization	**—**	**—**	**—**	**—**	**—**	**—**	**—**

Segment reporting information — for the six months ended 30 June 2012(unaudited)

	Casing and Tubing	Three kinds of pumping units	Petroleum machinery	Other	Unallocated items	Inter-segment elimination	Total
Operation Revenue							
External transaction income	1,413,174,306.16	33,999,074.87	89,591,133.53	47,135,334.32	—	—	1,583,899,848.88
Income for inter-segment transaction	—	—	—	—	—	—	—
Total segment operation revenue	1,413,174,306.16	33,999,074.87	89,591,133.53	47,135,334.32	—	—	1,583,899,848.88
Total operation revenue presented							
Segment costs	1,300,304,025.70	29,711,487.80	71,206,899.05	44,895,955.48	(634,935.90)	—	1,445,483,432.12
Segment operating profit	112,870,280.46	4,287,587.07	18,384,234.48	2,239,378.84	634,935.90	—	138,416,416.75
Adjustment items:	—	—	—	—	51,658,839.73	—	51,658,839.73
Administrative expenses	—	—	—	—	41,699,748.99	—	41,699,748.99
Finance expenses	—	—	—	—	9,959,090.74	—	9,959,090.74
Investment income	—	—	—	—	—	—	—
Operation profit presented	112,870,280.46	4,287,587.07	18,384,234.48	2,239,378.84	(51,023,903.83)	—	86,757,577.02
Non-operation income	—	—	—	—	1,6004,114.85	—	16,004,114.85
Non-operation expenditure	—	—	—	—	479,652.08	—	479,652.08
Total Profit	112,870,280.46	4,287,587.07	18,384,234.48	2,239,378.84	(35,499,441.06)	—	102,282,039.79
Income tax	—	—	—	—	19655252.20	—	—
Net profit	112,870,280.46	4,287,587.07	18,384,234.48	2,239,378.84	(55,154,693.26)	—	82,626,787.59
Total segment assets	3,787,102,779.56	112,108,978.03	38,0081,989.87	1,014,272,327.50	—	—	5,293,566,074.96
Total segment liabilities	1,518,919,730.59	28,095,497.65	117,496,046.39	690,359,152.55	—	—	2,354,870,427.18
Supplementary Information:							
Depreciation	—	73,835,973.71	2,361,985.44	4,332,683.56	—	3,604,596.67	8,4135,239.38
Amortize	—	15,162,266.57	—	—	363,559.74	2,818,672.56	18,344,498.87
Interest Income	—	—	—	—	6,574,096.58	—	6,574,096.58
Interest cost	—	—	—	—	16,452,952.57	—	16,452,952.57
Impairment losses recognized in previous year:	—	—	—	—	(634,935.90)	—	(634,935.90)
Non-current assets other than long-term equity investment	1,530,955,933.43	36,832,742.55	97,058,145.53	51,063,849.26	—	—	1,715,910,670.77
Capital expenditure	—	191,589,022.34	2,004,416.54	519,450.68	—	1,556,146.41	195,669,035.97
Consist of: Expenses on construction in progress	—	68,405,808.86	—	—	—	—	68,405,808.86
Expenses on purchase of fixed assets	—	123,183,213.48	2,004,416.54	519,450.68	—	1,543,756.41	127,250,837.11
Expenses on purchase of intangible assets	—	—	—	—	—	12,390.00	12,390.00
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**

All of the Group's external transaction income were 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:

	For the six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Domestic external transaction income	**722,744,093.24**	1,016,933,259.77
Foreign external transaction income	**398,063,941.56**	546,886,193.61
Total	**1,120,808,034.80**	1,563,819,453.38

5. FINANCE COSTS

	For the six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Interest expenses	**24,902,683.26**	17,773,875.85
Less: Capitalized interest expenses	**—**	—
Less: Interest income	**7,430,144.02**	6,579,104.94
Foreign exchange difference	**(10,510,248.69)**	(5,533,369.04)
Other	**5,070,354.30**	4,297,688.87
Total	**12,032,644.85**	9,959,090.74

6. ASSETS IMPAIRMENT LOSSES

	For the six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Provision of bad debt	**—**	(634,935.90)
Including: accounts receivable	**—**	(634,935.90)
Other accounts receivable	**—**	—
Provision of allowance for inventory	**(1,260,232.86)**	—
including: Raw materials	**—**	—
Entrusted processing materials	**—**	—
Finished product	**(1,260,232.86)**	—
Work-in-progress	**—**	—
Total	**(1,260,232.86)**	(634,935.90)

7. NON-OPERATING REVENUE

	For the six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Total income on disposal of non-current assets	**90,760.10**	5,290.87
Of which: Income on disposal of fixed assets	**90,760.10**	5,290.87
Government grants	**11,485,000.00**	15,730,000.00
Income from penalty	**412,714.50**	268,823.98
Others	**—**	—
Total	**11,988,474.60**	16,004,114.85

8. TOTAL PROFIT

	For the six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Total profit is arrived at after charging/(crediting):		
Staff costs (including director's remuneration)	**67,057,851.86**	54,706,072.86
Amortisation of intangible assets	**25,559,047.18**	17,914,253.06
Auditors remuneration (included (in administrative expenses)	**—**	—
Recognised cost of inventories	**1,015,901,005.30**	1,419,132,930.05
Depreciation on fixed assets	**105,560,372.61**	83,654,451.69
Research and development expenses (Included in administrative expenses)	**2,417,386.96**	4,212,028.08
Loss(Gain) on disposal of fixed assets	**509,717.08**	171,125.77

9. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Current income tax		
— PRC	**9,289,137.13**	19,403,270.80
Deferred tax expenses	**(1,393,734.42)**	251,981.40
Total	**7,895,402.71**	19,655,252.20

The Company was subject to the PRC enterprise income tax at a rate of 15% (2012: 15%) as the Company was classified as a new technology enterprise.

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

10. EARNINGS PER SHARE

	For the six months ended 30 June 2013 (unaudited)	2012 (unaudited)
Calculated based on net profits attributable to the equity holders of the Company:	**45,601,697.63**	75,704,983.45
Basic earnings per share	**0.06**	0.10
Diluted earnings per share	**N/A**	N/A
Calculated based on net profits attributable to equity holders of the Company on the going concern basis:	**45,601,697.63**	75,704,983.45
Basic earnings per share	**0.06**	0.10
Diluted earnings per share	**N/A**	N/A

11. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013.

12. ACCOUNTS RECEIVABLES

	As at 30 June 2013 (unaudited)	As at 31 December 2012 (audited)
Accounts receivables	**611,044,253.85**	460,345,374.25
Less: Provision for bad debts	**5,239,941.03**	5,239,941.03
Total	**605,804,312.82**	455,105,433.22

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. Aging analysis of accounts receivables is as follows:

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

	As at 30 June 2013 (unaudited)	As at 31 December 2012 (audited)
Within 1 year	**601,306,644.33**	452,653,405.89
1 to 2 years	**2,814,869.25**	1,799,900.20
2 to 3 years	**1,682,799.24**	491,300.86
Over 3 years	**—**	160,826.27
Total	**605,804,312.82**	455,105,433.22

13. ACCOUNTS PAYABLES

The following is an aged analysis of accounts payables:

	As at 30 June 2013 (unaudited)	As at 31 December 2012 (audited)
Within 1 year	**458,443,374.57**	506,117,449.52
1 to 2 years	**38,628,034.36**	44,550,531.57
2 to 3 years	**14,604,032.48**	6,823,230.96
Over 3 years	**12,913,016.53**	13,350,489.62
Total	**524,588,457.94**	570,841,701.67

14. COMMITMENT

As at 30 June 2013, the Group has the capital expenditure commitment as follows:

	As at 30 June 2013 (unaudited)	As at 31 December 2012 (audited)
Contracted but not recognized in financial statements		
— Commitment on acquisition and construction of long-term assets	**192,716,693.29**	85,892,970.52

15. CONTINGENT LIABILITIES

During the six months ended 30 June 2013 the Company did not have significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results

During the Period under Review, the Group achieved unaudited revenue of RMB 1139.35 million, representing a decrease of approximately 28.07% as compared with the same period last year; the unaudited total profit was RMB 52.32 million, representing a decrease of approximately of 48.85%; the unaudited profit attributable to equity holders of the Company was RMB45.60 million, representing a decrease of 39.76%; and the unaudited net profit after extraordinary items was 35.94 million, representing a decrease of approximately 41.91%, as compared with the same period last year.

Business Review

In terms of domestic market expansion, the Group's main customers are major oil fields in the PRC, including CNPC Group, Sinopec Group and CNOOC Group and their oilfields. Revenue generated from sales to the oil fields under the above three major customers in aggregate accounted for 22.37% of the Group's total sales revenue.

During the Period under Review, strong anti-twist release buckle tubing was sold to Huabei Oilfield (華北油田) and Jidong Oilfield (冀東油田); strong anti-twist release buckle tubing, economic gas-sealed buckle casing, large inner diameter tubing and thermal recovery well casing were sold to CNOOC; economic sealed buckle casing, oil well bailing pipes and inner extra-thick tubes were sold to Daqing Oilfield (大慶油田); large inner diameter tubing was sold to Xinjiang Oilfield (新疆油田); thermal recovery well casing was sold to Xingang Group (新港公司); HY-grade sucker rods were sold to the Changqing Oilfield (長慶油田); economic special buckle casing was sold to Qinghai Oilfield (青海油田); Molong special thread casing and economic special thread casing were sold to Southwest Oil and Gas Field (西南油氣田); drill rods entered Ningxia, Puyang and Tianjin markets; cylinder pipes and high-pressured boiler tubes were also launched in the new markets. With the Company's debut of new products in markets and new customer engagement, our market share was further enlarged.

In terms of overseas market, the Group further strengthened the existing markets and customer base and at the same time continued to step up its efforts to expand its sales to global oil-producing areas. The Group has developed relationship with over ten new overseas customers, obtained new certification from a number of oil companies and further expanded the overseas market scope and market share. During the Period under Review, the Group's revenue generated from exports accounted for 35.52% of the Group's total sales revenue.

In terms of new product development, by leveraging its advantages, the Group increased its efforts in new product development, actively expanded the product mix, enriched product types, and sequentially developed various products, including bailing wells tubing, large inner diameter tubing, thermal recovery well casing, parallel anti-twist release buckle tubing, anti-acid oil pipes and special buckling anti-acid tubing, acidic line pipes, high-grade steel pipelines, S135 and G105 drill rods, high-precision cold-drawn pipes, ball valves, three-way valves, check valves, C5 valves, anti-corrosion ring valve, anti-gas oil pumps, anti-corrosion gas-exhaustion and injection oil pumps, ultra-high-strength sucker rods and extra-thick inner tubing couplings etc., all of which successfully completed trial production and were sold to domestic and foreign markets. In addition, the Company's research and development of X65QS high-grade steel anti-acid pipelines, research and development of the production method of clean steels and research and development of ML110TS H2S-resistant and strong anti-pressure casing were approved as new innovation projects in Shandong. In particular, the "production method of clean steels" has obtained the national invention patent.

Prospects

According to the data disclosed in "World Energy Outlook" released by the U.S. International Energy Agency, assuming a steady economic growth worldwide, the demand for crude oil will reach 110 million barrels daily in the year 2025 with the annual growth rate of global oil consumption of 1.4%, and annual growth rate of the oil production of 1.25%, a little lower than the oil consumption annual growth. So in the long run, the scale of oil exploration and drilling special equipment industry will continue to expand and the future of the market is promising. China's oil consumption will maintain a 3.5% growth, which will be higher than the global record.

According to the oil demand forecasts done by several major oil companies, during the "12th Five-Year" period, China's average annual demand for oil well pipes will reach approximately 3.2 million tons. Tarim Basin and Sichuan-Chongqing region remain as the major battlefields where PetroChina and Sinopec compete vigorously. While CNOOC will intensively develop its deep sea oil explorations, the specifications for oil well pipes will tend to be more complex and sophisticated, this will generate demand for a lot of new high performance oil well pipes to meet special operation conditions. During the "12th Five-Year" period, Changqing Oilfield will be built in "Western Daqing" (西部大慶) while the development of low pressure and low permeability oil and gas blocks in Ordos Basins will be further strengthened. The annual demand for economic oil casing will reach 1.3 to 1.4 million tons. In the meantime, China will vigorously promote the exploration and development of coalbed methane by employing low-cost strategy, and therefore this will generate demand for a great number of economic non-API standard oil casing.

The Group expects that the energy equipment industry will continue to expand in mid-long term with promising market prospect. In the future, the Company will put more resources into the research and development of high-end product technology and production skills, ensure product quality, build up its high-end technology reserves, expand production capacity of ancillary equipment, and, under the premise of maintaining a steady growth in the domestic market, actively expand its market share in the international market.

SIGNIFICANT INVESTMENTS

During the Period under Review, the Group did not engage in any major investment projects.

ACQUISITION AND DISPOSALS DURING THE PERIOD UNDER REVIEW AND FUTURE INVESTMENT PLANS

During the Period under Review, the Group did not have other relevant acquisition, disposals or significant investment plans.

CORPORATE GOVERNANCE

The Company is committed to a good standard of corporate governance. The principles of corporate governance adopted by the Company emphasize on a quality Board, sound internal control, and transparency and accountability of all shareholders. During the Period under Review, the Company has complied with all the 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") of the Hong Kong Stock Exchange. None of the Directors is aware of any information that would reasonably suggest that the Company is not or was not in compliance with the Code at any time during the Period under Review.

AUDIT COMMITTEE

The Audit Committee (its members include three independent non-executive directors of the Company) held one meeting during the Period under Review to discuss such matters as the accounting standards and practices adopted by the Group, internal control and financial reporting matters, and reviewed the interim results for the six months ended 30 June 2013.

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 Company's directors (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 reporting period.

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 Period under Review.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND THE INTERIM REPORT ON THE WEBSITE OF THE HONG KONG STOCK EXCHANGE

This announcement is published on the website of the Hong Kong Stock Exchange. The interim report for the six months ended 30 June 2013 will be dispatched to shareholders at the appropriate time and will be available on the company's website at http://www.molonggroup.com and the website of the Hong Kong Stock Exchange and Shenzhen Stock Exchange in due course.

By order of the Board of Directors
Zhang En Rong
Chairman

Shandong, the PRC
28 August 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. Guo Huan Ran 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. Qin Xue Chang as independent non-executive Directors of the Company.

* *For identification purpose only*