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 2015

HIGHLIGHTS

For the six months ended 30 June 2015, the revenue of the Group amounted to RMB1,097.65 million, which represents a decrease of approximately 17.90% as compared with the corresponding period last year.

Profit attributable to shareholders of the Company amounted to RMB10.31 million, which represents an increase of approximately 11.64% as compared with the corresponding period last year.

Earnings per share of the Group amounted to RMB0.01, remaining the same as last year .

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015.

The board of directors (the "**Board**") of Shandong Molong Petroleum Machinery Company Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2015.

The financial information set out in this announcement does not constitute the Group's financial statements as required by statue, but represents an extract from such financial statements. The financial information for the six months ended 30 June 2015 is compiled in accordance with the "Accounting Standards for Enterprises" issued by the Ministry of Finance of the People's Republic of China (the "**PRC Accounting Standards**") and other relevant provisions, and has been reviewed by the audit committee of the Company (the "**Audit Committee**") but has not been reviewed by the Group's external auditors.

Unless otherwise specified, the financial information of the Company is stated in Renminbi ("**RMB**").

UNAUDITED CONSOLIDATED INCOME STATEMENTS

For the six months ended 30 June 2015

	Note	Six months ended 30 June 2015 (unaudited)	2014 (unaudited)
Total revenue from operations	*3&4*	1,097,649,636.91	1,336,912,993.10
Total costs of operations		1,116,139,349.13	1,330,862,303.49
Operating cost		909,522,428.13	1,184,701,686.19
Business tax and surcharges		7,768,756.07	8,981,611.25
Selling expenses		122,469,789.17	74,614,125.24
Administrative expenses		62,563,240.66	47,661,443.49
Finance costs	*5*	13,815,135.10	22,041,420.84
Asset impairment losses	*6*		(7,137,983.52)
Gains from changes in fair value			
Investment income		1,326,825.71	1,738,261.51
Including: Gains from investment in associates and joint ventures		1,326,825.71	1,738,261.51
Operating profit		(17,162,886.51)	7,788,951.12
Add: Non-operating income	*7*	23,740,893.66	4,045,212.49
Less: Non-operating expenses		67,851.83	390,543.95
Total profit	*8*	6,510,155.32	11,443,619.66
Less: Income tax expenses	*9*	7,501,818.28	3,497,384.22
Net profit		(991,662.96)	7,946,235.44
Other comprehensive income		26,563.42	(110,512.71)
Total comprehensive income		(965,099.54)	7,835,722.73
Net profit attributable to			
Shareholders of the Company		10,313,286.91	9,237,809.23
Minority interests		(11,304,949.87)	(1,291,573.79)
Total comprehensive income attributable to			
Shareholders of the Company		10,338,342.23	9,138,347.80
Minority interests		(11,303,441.77)	(1,302,625.07)
Earnings per share:	*10*		
Basic earnings per share		0.01	0.01
Diluted earnings per share		N/A	N/A
Dividends	*11*	N/A	N/A

UNAUDITED CONSOLIDATED BALANCE SHEETS

As at 30 June 2015

	Note	As at 30 June 2015 (unaudited)	As at 31 December 2014 (audited)
Current assets			
Cash and bank balances		580,181,629.70	615,209,216.38
Bills receivable		74,668,073.14	90,685,848.66
Accounts receivable	*12*	634,980,591.35	608,640,409.68
Prepayments		49,052,150.53	40,431,669.87
Interest receivable		3,728,887.81	2,670,703.33
Dividends receivable			
Other receivable		44,959,979.30	48,859,721.67
Inventory		893,359,288.60	1,019,069,690.68
Other current assets		42,522,293.51	48,939,615.27
Total current assets		2,323,452,893.94	2,474,506,875.54
Non-current assets			
available-for-sale financial assets		10,000,000.00	10,000,000.00
Long-term equity investment		51,182,847.42	54,356,021.71
Fixed assets		1,733,662,549.52	1,827,767,103.63
Construction in progress		916,178,982.41	853,004,896.75
Construction materials			
Intangible assets		453,214,513.06	478,528,348.61
Goodwill		83,483,383.21	83,483,383.21
Deferred income tax assets		45,672,049.68	43,762,193.71
Research and Development expense		30,428,367.36	
Long-term deferred expenses		34,722.36	76,389.00
Gains and losses from assets to be processed			
Other non-current assets		279,665,909.28	219,015,483.87
Total non-current assets		3,603,523,324.30	3,569,993,820.49
Total assets		5,926,976,218.24	6,044,500,696.03
Current liabilities			
Short-term borrowings		1,379,459,840.30	1,414,805,321.00
Bills payable		487,080,249.79	426,865,457.13
Accounts payable	*13*	650,620,192.05	705,325,418.59
Advance receipts		61,691,679.99	151,391,041.52
Salaries payable		26,069,704.93	26,372,504.82
Taxes payable		27,623,908.08	10,334,086.93
Interests payable		7,766,670.60	21,635,356.93
Other payables		25,882,039.11	24,879,654.35
Other current liability		1,808,000.00	1,808,000.00
Non-current liabilities due within 1 year			
Total current liabilities		2,668,002,284.85	2,783,416,841.27
Net current assets		(344,549,390.91)	(308,909,965.73)
Total assets less current liabilities		3,258,973,933.39	3,261,083,854.76
Non-current liabilities			
Bonds payable		498,777,777.75	498,111,111.09

Deferred income tax liabilities		10,913,779.58	10,917,268.07
Other non-current liabilities			1,808,000.00
Total non-current liabilities		509,691,557.33	510,836,379.16
Total liabilities		3,177,693,842.18	3,294,253,220.43
Shareholders' equity			
Share capital		797,848,400.00	797,848,400.00
Capital reserve		849,500,658.42	849,500,658.42
Surplus reserve		176,686,903.51	176,686,903.51
Undistributed profit		880,250,494.35	869,937,207.44
Other comprehensive income		337,217.12	312,161.80
Total equity attributable to shareholders of the Company		2,704,623,673.40	2,694,285,331.17
Minority interests		44,658,702.66	55,962,144.43
Total shareholders' equity		2,749,282,376.06	2,750,247,475.60

UNAUDITED CONSOLIDATED STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2015

	2015						
	Attributable to the shareholders of the Company					Minority interests	Total equity
	Share capital	Capital reserve	Surplus reserve	Undistributed profit	Others		
As at 1 Jan 2015(audited)	797,848,400.00	849,500,658.42	176,686,903.51	869,937,207.44	312,161.80	55,962,144.43	2,750,247,475.60
Net profit				10,313,286.91		(11,304,949.87)	(991,662.96)
Other comprehensive income					25,055.32	1508.1	26,563.42
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 2015 (unaudited)	797,848,400.00	849,500,658.42	176,686,903.51	880,250,494.35	337,217.12	44,658,702.66	2,749,282,376.06

	2014						
	Attributable to the shareholders of the Company					Minority interests	Total equity
	Share capital	Capital reserve	Surplus reserve	Undistributed profit	Others		
As at 1 Jan 2014(audited)	797,848,400.00	849,500,658.42	168,908,489.86	857,482,430.32	363,977.13	62,017,520.78	2,736,121,476.51
Net profit				9,237,809.23		(1,291,573.79)	7,946,235.44
Other comprehensive income					(99,461.43)	(11,051.28)	(110,512.71)
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 2014 (unaudited)	797,848,400.00	849,500,658.42	168,908,489.86	866,720,239.55	264,515.70	60,714,895.71	2,743,957,199.24

NOTES TO THE UNAUDITED CONSOLIDATED FINACIAL STATEMENTS

1. General

The Company was established in the People's Republic of China ("**PRC**" or "**China**") with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**HKEx**") and the Small and Medium-sized Enterprises Board of Shenzhen Stock Exchange. The registered office address of the Company is No.999 Wensheng Street, Shouguang City, Shandong province, PRC, and the principal place of business of the Company in Hong Kong is Suite A, 11th Floor, Ho Lee Commercial Building, 38-44 D'Aguilar Street Central, Hong Kong.

The unaudited consolidated financial statements are presented in RMB, and RMB is also the functional currency of the Company.

During the six months ended 30 June 2015, the Group is principally engaged in 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 the financial statements

The financial statements have been prepared on the going-concern basis and transactions and events actually occurred in accordance with the "Accounting Standard for Business Enterprises" promulgated by the Ministry of Finance of the People's Republic of China and relevant requirements (Collectively "Accounting Standard for Business Enterprises"), and China Securities Regulatory Commission's "Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15-General Provisions on Financial Reports (2014 Revision)" and the provisions regarding disclosure pursuant to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies Ordinance of Hong Kong, as well as the accounting policies and estimation as stated in "Significant Accounting Policies and Accounting Estimation".

3. Total operating revenue

Total operating revenue includes the operating revenue and income from other business. Operating revenue only represents the net amounts received and receivables from customers outside the Group for goods sold and services rendered by the Group less trade discounts.

Analysis of the Group's operating revenue during the six months ended 30 June 2015 is as follows:

For the six months ended 30 June (unaudited):

	2015	2014
Casing and Tubing	1,002,014,064.10	1,190,148,591.51
Three kinds of pumping units	22,556,421.78	32,793,410.66
Petroleum machinery	61,180,702.89	80,534,107.31
Others	791,430.32	20,056,840.56
Total	1,086,542,619.09	1,323,532,950.04

4. Segment information

（1）Confirmation basis and accounting policy of the segment reporting

Confirmation basis of the segment reporting

According to the internal organizational structure, management requirements and internal reporting system of the Group, the Group’s operating segments are divided into 4 reporting segments. The Group’s management regularly evaluates the operating results of these reporting segments to determine the resources to be allocated and to evaluate its results. The main products of each of the Group’s reporting segments include casing and tubing, three kinds of pumping units, petroleum machinery and others.

Accounting policy of the segment reporting

The information from the reporting segments are disclosed in accordance with the accounting policies and measurement standards adopted when reporting to the management of the Group, which are consistent with the accounting policies and measurement standards adopted in the preparation of the financial statements.

Information from reporting segment - for the six months ended 30 June 2015 (unaudited)

	Casing and Tubing	Three kinds of pumping units	Petroleum machinery	Other	Unallocated items	Inter-segment elimination	Total
Operation Revenue							
External transaction income	1,001,170,579.14	22,556,421.79	61,180,702.89	12,741,933.09			1,097,649,636.91
Income for inter-segment transaction							-
Total segment operation revenue	1,001,170,579.14	22,556,421.79	61,180,702.89	12,741,933.09			1,097,649,636.91
Total operation revenue presented							-
Segment costs	945,465,583.57	16,781,353.73	54,316,932.31	23,197,103.76			1,039,760,973.37
Segment operating profit	55,704,995.57	5,775,068.06	6,863,770.58	(10,455,170.67)			57,888,663.54
Adjustment items:					75,051,550.05		75,051,550.04
Administrative expenses					62,563,240.66		62,563,240.66
Finance expenses					13,815,135.10		13,815,135.10
Investment income					1,326,825.71		1,326,825.71
Operation profit presented	55,704,995.57	5,775,068.06	6,863,770.58	(10,455,170.67)	(75,051,550.05)		(17,162,886.51)
Non-operation income					23,740,893.66		23,740,893.66
Non-operation expenditure					67,851.83		67,851.83
Total Profit	55,704,995.57	5,775,068.06	6,863,770.58	(10,455,170.67)	(51,378,508.22)		6,510,155.32
Income tax					7,501,818.28		7,501,818.28
Net profit	55,704,995.57	5,775,068.06	6,863,770.58	(10,455,170.67)	(58,880,326.50)		(991,662.96)
T)otal segment ass	4,959,024,534.02	106,698,324.30	249,069,732.30	38,667,694.26	573,515,933.36		5,926,976,218.24
Total segment liabilities	1,229,551,210.57	21,783,654.50	101,456,302.30	814,590.94	1,824,088,083.87		3,177,693,842.18
Supplementary Information：							
Depreciatio	86,564,594.83	2,976,119.05	3,891,828.46	3,251,814.89	1,493,134.11		98,177,491.34
Amortize	22,691,842.69	6,486.66	1,177,075.04		1,438,431.16		25,313,835.55
Interest Income					(9,328,891.00)		(9,328,891.00)0
Interest cost					23,144,026.10		23,144,026.10
Impairment losses recognized in previous year:							
Non-current assets other than long-term equity investment	2,814,159,002.25	83,409,135.59	112,263,704.20	32,045,857.66	500,462,777.18		3,542,340,476.88
Capital expenditure	66,843,311.50			403,711.38			67,247,022.88
Consist of：Expenses on construction in progress	63,023,306.32			150,779.34			63,174,085.66

Expenses on purchase of fixed assets	3,820,005.18			252,932.04			4,072,937.22
Expenses on purchase of intangible assets							
Non-cash expenses other than depreciation and amortization							

Information from reporting segment - for the six months ended 30 June 2014 (unaudited)

	Casing and Tubing	Three kinds of pumping units	Petroleum machinery	Other	Unallocated items	Inter-segment elimination	Total
Operation Revenue							
External transaction income	1,190,148,591.51	32,793,410.66	80,534,107.31	33,436,883.62			1,336,912,993.10
Income for inter-segment transaction							-
Total segment operation revenue	1,190,148,591.51	32,793,410.66	80,534,107.31	33,436,883.62			1,336,912,993.10
Total operation revenue presented							-
Segment costs	1,136,185,785.32	28,815,275.97	66,057,277.32	30,101,100.55			1,261,159,439.16
Segment operating profit	53,962,806.19	3,978,134.69	14,476,829.99	3,335,783.07			75,753,553.94
Adjustment items:					67,964,602.82		67,964,602.82
Administrative expenses					47,661,443.49		47,661,443.49
Finance expenses					22,041,420.84		22,041,420.84
Investment income					1,738,261.51		1,738,261.51
Operation profit presented	53,962,806.19	3,978,134.69	14,476,829.99	3,335,783.07	(67,964,602.82)		7,788,951.12
Non-operation income					4,045,212.49		4,045,212.49
Non-operation expenditure					390,543.95		390,543.95
Total Profit	53,962,806.19	3,978,134.69	14,476,829.99	3,335,783.07	(64,309,934.28)		11,443,619.66
Income tax					3,497,384.22		3,497,384.22
Net profit	53,962,806.19	3,978,134.69	14,476,829.99	3,335,783.07	(67,807,318.50)		7,946,235.44
Total segment assets	4,746,280,987.08	147,982,605.76	239,553,801.3	38,658,947.49	999,093,570.67		6,171,569,912.37
Total segment liabilities	1,181,334,471.77	26,792,630.10	59,401,875.96	7,578,345.74	2,152,505,389.56		3,427,612,713.13
Supplementary Information：							
Depreciation	83,053,518.09	2,855,407.08	3,733,975.14	3,119,920.65	1,432,572.30		94,195,393.26
Amortize	22,015,993.16	6,293.46	1,142,017.26		1,395,589.20		24,559,893.08
Interest Income					14,523,350.81		14,523,350.81
Interest cost					(31,193,690.50)		(31,193,690.50)
Impairment losses recognized in previous year:	(6,517,389.13)	(179,580.45)	(441,013.94)				(7,137,983.52)
Non-current assets other than long-term equity	2,662,181,143.12	86,191,542.73	125,489,684.36	46,397,014.49	401,101,871.98		3,321,361,256.67
Capital expenditure	208,794,445.68			1,437,679.51			210,232,125.19
Consist of：Expenses on construction in progress	194,094,491.68			464,359.00			194,558,850.68
Expenses on purchase of fixed assets	14,699,954.00			973,320.51			15,673,274.51
Expenses on purchase of intangible assets							
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 came from China and overseas, while all of the Group's 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 (unaudited)

	2015	2014
Domestic external transaction income	560,412,631.44	754,028,407.37
Foreign external transaction income	526,129,987.65	569,504,542.67
Total	1,086,542,619.09	1,323,532,950.04

5. Finance costs

For the six months ended 30 June (unaudited)

	2015	2014
Interest expenses	41,653,998.56	41,564,796.39
Less：Capitalized interest expenses	20,157,475.19	9,578,507.03
Less：Interest income	9,328,890.99	19,612,130.10
Foreign exchange difference	(5,679,564.59)	5,010,282.98
Other	7,327,067.31	4,656,978.60
Total	13,815,135.10	22,041,420.84

6. Assets impairment losses

For the six months ended 30 June (unaudited)

	2015	2014
Provision of bad debt		
Including: Accounts receivable		
Other accounts receivable		
Provision of allowance for inventory		(7,137,983.52)
Including：Raw materials		
Entrusted processing materials		
Finished product		(7,137,983.52)
Work-in-progress		
Total		(7,137,983.52)

7. Non-operating income

For the six months ended 30 June (unaudited)

	2015	2014
Total income on disposal of non-current assets		613,516.80
Of which: Income on disposal of fixed assets		613,516.80
Government grants	23,150,709.22	2,787,036.89
Income from penalty	590,184.44	644,658.80
Others		
Total	23,740,893.66	4,045,212.49

8. Total profit

For the six months ended 30 June (unaudited)

	2015	2014

Total profit is calculated after charging/(crediting):		
Staff costs (including director's remuneration)	64,110,969.87	69,053,399.82
Amortization of intangible assets	24,941,953.50	24,013,943.25
Auditors remuneration (included (in administrative expenses)	1,037,735.82	
Recognized cost of inventories	909,522,428.13	1,184,701,686.19
Depreciation on fixed assets	98,086,059.69	94,756,189.28
Research and development expenses (Included in administrative expenses)	2,889,404.59	2,449,460.09
Loss(Gain) on disposal of fixed assets	41,384.21	(414,493.60)

9. Income tax expenses

For the six months ended 30 June (unaudited)

	2015	**2014**
Current income tax	9,252,946.59	5,127,881.14
— PRC		
Deferred tax expenses	(1,751,128.31)	(1,630,496.92)
Total	7,501,818.28	3,497,384.22

The Company is subject to the PRC enterprise income tax at a rate of 15% (2014: 15%) as the Company is classified as a new technology enterprise.

The Company is a subsidiary in Hong Kong and is subject to Hong Kong profits tax at a rate of 16.5% on its estimated assessable profits.

10. Earnings per share

For the six months ended 30 June (unaudited)

	2015	**2014**
Calculated based on net profits attributable to the equity holders of the Company:	10,313,286.91	9,237,809.23
Basic earnings per share	0.01	0.01
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:	10,313,286.91	9,237,809.23
Basic earnings per share	0.01	0.01
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 2015

12. Accounts receivables

	As at 30 June 2015 (unaudited)	**As at 31 December 2014 (audited)**
Accounts receivables	647,731,751.60	621,391,569.93
Less: Provision for bad debts	12,751,160.25	12,751,160.25

Total	634,980,591.35	608,640,409.68

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 limits. 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, but can be extended to six months for major customers.

The aging analysis of accounts receivables (net of provision for bad debts) is as follows:

	As at 30 June 2015 (unaudited)	As at 31 December 2014 (audited)
Within 1 year	608,224,900.16	576,617,038.85
1 to 2 years	23,080,532.04	29,538,088.45
2 to 3 years	3,508,567.64	2,318,690.87
Over 3 years	166,591.51	166,591.51
Total	634,980,591.35	608,640,409.68

13. Accounts payables

The aging analysis of accounts payables is as follows:

	As at 30 June 2015 (unaudited)	As at 31 December 2014 (audited)
Within 1 year	565,012,934.10	611,213,678.55
1 to 2 years	57,417,724.86	62,410,570.50
2 to 3 years	13,162,675.40	14,625,194.89
Over 3 years	15,026,857.69	17,075,974.65
Total	650,620,192.05	705,325,418.59

14. Capital Commitment

As at 30 June 2015, the capital expenditure commitment of the Group is as follows:

	As at 30 June 2015 (unaudited)	As at 31 December 2014(audited)
Contracted but not recognized in financial statements - Commitment on acquisition and construction of long-term assets	295,812,874.32	44,227,063.52

15. Contingent liabilities

During the six months ended 30 June 2015, the Company did not have any significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results

During the six months ended 30 June 2015, the Group's unaudited revenue reached RMB1,097.65 million, representing a decrease of approximately 17.90% as compared with the corresponding period last year; the unaudited total profit was RMB6.51 million, representing a decrease of approximately of 43.11% compared with the corresponding period last year; the unaudited profit attributable to shareholders of the Company was RMB10.31 million, representing an increase of 11.64% compared with the corresponding period last year; and the unaudited net profit after extraordinary items was RMB-9.83 million, representing a decrease of approximately 260.77%, as compared with the corresponding period last year.

Business Review

In terms of domestic market, the Group’s major customers are major oil fields in the PRC, including 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), under 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 Jianghan Oil Field (江漢油田), under China Petroleum & Chemical Corporation and its subsidiaries (collectively, “Sinopec Group”). During the reporting period, the Group developed closer business cooperation with existing oil field customers and gained positive feedback. The sales to the above oil fields under the PetroChina Group and the Sinopec Group accounted for approximately 10.05% of the Group’s main operating revenue.

For overseas market, the Group continued to develop its business in the West Asia, South America, Middle East, and North Africa, during the reporting period and develop new customers relationship by mainly selling casing and tubing, line pipe products and sucker rods. In addition, the Group has obtained production certificates for its products in many national oil companies which are in Kuwait, Bolivia, Abu Dhabi, Nigeria etc., during the reporting period. With the new customers’ development and obtaining the production certificates from national oil companies, the Group has further increased its market shares in the overseas markets, and popularity in the international oil drilling equipment market. Currently, the Group has established and maintained good and long-term cooperative relationships with many overseas oil suppliers and oil field service companies, which result in raising the sales in the overseas markets. During the reporting period, the Group’s revenue derived from exports accounted for approximately 48.42% of the Group’s total sales revenue.

For new products development, with the scientific research advantages of “Province-level Enterprise Technical Center of Shandong Province” and “Shandong Molong post-doctoral research station”, the Group continued to strengthen its technological cooperation with various research institutes to increase its efforts to develop high-end products, expand product structures and enrich product categories. During the reporting period, the Company obtained (i) three patent authorization certificates for a torsion resistant sucker rod (patent for invention), a hot-rolling seamless pipe oriented cooling equipment, and a slide valve sand control heavy oil pump, respectively and (ii) two new products which are ML-IJ enhanced direct-connect buckle casing and MLC-FR rapid buckle casing listed in the Shandong province-level technological innovation project. The Company had developed and promoted many kinds of new products, such as extended gap bridge oil well pump, anti-scale anti-gas oil well pump, 4140 alloyed cylinder pipe, 37Mn/1 cylinder pipe, 55Mn2 high wear resistant steel pipe, ML140V high strength and high toughness casing, 355*10mm and 377*10mm large diameter thin-walled pipe, D6 valve and precision casting etc., to the market. Continuous development and introduction of new products to the market enable the Company to respond swiftly, thus enhancing our resistance to risk.

Prospects

According to the data disclosed in "World Energy Outlook" released by the U.S. International Energy Agency which expects a steady economic growth worldwide, the demand for crude oil will still keep a growth trend, and it will reach daily 110 million barrels in the year 2025 with global oil consumption yearly growth of 1.4%, and yearly growth of the oil production is 1.25%, slightly lower than the oil consumption yearly growth. China's oil consumption will remain 3.5% growth, higher than the global record. Since the second half of 2008, the global demand of oil is affected by the financial crisis and has declined slightly. As the two biggest oil consuming countries in the world, the United States and China have adopted a positive policy to support petroleum recovering: on September 27, 2008, the U.S. Congress has lifted the ban on offshore oil drilling which has already been maintained for 27 years. In the "Twelfth five-year plan for national economic and social development program", China clearly pointed out the need to increase the intensity of oil and gas resources exploration and development, steady domestic oil production, promote the rapid growth of gas production, promote the development and utilization of coal bed methane, shale gas and other unconventional oil and gas resources.

According to the oil demand forecasts done by several major oil companies, during the "Twelfth 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 markets 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 and this will generate demand for a lot of new high performance oil well pipes to meet special operation conditions. During the "Twelfth 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 l.3 to 1.4 million tons. In the meantime, China will vigorously promote the exploration and development of natural gas, shale gas and coal bed 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 prospects. 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 six months ended 30 June 2015, the Group did not any major investment projects.

Acquisition and Disposals during the six months ended 30 June 2015 and Future Investment Plans

During the six months ended 30 June 2015, the Group did not have other relevant acquisitions, disposals or significant investment plans.

Corporate Governance

The Company is committed to establishing good corporate governance. The principles of corporate governance adopted by the Company emphasize a high quality Board, sound internal control, and transparency and accountability to relevant parties of the business. During the six months ended 30 June 2015, the Company has complied with all the code provisions, and where applicable, adopted the recommended best practices of the "Corporate Governance Code and Corporate Governance Report" as set out in Appendix 14 of the Rules Governing the Listing of Securities on the HKEx (the "**Listing Rules**").. None of the directors of the Company (the "**Directors**") are aware of any information that would reasonably suggest that the Company is not or was not in compliance with the code provisions at any time during the six months ended 30 June 2015.

Audit Committee

The Audit Committee (its members include three independent non-executive Directors) held one meeting during the six months ended 30 June 2015 to discuss matters, such as the accounting standards and practices adopted by the Group, internal control and financial reporting matters, and review the interim results for the six months ended 30 June 2015. Based on the discussions in the meeting, the Audit Committee was satisfied that the financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 June 2015. The interim results have not been reviewed by the auditors of the Company.

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 as set out in the Model Code for the six months ended 30 June 2015 .

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 six months ended 30 June 2015.

Publication of the Results Announcement and the Interim Report on the website of the HKEx

This announcement is published on the website of the HKEx. The interim report for the six months ended 30 June 2015 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 HKEx and Shenzhen Stock Exchange in due course.

By order of the Board of Directors

Zhang En Rong

Chairman

Shandong, the PRC

28 August 2015

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, Mr. Xiao Qing Zhou and Mr. Guo Hong Li as non-executive Directors and Mr. John Paul Cameron, Ms. Wang Chun Hua and Mr. Qin Xue Chang as independent non-executive Directors.

* *For identification purpose only*