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 RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

HIGHLIGHTS

- For the year ended 31 December 2015, the revenue of the Group amounted to RMB1,613,917,735.08,which represents a decrease of approximately 36.01% as compared with last year.
- Loss attributable to equity holders of the Company amounted to RMB259,565,004.32 as compared with a profit of RMB20,233,190.77 last year.
- Losses per share of the Company amounted to RMB0.33 as compared with earnings per share of the Company of RMB0.03 last year.
- The board does not recommend the payment of final dividend for the year ended 31 December 2015.

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 2015.

The financial information set out in this announcement below does not constitute the Group's statutory financial statements for the year ended 31 December 2015, 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, Shinewing Certified Public Accountants Ltd., Certified Public Accountants, the People's Republic of China (the"PRC").

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

CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December 2015

	Note	**2015**	2014
Total revenue from operations		**1,613,917,735.08**	2,522,102,479.29
Including: operating revenue	*4*	**1,613,917,735.08**	2,522,102,479.29
Total costs of operations		**1,936,568,687.67**	2,509,982,965.81
Including: Operating cost		**1,495,373,781.61**	2,134,769,069.63
Business tax and surcharges		**11,261,460.10**	15,529,085.94
Selling expenses		**124,886,386.85**	156,540,037.32
Administrative expenses		**175,105,370.71**	143,541,730.67
Finance costs	*6*	**49,163,255.55**	51,351,540.56
Asset impairment losses	*7*	**80,778,432.85**	8,251,501.69
Add: Gains from changes in fair value			
Investment income		**(1,127,461.14)**	3,474,237.41
Including: Gains from investment in associates and joint ventures		**(1,127,461.14)**	3,474,237.41
Operating (loss)profit		**(323,778,413.73)**	15,593,750.89
Add: Non-operating income	*8*	**26,700,315.46**	6,545,592.41
Less: Non-operating expenses		**1,394,815.53**	650,263.05
Including: Loss from disposal of non-current assets		**86,303.29**	495,243.76
Total (loss) profit	*9*	**(298,472,913.80)**	21,489,080.25
Less: Income tax (credit)expenses	*10*	**(11,973,966.90)**	7,232,414.63
Net (loss) profit		**(286,498,946.90)**	14,256,665.62
Net (loss) profit attributable to shareholders of the Company		**(259,565,004.32)**	20,233,190.77
Net loss attributable to minority interests		**(26,933,942.58)**	(5,976,525.15)
(Losses) earnings per share:	*11*		
Basic (losses) earnings per share		**(0.33)**	0.03
Diluted (losses) earnings per share		**(0.33)**	0.03
Other comprehensive expense		**(1,660,759.37)**	(130,666.53)
Total comprehensive (expense) income		**(288,159,706.27)**	14,125,999.09
Total comprehensive(expense) income attributable to owners of the Company		**(261,139,341.87)**	20,181,375.44
Total comprehensive expense attributable to minority interests		**(27,020,364.40)**	(6,055,376.35)
Dividends	*12*	0.00	0. 00

CONSOLIDATED BALANCE SHEETS

As at 31 December 2015

	Note	2015	2014
Current assets			
Cash and bank balances		**349,815,773.50**	615,209,216.38
Bills receivable		**46,101,762.76**	90,685,848.66
Accounts receivable	*13*	**497,239,999.28**	608,640,409.68
Loans and advances		**136,329,884.59**	-
Prepayments		**12,063,262.16**	40,431,669.87
Interestsreceivable		**4,594,396.68**	2,670,703.33
Other receivables		**87,823,154.76**	48,859,721.67
Inventories		**903,784,288.00**	1,019,069,690.68
Other current assets		**79,270,918.94**	48,939,615.27
Total current assets		**2,117,023,440.67**	2,474,506,875.54
Non-current assets			
Available-for-sale financial assets		**10,030,000.00**	10,000,000.00
Long-term equity investment		**2,783,902.87**	54,356,021.71
Fixed assets		**1,291,476,197.17**	1,827,767,103.63
Construction-in-progress		**1,710,795,797.18**	853,004,896.75
Intangible assets		**468,806,719.84**	478,528,348.61
Goodwill		**68,483,383.21**	83,483,383.21
Research and development expenditure		**-**	-
Long-term deferred expenses		**-**	76,389.00
Deferred income tax assets		**60,918,666.99**	43,762,193.71
Other non-current assets		**120,862,615.68**	219,015,483.87
Total non-current assets		**3,734,157,282.94**	3,569,993,820.49
Total assets		**5,851,180,723.61**	6,044,500,696.03
Current liabilities			
Short-term borrowings		**1,469,055,063.41**	1,414,805,321.00
Bills payable		**304,242,384.43**	426,865,457.13
Accounts payable	*14*	**904,789,898.53**	705,325,418.59
Receipts in advance		**43,005,331.88**	151,391,041.52
Salaries payable		**26,953,318.48**	26,372,504.82
Taxes payable		**7,387,844.14**	10,334,086.93
Interests payable		**17,853,069.32**	21,635,356.93
Dividends payable		**-**	-
Other payables		**23,979,858.24**	24,879,654.35
Non current liabilities due within one year		**499,444,444.41**	-
Other current liabilities		**1,808,000.00**	1,808,000.00
Total current liabilities		**3,298,519,212.84**	2,783,416,841.27
Non-current liabilities			
Bonds payable		**-**	498,111,111.09
Deferred income tax liabilities		**14,576,914.87**	10,917,268.07
Other non-current liabilities		**-**	1,808,000.00
Total non-current liabilities		**14,576,914.87**	510,836,379.16
Total liabilities		**3,313,096,127.71**	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
General risk reserve		**11,236.91**	-
Retained profits		**610,372,203.12**	869,937,207.44
Other comprehensive income		**(1,262,175.75)**	312,161.80
Total equity attributable to shareholders of the Company		**2,433,157,226.21**	2,694,285,331.17
Minority interests		**104,927,369.69**	55,962,144.43
Total shareholders' equity		**2,538,084,595.90**	2,750,247,475.60
Total liabilities and shareholders' equity		**5,851,180,723.61**	6,044,500,696.03

CONSOLIDATED STATEMENT OF CHANGE IN SHAREHOLDERS'EQUITY

For the year ended 31 December 2015

	2015								
	Equity attributable to the shareholders of the Company							**Minority interests**	**Total equity**
	Share capital	**Capital reserve**	**Surplus reserve**	General risk reserve	Appropriative reserve	**Retained profits**	Other comprehensive income		
I .Balance at the end of the previous year	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
II. Changes in the current year	-	-	-	11,236.91	-	(259,565,004.32)	(1,574,337.55)	48,965,225.26	(212,162,879.70)
(1)Net loss	-	-	-	-	-	(259,565,004.32)	(1,574,337.55)	(27,020,364.40)	(288, 159, 706. 27)
(2) Other comprehensive income	-	-	-	-	-	-	-	-	-
Sub-total of (1) and (2)	-	-	-	-	-	(259,565,004.32)	(1,574,337.55)	(27,020,364.40)	(288,159,706.27)
(3) Shareholder's capital injection and capital reduction	-	-	-	-	-	-	-	75,964,721.12	75,964,721.12
1. Capital injection from shareholders	-	-	-	-	-	-	-	-	-
2. Equity settled share expenses charged to equity	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-
(4) Profit distribution	-	-	-	-	-	-	-	75,964,721.12	75,964,721.12
1. Transfer to surplus reserves	-	-	-	-	-	-	-	-	-
2. Distribution to shareholders	-	-	-	-	-	-	-	-	-
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 offsetting against losses	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	--	-	-	-
(6) Appropriative reserve	-	-	-	-	-	-	-	-	-
1.Extract of current year	-	-	-	-	9,312,806.09	-	-	996,827.31	10,309,633.40
2.Usage of current year	-	-	-	-	9,312,806.09	-	-	996,827.31	10,309,633.40
(7) Others	-	-	-	11,236.91	-	-	-	20,868.54	32,105.45
III. Balance at the end of the current year	797,848,400.00	849,500,658.42	176,686,903.51	11,236.91	-	610,372,203.12	(1,262,175.75	104,927,369.70	2,538,084,595.90

	2014						
	Equity attributable to the shareholders of the Company						
	Share Capital	Capital reserve	Surplus reserve	Retained profits	Other comprehensive income	Minority interests	Total equity
I.Balance at the end of the previous year	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
II.Changes in the current year	-	-	7,778,413.65	12,454,777.12	（51,815.33）	（6,055,376.35）	14,125,999.09
(1)Net profit (loss)	-	-	-	20,233,190.77	（51,815.33）	（5,976,525.15）	14,204,850.29
(2)Other comprehensive expense	-	-	-	-	-	（78,851.20）	（78,851.20）
Sub-total of (1) and (2)	-	-	-	20,233,190.77	（51,815.33）	（6,055,376.35）	14,125,999.09
(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	-	-	7,778,413.65	（7,778,413.65）	-	-	
1. Transfer to surplus reserves	-	-	7,778,413.65	（7,778,413.65）	-	-	-
2. Distribution to shareholders	-	-	-		-	-	
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 setting off against losses	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
Ⅲ. Balance at the end of the current year	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

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 "Company Profile" section to the annual report.

The consolidated financial statements are presented in 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,casing and oil well pumping machines.

2. Basis for preparation of 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 Estimates".

3. Changes in accounting policies and its effect

There are no significant changes in accounting policies for the reporting period .

4. Total revenue from operations

The total revenue from operations consists of operating revenue and revenue from other operations, the Group's operating revenue for the year represents the net amounts received, receivables for goods sold and services rendered to the customers, taking into account the amount of any trade discount allowed.

The following is an analysis of the Group's operating revenue during the year is as follows:

Products	**2015**	**2014**
Casing and Tubing	**1,455,669,482.04**	2,197,356,107.07
Three kinds of pumping units	**44,075,407.13**	69,191,280.09
Petroleum machinery parts	**80,706,851.84**	163,457,880.46
Others	**1,7147,878.84**	25,555,992.22
Total	**1,597,599,619.85**	2,455,561,259.84

5. Segment information

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.

（1）Segment Reporting

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.

Segment reporting information–2015

	Casing and Tubing	Three kinds of pumping units	Petroleum machinery part	Others	Unallocated items	Inter-segment elimination	Total
Operating revenue							
External income	1,455,669,482.0	44,075,407.0	80,706,851.8	33,465,994.07			1,613,917,735
Inter-segment income							
Total segment income	1,455,669,482.0	44,075,407.0	80,706,851.8	33,465,994.07			1,613,917,735
Total operating income	1,455,669,482.0	44,075,407.0	80,706,851.8	33,465,994.07			1,613,917,735
Segment costs	1,553,034,388.8	41,329,369.	71,562,375.7	46,373,927.05			1,712,300,061.
Segment (loss)profit	(97,364,906.81)	2,746,037.3	9,144,476.09	(12,907,932.9)			(98,382,326.33)
Adjusting items:							
Administrative expenses					175,105,370.7		175,105,370.7
Finance costs					49,163,255.55		49,163,255.55
Investment income					1,127,461.14		1,127,461.14
Operating (loss)profit	(97,364,906.81)	2,746,037.3	9,144,476.09	(12,907,932.9)	(225,396,087).		(323,778,413.7)
Non-operating income					26,700,315.46		26,700,315.46
Non-operating expenses					1,394,815.53		1,394,815.53
Total (loss) profit	(97,364,906.81)	2,746,037.3	9,144,476.09	(12,907,932.9)	(200,090,587).		(298,472,913.8)
Income tax credit					(11,973,966.9)		(11,973,966.90)
Net (loss) profit	(97,364,906.81)	2,746,037.3	9,144,476.09	(12,907,932.9)	(188,116,620).		(286,498,946.9)
Total segment assets	4,832,069,634.4	115,153,065	244,990,477.	199,613,985.9	459,353,559.5		5,851,180,723.
Total segment liabilities	1,336,552,214.5	26,453,556.	150,561,469.	4,595,463.83	1,794,933,422		3,313,096,127.
Supplementary information:							
Depreciation	178,958,306.95	5,807,021.65	2,213,815.31	2,951,810.42	8,497,416.83		198428371.16
Amortization	66,336,911.98	14,434.76	2,205,020.52		8,571,073.26		77,127,440.52
Interest income					(13,376,172.5)		(13,376,172.52)
Finance cost					62,539,428.07		62,539,428.07

Impairment losses recognised in current year:	80,778,432.85						80,778,432.85
Non-current assets excluding long-term equity investment	3,382,683,962.8	46,963,667.	96,675,900.1	52,751,287.40	152,298,562.3		3,731,373,380.
Capital expenditure	246,520,711.44	3,987,834.0	123,759.84	5,144,195.00			255,776,500.3
including: Construction-in-progress	200,651,485.77	108,547.01					200,760,032.7
Purchase of fixed assets	15,110,813.92	3,879,287.0	123,759.84				19,113,860.81
Purchase of intangible assets	30,758,411.75						30,758,411.75
Purchase of stock rights				5,144,195.00			5,144,195.00

Segment reporting information-2014

	Casing and Tubing	Three kinds of pumping units	Petroleum machinery parts	Others	Unallocated items	Inter-segment elimination	Total
Operating revenue							
External income	2,241,750,781.30	69,191,280.09	163,457,880.46	47,702,537.44			2,522,102,479.29
Inter-segment income							
Total segment income	2,241,750,781.30	69,191,280.09	163,457,880.46	47,702,537.44			2,522,102,479.29
Total operating income	2,241,750,781.30	69,191,280.09	163,457,880.46	47,702,537.44			2,522,102,479.29
Segment costs	2,093,634,178.12	60,544,611.07	131,363,480.51	29,547,424.88			2,315,089,694.58
Segment profit	148,116,603.18	8,646,669.02	32,094,399.95	18,155,112.56			207,012,784.71
Adjusting items:							
Administrative expenses					143,541,730.67		143,541,730.67
Finance costs					51,351,540.56		51,351,540.56
Investment income					（3,474,237.41）		（3,474,237.41）
Operating profit	148,116,603.18	8,646,669.02	32,094,399.95	18,155,112.56	（191,419,033.82)		15,593,750.89
Non-operating income					6,545,592.41		6,545,592.41
Non-operating expenses					650,263.05		650,263.05
Total profit (loss)	148,116,603.18	8,646,669.02	32,094,399.95	18,155,112.56	（185,523,704.46）		21,489,080.25
Income tax expenses					7,232,414.63		7,232,414.63
Net profit (loss)	148,116,603.18	8,646,669.02	32,094,399.95	18,155,112.56	（192,756,119.09）		14,256,665.62
Total segment assets	4,930,172,985.61	152,283,696.52	281,271,940.03	35,803,688.45	644,968,385.42		6,044,500,696.03
Total segment liabilities	1,362,823,090.25	31,622,334.33	56,278,472.14	4,801,246.95	1,838,728,076.76		3,294,253,220.43
Supplementary information:							
Depreciation	179,040,501.35	5,793,742.86	4,677,985.67	6,439,756.74			195,951,986.62
Amortization	45,420,050.03	78,449.30	2,467,520.93	5,982.96			47,972,003.22
Interest income					（24,336,634.20）		（24,336,634.20）
Finance cost					75,688,174.76		75,688,174.76

Impairment losses recognised in current year:	7,412,553.28	594,152.90	244,795.51				8,251,501.69
Non-current assets excluding long-term equity investment	3,158,218,979.24	52,853,468.29	138,960,215.81	18,359,558.52	147,245,576.92		3,515,637,798.78
Capital expenditure	279,852,512.70	11,532,552.00	283,782.05				291,668,846.75
including: Construction-in-progress	211,190,237.36	11,458,300.00	283,782.05				222,932,319.41
Purchase of fixed assets	64,662,275.34	74,252.00					64,736,527.34
Purchase of intangible assets	4,000,000.00						4,000,000.00

(2) External income and non-current assets based on the geographical location.

In 2015 and 2014, all of the Group’s external income was sourced from PRC and overseas, while all assets were located in PRC, hence the external income by location of income source is disclosed as follows:

Items	2015	2014
Domestic external transaction income	791,549,269.47	1,364,198,107.29
Foreign external transaction income	822,368,465.61	1,157,904,372.00
Total	**1,613,917,735.08**	2,522,102,479.29

6. Finance costs

Items	2015	2014
Interest expenses (bank borrowings due wholly repayable one year)	**92,927,091.94**	97,808,043.83
Less：Interest capitalized	**41,375,851.23**	29,746,861.23
Less：Interest income	**13,376,172.52**	24,336,634.20
Foreign exchange difference	**9,059,331.49**	(286,411.27)
Other	**1,928,855.87**	7,913,403.43
Total	**49,163,255.55**	51,351,540.56

Borrowing cost capitalized during the year is capitalized at a rate of 4.64% (2014: 5.33%) per annum to the qualifying assets.

7. Assets impairment losses

Items	2015	2014
Provision of bad debt	**12,799,423.35**	1,886,970.52
Including: Accounts receivable	**12,799,423.35**	1,886,970.52
Other receivables	**-**	-
Provision of allowance for inventory	**52,575,410.96**	6,364,531.17
Including: Raw materials	**(4,034,860.58)**	(3,239,881.48)
Finished goods	**38,169,685.63**	5,481,632.29
Work-in-progress	**18,534,047.64**	3,550,326.04
Work in process-outsourced	**(93,461.73)**	572,454.32
Impairment loss on intangible asset	**-**	-

Impairment loss on loans and advances	**403,598.54**	-
Impairment loss on goodwill	**15,000,000.00**	-
Total	**80,778,432.85**	8,251,501.69

8. Non-operating income

Items	2015	2014
Gain on disposal of non-current assets	**-**	434,559.21
Including: Gain on disposal of fixed assets	**-**	434,559.21
Government grants	**24,592,306.17**	2,940,738.77
Penalty income	**357,108.06**	813955.92
Others	**1,750,901.23**	2,356,338.51
Total	**26,700,315.46**	6,545,592.41

9. Total (loss) profit

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

Items	2015	2014
Staff costs (including directors' remuneration)	**131,469,478.16**	146,614,546.76
Amortization of intangible assets	**77,127,440.52**	47,972,003.22
Auditor's remuneration(included in administrative expenses)	**1,100,000.00**	1,100,000.00
Cost of inventories recognized as expenses	**1495373781.61**	2,134,769,069.63
Depreciation on fixed assets	**198,428,371.16**	198,207,669.48
Research and development expenses (Included in administrative expenses)	**26,802,633.94**	42,601,868.62
Gain on disposal of fixed assets	**312,427.34**	（60,684.55）

10. Income tax(credit) expenses

Items	2015	2014
Current income tax expenses	**105,575.91**	4,864,581.26
—Hong Kong	**34,528.35**	770,824.16
—PRC	**71,047.56**	4,093,757.10
Deferred income tax	**（12,079,542.81）**	2,367,833.37
Total	**（11,973,966.90）**	7,232,414.63

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

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

11.(Losses)earnings per share

Items	2015	2014
Calculated based on net (loss) profit attributable to the shareholders of the Company:		
Basic (losses) earnings per share	(0.33)	0.03
Diluted (losses) earnings per share	(0.33)	0.03
Calculated based on net profits from continuing operations attributable to shareholders of the Company :		
Basic (losses) earnings per share	(0.33)	0.03
Diluted (losses) earnings per share	(0.33)	0.03

12. Dividends

Items	2015	2014
Dividends recognized and distributed during the year		
2015 final dividend: RMB0.00(2014: final dividend RMB0.00) per ordinary share(before taxes)	**0**	0

The Board does not recommend any payment of final dividend in respect of the year ended 31December 2015(2014: Nil).

13. Accounts receivable

Items	2015	2014
Accounts receivable	**522,733,882.88**	621,391,569.93
Less:Provision for bad debts	**25,493,883.60**	12,751,160.25
Total	**497,239,999.28**	608,640,409.68

Prior to accepting new customers, the Company accesses the credit quality of potential customers and offers credit limit in accordance with internal credit assessment policies. Apart from requiring new customers to pay in advance, the Company offers tailor-made credit policies to individual customers. The Company allows an average credit of 3 to 6 months to general customers and 1 year for major customers. For domestic sales, the Company recognises revenue and accounts receivable when goods are delivered to and accepted by the customers. The inclusion of relevant accounts receivable in aging analysis begins at this date. For export sales, the Company recognises revenue and accounts receivable when risk and rewards of exported goods transferred to customer under “Free on Board” (FOB) and “Carriage and Insurance Paid to” (CIP) arrangement. The inclusion of relevant accounts receivable in aging analysis begins at this date.

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

Aging	2015	2014
Within 1 year	**348,177,426.95**	576,617,038.85
1 to 2 years	**129,100,380.57**	29,538,088.45
2 to 3 years	**19,960,595.76**	2,318,690.87
Over 3 years	**1,596.00**	166,591.51
Total	**497,239,999.28**	608,640,409.68

14. Accounts payables

The following is an aged analysis of accounts payables:

Aging	2015	2014
Within 1 year	**710,217,948.35**	611,213,678.55
1 to 2 years	**147,796,667.79**	62,410,570.50
2 to 3 years	**23,762,226.63**	14,625,194.89
Over 3 years	**23,013,055.76**	17,075,974.65
Total	**904,789,898.53**	705,325,418.59

15. Commitments

At the end of the reporting period, the Group had the following capital commitment:

Items	2015	2014
Contracted but not provided -Commitment for acquisition and construction of long-term assets	**87,943,027.50**	274,402,850.94

16. Contingent liabilities

During the year ended 31 December 2015, the Company did not have any significant contingent liabilities.

Annual results

For the year ended 31 December2015, the Group achieved a revenue of RMB1,613,917,735.08, representing a decrease of approximately 36.01% as compared with last year. Over the same period, loss attributable to equity holders of the Company and loss per share were RMB259,565,004.32 and RMB0.33 respectively,representing an decrease of approximately 1382.87% and 1200.00% respectively as compared with the loss of last year.

Business review

The Company reported an operating revenue of RMB1,613,917,735.08 for the year 2015,representing an decrease of 36.01% compared with RMB2,522,102,479.29 last year.Total loss in 2015 is RMB298,472,913.8,representing an decrease of 1488.95% compared with the profit of RMB21,489,080.25 last year. The net loss attribute to shareholders of the company in 2015 is RMB259,565,004.32, representing an decrease of 1382.87% compared with the net profit of RMB20,233,190.77 last year. The net loss of the Company after non-recurring profit and loss was RMB281,474,328.22 representing an decrease of 1970.52% compared with the net profit of RMB15,047,953.20 last year.

(1) For domestic market, the Group’s oil well tubes major customers are Petro China , Sinopec , CNOOC and Yanchang oil fields . And also cover machining shipbuilding high-pressure boiler gas cylinder tubes, Car dedicated pipes and other domains . The market development scope keep growing.

(2) For overseas market, the Group continued to develop its business in Central Asia, Middle East, South America and North Africa during the reporting period and develop new customers relationship by mainly selling casing and tubing, line pipe products, subsea pipeline products and sucker rods. In addition, the Group has obtained certificates for its products in many national oil companies 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 market,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 results in raising the sales in the overseas markets. During the reporting period, the Group’s revenue from exports accounted for approximately 51.48% of the Group’s total sales revenue.

(3) For new products development, with the scientific research advantages of “Province-l evel Enterprise Technical Center of Shandong Province” and “Shandong Molong post-do ctoral research station”, the Group continued to strengthen its technological cooperation with research institutes to increase its efforts to develop high-end products, expand prod uct structures and enrich product categories. The Group has successfully developed prod ucts including ML-CS premium connection, large diameter ML-STT and ML-OTTM thre ad casing, ML110TS anti H2S corrosion high anti squeezing pipe, MLC/T-2 anti squeez ing bend pitch thread connection casing, X100Q high grade steel line pipe, Low tempre ture high tenacity line pipe, 55Mn2 high wear resistance steel pipe, antispray riffling pu mp, antiscale antigas pump, slide valve anti sand feedback type pumping viscous pump which were bulk supplied to domestic and overseas customers. Continuous development and introduction of new products to the market enables the Company to respond swiftl y, thus enhancing our resistance to risk .

Prospects

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

According to the "World Energy Outlook 2014" published by the International Energy Agency, the prospects for the global energy to the year of 2040 are as follows: the global demand for primary energy will increase by 37%. Although global population and economy maintains sustained growth,it focuses on development towards lower energy intensity.In the structure of world's energy supply,the proportion of oil, natural gas, coal and low carbon energy (nuclear power and renewable energy) will have equal shares In the structure of world's energy supply.The global demand for coal and oil will peak. The global demand for natural gas will increase by more than 50%, and will be the fastest growing in the fossil fuel.In the long run, the proportion of wind power, nuclear power, photovoltaic industry in the overall energy structure will gradually increase. In this outlook period, although the growth rate oil is the slowest among fuel,the total daily global demand for fuel increase by will 19 million barrels and reach 109 million barrels in 2035. Therefore from a long-term analysis, the scale of special oil drilling equipment industry will continue to expand with wide market.

The Group considers that with the global economy still be depressed, But petroleum quantity demanded almost be steady. 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 a solid growth under these policies, and the petroleum machinery industry in which the Company operates in 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 2015

(i) In respect of research and development of products, the Group plans to put further efforts on the research and development of high value-added products and exclusive production rights owned non-API products. In 2015, the Group will put further efforts on the product seriation development, such as X70QS, X80Q, X90Q, X100Q, ML150V new steel grade series of oil casing pipe and line pipe; Super deep oil well high intensity high anti queezing casing; Shipbuilding seamless pipe, low tempreture seamless pipe, recombination righting sucker rod, Surface of tungsten alloy plating anti corrosion sucker rod and other new products, to meet the all kinds of domestic and foreign customer's special demand for oil, natural gas, shale gas, coal seam gas development.

(ii) In respect of new products development, the Group plans to actively research on suitable high level products based on the market demand and trend of natural gas, shale gas, coalbed methane, wind power and unclear power. For shale gas and coalbed methane exploration equipment, the Group will develop suitable customized, low-cost products based on existing supply capacity in order to enhance its competitiveness in the market.

(iii) In respect of domestic market, the Group plans to further strengthen the good cooperation relationship with CNPC Group, Sinopec Group, CNOOC, and Yanchang Petroleum and to expand the markets of shale gas and coalbed methane equipment,. And develop Coal mining industry safety device and tube for high pressure boiler, mechanical processing and other markets.

(iv) In respect of foreign market, the Group plans to thoroughly consider the trading policy of various oil producing countries and the development of the demand of overseas regional market, and to further develop our products markets in South America, Middle East ,Africa Russia and West Asia to diversify its market concentration. Meanwhile, long-term co-operation with foreign oil supplier with market resources, service advantages and good reputations will also be reinforced, with a view to increase our market share.

3. Major risk factor for development strategy and business goals of company

(i) The global economy still be depressed. When there is any extraordinary fluctuation in global petroleum drilling industry, which directly lead to the fluctuation of product demand, we will adjust our product structure and market deployment in accordance with changes in market on a timely basis.

(ii) Extraordinary fluctuation in raw material prices will directly affect production cost and result in direct impact on the price of our products.

(iii) Appreciation of RMB will lower the competitiveness of our products in the international market. We will adopt measures to expand our product market coverage to avoid Renminbi fluctuation risk.

Significant investments

For the year ended 31 December 2015, the Company did not have any significant investments.

Acquisition and disposals during the year under review and future investment plans

For the year ended 31 December 2015, the Group did not have any 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 high quality board of directors, sound internal control, and transparency and accountability to all shareholders. For the year ended 31 December 2015, the Company has complied with all the code provisions, and where applicable the recommended best practices in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange. The Company is adopting and will continue to adopt for the measures on comply with the recent changes to the Listing Rules of corporate governance. Please refer to the corporate governance report in the Company's annual report for the year ended 31 December 2015 which will be dispatched to shareholder for more details.

The Company's audit committee (including three independent non-executive directors of the Company) had held fore meetings in the year of 2015 for discussion of matters on 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 2015.

Directors'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 senior management. The Company has made specific enquiries to all of the Directors and confirms that all of the Directors have complied with the requirement set out in the Model Code for the year of 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 year ended 31 December 2015.

Closure of Register of Members of H Shares

The register of members of H shares of the Company ("**H Shares**") will be closed from 27 May 2016 to 28June2016(both days inclusive) during which period no transfer of the H Shares will be processed.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 H Shares Registrar (for holders of H Shares), Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m.on 26May 2016.

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 2015 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 the Board of

Shandong Molong Petroleum Machinery Company Limited

Zhang En Rong

Chairman

Shandong, the PRC

30 March 2016

As at the date of this announcement, the Board comprises Mr. Zhang En Rong, Mr. Zhang Yun San, Mr. Lin Fu Long and Mr. Guo Huan Ran as executive directors, 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*