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山東墨龍石油機械股份有限公司
Shandong Molong Petroleum Machinery Company Limited *

(A Sino-foreign joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 568)

ANNOUNCEMENT 2012 FIRST QUARTERLY REPORT

This announcement is published simultaneously in The People's Republic of China pursuant to the Rules Governing Listing of Stocks on the Shenzhen Stock Exchange and in Hong Kong pursuant to the disclosure obligations under Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Part 1 IMPORTANT NOTICE

1.1 The Board of Directors, Supervisory Committee and the Directors, Supervisors and senior management of Shandong Molong Petroleum Machinery Company Limited (the "Company") confirm that this report does not contain any false information, misleading statements or material omissions, and collectively and individually accept responsibility for the truthfulness, accuracy and completeness of its contents.

1.2 The financial statements contained in the first quarterly financial report were unaudited.

1.3 Mr. Zhang Enrong, Chairman of the Company, Mr. Yang Jin, Chief Financial Officer of the Company and Mr. Liu Min, Head of Finance Division of the Company, hereby declare that they warrant the truthfulness and completeness of the financial report contained in this quarterly report

Part 2 BASIC CORPORATE INFORMATION

2.1 Major Accounting Data and Financial Indicators

Items	At the end of the current reporting period	At the end of last year	Increase or decrease (%)
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Total assets (RMB)	5,239,847,905.58	4,688,931,436.70	11.75%
Owners' equity attributable to shareholders of the listed company (RMB)	2,822,925,678.44	2,795,014,393.18	1.00%
Share capital (shares)	398,924,200.00	398,924,200.00	0.00%
Net assets per share attributable to shareholders of the listed company (RMB per share)	7.08	7.01	1.00%

Items	The reporting period	Same period last year	Increase or decrease (%)
Total operating revenue (RMB)	725,340,744.85	672,861,508.81	7.80%
Net profit attributable to shareholders of the listed company (RMB)	22,917,716.25	22,120,961.62	3.60%
Net cash flow from operating activities (RMB)	-52,241,787.75	20,913,067.02	-349.80%
Net cash flow from operating activities per share (RMB)	-0.13	0.05	-360.00%
Basic earnings per share (RMB)	0.06	0.06	0.00%
Diluted earnings per share (RMB)	N/A	N/A	-
Weighted average return on net assets (%)	0.81%	0.82%	-0.01%
Weighted average return on net assets after extraordinary items (%)	0.79%	0.82%	-0.03%

Extraordinary items

√ Applicable □ N/A

Unit: RMB

Extraordinary gains or losses items	Amount	Notes (if applicable)
Gains or losses from disposal of non-current assets	5,290.87	
Government grant recognized in current profit and loss, excluding that closely relating to the normal business operations of the Company and subject to specified quota or quantitative requirements consecutively entitled in compliance with the State policies	730,000.00	
Non-operating net gain or loss other than the above	6,417.50	
Effect of extraordinary gains or losses on income tax	-72,968.77	
Effect of minority interests(after tax)	4,397.01	
Total	673,136.61	-

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

Units : Shares

Total number of shareholders as at the end of the reporting period	27,619		
<i>Top ten holders of shares not subject to lock-up</i>			
Name of shareholder(Full name)	Number of shares not subject to	Class	

	lock-up at the end of the reporting period	
HKSCC Nominees Limited	127,769,945	H Shares
China Everbright Bank Company Limited —光大保德信量化核心證券投資基金	1,000,000	A Shares
Xu Lanzhi	572,298	A Shares
Zhou Peiming	550,000	A Shares
Zhang Yuping	419,323	A Shares
Feng Jingjuan	418,600	A Shares
China Construction Bank - 華夏紅利混合型開放式證券投資基金	387,490	A Shares
Qi Lin	328,524	A Shares
Huatai Securities Co., LTD	302,800	A Shares
Yang Fan	300,000	A Shares

Part 3 MATERIAL MATTERS

3.1 Substantial changes in major accounting items and financial indicators and the reasons thereof

√ Applicable N/A

Balance Sheet:

(1) The bills receivable increased 55.42%, compared with which at the beginning of the year. It is mainly because the receivables during the reporting period were mostly bills of exchange of banks, and which haven't been paid.

(2) The accounts receivable increased 47.56%, compared with which at the beginning of the year. It is mainly because the term of payment on open account was extended during the reporting period.

(3) The long-term equity investment increased 357.69%, compared with which at the beginning of the year. It is mainly because Shouguang Baolong Petroleum Material Company Limited, a subsidiary of the Company invested and founded Shouguang Maolong Microcredit Loan Co., Ltd during the reporting period.

(4) The construction in process decreased 55.16%, compared with which at the beginning of the year. It is mainly because the 180mm heat treatment line and #3 pipe machining line finished completed and transferred into fixed assets.

(5) The short-term borrowings increased 35.719%, compared with which at the beginning of the year. It is mainly because short-term borrowing was increased to replenish working capital.

(6) The bills payable increased 35.71%, compared with which at the beginning of the year. It is mainly because the payment of bills of exchange of banks increased during the reporting period.

(7) The advance receipts increased 264%, compared with which at the beginning of the year. It is mainly because advance receipts from customers increased during the reporting period, compared with the same period last year.

Income Statement:

(1) The business tax and surcharges decreased 70.41%, compared to the same period last year. It is mainly because the Company received the value-added tax invoice during the reporting period, the value-added tax deduction increased, and the value-added tax decreased, which reduced the urban maintenance and construction tax and education surtax.

(2) The operating expense increased 43.31%, compared to the same period last year. It is mainly because the delivered goods quantity increased, and the transportation expenses and other cost increased correspondingly.

Cash Flow Statement:

(1) The cash flows from operating activities is RMB-52,240,000 in this quarter while RMB 20,910,000 during

the same period of last year. It is mainly because the production export increased and the payment couldn't receive in current term, the amount purchased increased and payments increased correspondingly.

(2) The cash flows from investing activities is RMB-318,020,000 in this quarter while RMB -57,050,000 at the same period of last year. It is mainly because bills of exchange of banks increased, and the acceptance cash deposit which couldn't change into cash in time increased during the reporting period.

(3) The cash flows from financing activities is RMB250,680,000 in this quarter while RMB-289,870,000 at the same period of last year. It is mainly because the bank loans which to supply working assets increased.

3.2 Progress of significant events and analysis of their impacts and solutions

3.2.1 Non-standard opinions

Applicable N/A

3.2.2 Existence of provision of funds, or guarantees which breaches rules, from the Company to the controlling shareholders or its related parties.

Applicable N/A

3.2.3 Execution and performance of material contracts in daily operations

Applicable N/A

3.2.4 Others

Applicable N/A

3.3 Performance of undertakings by the Company, its shareholders and its effective controller

The following table illustrates commitments by the Company and its directors, supervisors and senior management, and any shareholders (which own more than 5% of the Company's shares) and their respective beneficial controllers made or continued during the reporting period.

Applicable N/A

The commitment items	Commitments by	Contents of commitments	Implementation situation
Commitments on share reform	N/A	N/A	N/A
Commitments under the reports of acquisition or equity changes	N/A	N/A	N/A
Commitments upon the restructuring of significant asset	N/A	N/A	N/A
Commitments upon issuance of shares	Zhang Enrong, Zhang Yunsan, Lin Fulong, Xie Xincang, Cui Huanyou,	Meantime, as the directors, supervisors and senior management of the Company,	During the reporting period, the above people strictly performed their commitments.

	Liu Yunlong	Zhang Enrong, Lin Fulong, Zhang Yunsan, Xie Xincang, Cui Huanyou and Liu Yunlong committed that, after the expiration of the abovementioned periods, the number of shares transferred by them each year during their terms of office shall not exceed 25% of the total shares of the Company, and they shall not transfer the shares held by them within half a year after leaving.	
Others (including additional commitments)	Lin Fulong, Xie Xincang, Liu Yunlong, Cui Huanyou, Liang Yongqiang	The lock-up shares of Shandong Molong they held would continue to extend the lock-up period for 24 months to 21 October 2013 after the prior lock-up period expired on 21 October 2011. And shares held by them shall not be transferred or entrusted to others to manage, and not be purchased by the Company during the lock-up period. If matters which made the amount of shares changed happened, including capital conversion from capital reserve, dispatch stock dividend, allotment of shares, and additional shares, the amount of lock-up shares aforementioned shall be adjusted accordingly. If they	During the reporting period, the above people strictly performed their commitments.

		breach the above promise and reduce shares during the lock-up period, all income from reducing shares will be turned over to the Company, and undertake the 10% liquidated damages.	
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3.4 Result Forecast for the six months ended 30 June 2012

The result forecast for the six months ended 30 June 2012	The increase of net profit attributable to shareholders of the listed company, which compared with the same period of last year, is less than 50%.			
Range forecast of change for net profit from January to June in 2012 compared with the same period last year	The change for net profit attributable to shareholders of the listed company compared with the same period last year:	0.00%	~ ~	15.00%
The results for the six months ended 30 June 2011	Net profit attributable to shareholders of the listed company (RMB):	75,447,529.37		
Reasons for change in results	Mainly because the capacity of the 180mm Project promote.			

3.5 Other material matters requiring disclosure

3.5.1 Investment in securities

Applicable N/A

3.5.2 Reception of Research Investigations, Communications And Interviews During The Reporting Period

Date of reception	Place of reception	Manner of reception	Manner of object type	Manner of reception	Main topics of discussion and information provided
February 7, 2012	Shouguang, Shandong	On-site research and investigation	Organization	Shanghai Right Share Co., Ltd	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well as the condition of A Shares proceeds-funded projects

3.6 Derivatives investment

Applicable N/A

3.6.1 Position of derivatives investment at the end of the reporting period

Applicable N/A

Part 4 APPENDICES

4.1 Balance Sheet

Prepared by: Shandong Molong Petroleum Machinery Company Limited

31 March 2012

Unit: RMB

Item	At the end of the current reporting period		At the beginning of this year	
	Consolidated	the Company	Consolidated	the Company
Current assets:				
Cash and bank balances	468,518,425.96	443,634,335.42	413,632,018.60	377,139,037.54
Balances with clearing companies				
Placements with banks and other financial institutions				
Held for trading financial assets				
Bills receivable	114,275,427.15	98,519,130.77	73,528,915.23	73,528,915.23
Accounts receivable	679,019,505.12	666,866,687.11	460,164,130.15	457,266,644.14
Prepayments	41,092,202.75	64,197,016.87	42,127,891.20	8,735,715.10
Premiums receivable				
Reinsurance accounts receivable				
Deposits receivable from reinsurance treaty				
Interests receivable				
Dividends receivables				
Other receivable	31,532,930.80	19,509,215.53	29,820,567.73	17,510,729.92
Purchases of resold financial assets				
Inventories	1,327,484,925.68	1,036,035,543.73	1,176,981,854.52	959,063,493.57
Non-current assets due within one year				
Other current assets	81,175,646.07	41,178,761.40	72,538,796.17	39,474,432.06
Total current assets	2,743,099,063.53	2,369,940,690.83	2,268,794,173.60	1,932,718,967.56
Non-current assets:				
Loans and advances granted				
Available-for-sale financial assets				
Held-to-maturity investments				
Long-term receivables				
Long-term equity investment	57,580,624.12	652,069,921.73	12,580,624.11	652,069,921.73
Investment properties				
Fixed assets	1,897,482,366.12	1,428,294,899.03	1,831,368,142.96	1,350,869,260.71
Construction in progress	37,450,025.74	31,714,606.90	83,523,080.85	84,726,317.92
Construction materials				
Disposal of fixed assets				
Productive biological assets				
Oil and gas assets				
Intangible assets	323,854,965.19	238,035,322.75	333,019,939.03	246,273,322.58
Development expenses	21,830,648.47	18,923,379.53		
Goodwill	142,973,383.21		142,973,383.21	
Long-term deferred expenses				

Deferred income tax assets	15,576,829.20	10,219,763.81	16,672,092.94	10,219,763.81
Other non-current assets				
Total non-current assets	2,496,748,842.05	2,379,257,893.75	2,420,137,263.10	2,344,158,586.75
Total assets	5,239,847,905.58	4,749,198,584.58	4,688,931,436.70	4,276,877,554.31
Current liabilities:				
Short-term borrowings	964,223,895.00	839,696,540.00	710,502,077.23	618,942,712.23
Loans from central bank				
Deposit taking and deposit in inter-bank market				
Placements from banks and other financial institutions				
Held for trading financial liabilities				
Bills payable	628,811,901.27	626,090,771.27	383,690,165.06	380,837,165.06
Accounts payable	597,712,054.83	383,958,356.00	616,716,194.34	462,726,552.20
Advance receipts	75,398,123.42	104,708,768.60	20,713,521.63	26,525,840.83
Disposal of repurchased financial assets				
Fee and commission payable				
Salaries payable	21,873,222.10	14,420,933.91	19,905,460.32	12,801,416.26
Taxes payable	27,429,870.50	12,662,903.28	35,749,257.97	19,300,276.19
Interests payable	6,812,327.38	5,377,060.70	5,557,955.40	4,600,388.73
Dividends payable				
Other payables	17,739,830.58	8,582,351.98	22,561,056.57	13,937,011.55
Reinsurance accounts payable				
Reserve for insurance policies				
Customer deposits for trading in securities				
Customer deposits for underwriting				
Non-current liabilities due within 1 year				
Other current liabilities				
Total current liabilities	2,340,001,225.08	1,995,497,685.74	1,815,395,688.52	1,539,671,363.05
Non-current liabilities:				
Long-term loans				
Debentures payable				
Long-term payables				
Special payables				
Accrued liabilities				
Deferred income tax liabilities	10,915,505.79	329,701.06	11,518,019.83	329,701.06
Other non-current liabilities	9,040,000.00	9,040,000.00	9,040,000.00	9,040,000.00
Total non-current liabilities	19,955,505.79	9,369,701.06	20,558,019.83	9,369,701.06
Total liabilities	2,359,956,730.87	2,004,867,386.80	1,835,953,708.35	1,549,041,064.11
Owners' equity(or Shareholders' equity):				
Paid-up capital (or share capital)	398,924,200.00	398,924,200.00	398,924,200.00	398,924,200.00
Capital reserve	1,248,406,190.92	1,248,406,190.92	1,248,424,858.42	1,248,406,190.92
Less: treasury stock				
Special reserve				
Surplus reserve	157,965,274.48	157,965,274.48	157,965,274.48	157,965,274.48
General risk reserve				
Undistributed profit	1,018,560,511.60	939,035,532.38	989,669,698.87	922,540,824.80
Foreign currency translation differences	-930,498.56		30,361.41	
Total equity attributable to owners of the Company	2,822,925,678.44	2,744,331,197.78	2,795,014,393.18	2,727,836,490.20

Minority interests	56,965,496.27		57,963,335.17	
Total owners' equity	2,879,891,174.71	2,744,331,197.78	2,852,977,728.35	2,727,836,490.20
Total liabilities and owners' equity	5,239,847,905.58	4,749,198,584.58	4,688,931,436.70	4,276,877,554.31

4.2 Income Statement

Prepared by: Shandong Molong Petroleum Machinery Company Limited

January to March 2012

Unit: RMB

Item	Amount for the period		Amount for the previous period	
	Consolidated	the Company	Consolidated	the Company
. Total revenue from operations	725,340,744.85	717,765,544.08	672,861,508.81	653,250,984.68
Among which: operating revenue	725,340,744.85	717,765,544.08	672,861,508.81	653,250,984.68
Interest income				
Premium earned				
Fee and commission income				
. Total cost of operations	697,955,453.43	699,048,119.31	646,826,370.23	632,471,912.76
Among which: Operating cost	658,426,621.21	662,514,923.65	613,969,031.62	605,066,555.44
Interest expenses				
Fees and commission expenses				
Surrender payment				
Net expenditure for compensation payments				
Net provision for insurance deposits				
Policyholder dividend expenses				
Reinsurance costs				
Business tax and surcharges	146,074.75		493,686.10	
Selling expenses	13,779,520.67	13,773,335.83	9,614,953.08	9,525,167.42
Administrative expenses	21,174,447.88	18,869,687.59	18,415,445.04	15,243,990.53
Finance costs	4,428,788.92	3,890,172.24	4,333,254.39	2,636,199.37
Asset impairment losses				
Add: Gains from changes in fair value (losses are represented by “-”)				
Investment income (losses are represented by “-”)				16,959,524.67
Among which: Gains from investment in associates and joint ventures				16,959,524.67
Gains from foreign currencies exchange (losses are represented by “-”)				
III. Operating profit (loss is presented by “-”)	27,385,291.42	18,717,424.77	26,035,138.58	37,738,596.59
Add: Non-operating income	1,012,804.58	966,096.21	631,120.61	144,261.77
Less: Non-operating expenses	290,818.37	265,818.37	49,687.09	22,669.94

Among which: Loss from disposal of non-current assets	290,818.37	265,818.37	20,680.47	20,680.47
IV. Total profit (loss is represented by “-”)	28,107,277.63	19,417,702.61	26,616,572.10	37,860,188.42
Less: Income tax expenses	4,468,549.65	2,922,995.03	4,335,649.64	3,120,206.05
V. Net profit (loss is represented by “-”)	23,638,727.98	16,494,707.58	22,280,922.46	34,739,982.37
Net profit attributable to owners of the Company	22,917,716.25	16,494,707.58	22,120,961.62	34,739,982.37
Minority interests	721,011.73		159,960.84	
VI. Earnings per share:				
(1) Basic earnings per share	0.06		0.06	
(2) Diluted earnings per share				
VII. Other comprehensive income				
VIII. Total comprehensive income	23,638,727.98	16,494,707.58	22,280,922.46	34,739,982.37
Total comprehensive income attributable to owners of the Company	22,917,716.25	16,494,707.58	22,120,961.62	34,739,982.37
Total comprehensive income attributable to minority interests	721,011.73		159,960.84	

4.3 Cash Flow Statement

Prepared by: Shandong Molong Petroleum Machinery Company Limited

Unit: RMB

Item	Amount for the period (Three months ended 31 March 2011)		Amount for the previous period (Three months ended 31 March 2010)	
	Consolidated	the Company	Consolidated	the Company
I. Cash flows from operating activities:				
Cash received from selling goods and rendering services	751,982,673.13	680,641,650.69	582,652,036.06	746,248,646.98
Net increase in deposits from customers and placements from banks and other financial institutions				
Net increase in borrowings from central bank				
Net increase in placements from other financial institutions				
Cash received from premiums of original insurance contracts				
Net cash received from reinsurance business				
Net increase in deposits from policyholders and investments				
Net increase in disposal of				

tradable financial assets				
Cash received from interest, handling charges and commissions				
Net increase in capital due to banks and other financial institutions				
Net increase in repurchases business fund				
Tax rebate received	40,089,203.77	40,089,203.77	36,058,150.94	36,058,150.94
Other cash received relating to operating activities	3,562,012.32	3,131,616.09	3,375,097.25	1,781,776.03
Sub-total of cash inflow from operating activities	795,633,889.22	723,862,470.55	622,085,284.25	784,088,573.95
Cash paid for purchasing goods and receiving services	764,013,062.28	730,596,552.42	536,047,570.44	626,493,969.01
Net increase in loans and advances to customers				
Net increase in placements with central bank and other financial institutions				
Cash paid for claims on original insurance contracts				
Cash payment for interest, handling charges and commissions				
Cash payment for policyholder dividend				
Cash paid to and on behalf of employees	30,308,892.41	20,898,448.42	26,492,670.50	16,814,604.75
Taxes and surcharges paid	11,254,302.64	5,885,988.55	19,082,343.58	10,868,265.03
Other cash paid relating to operating activities	42,299,419.64	21,501,570.85	19,549,632.71	17,528,243.13
Sub-total of cash outflow from operating activities	847,875,676.97	778,882,560.24	601,172,217.23	671,705,081.92
Net cash flows from operating activities	-52,241,787.75	-55,020,089.69	20,913,067.02	112,383,492.03
II. Cash flows from investing activities:				
Cash received from disposal of investments				
Cash received from return on investments			150,000.00	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets				
Net cash received from disposal of subsidiaries and other business entities				
Other cash received relating to investing activities			15,765,194.61	15,765,194.61
Sub-total of cash inflow from investing activities			15,915,194.61	15,765,194.61
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	96,158,505.05	86,468,029.40	72,967,839.91	28,303,928.45
Cash paid for investment	45,000,000.00			220,000,000.00
Net increase in pledged				

loans				
Net cash paid for acquisition of subsidiaries and other business entities				
Other cash paid relating to investing activities	176,857,012.79	176,857,012.79		
Sub-total of cash outflow from investing activities	318,015,517.84	263,325,042.19	72,967,839.91	248,303,928.45
Net cash flows from investing activities	-318,015,517.84	-263,325,042.19	-57,052,645.30	-232,538,733.84
III. Cash flows from financing activities:				
Cash received from equity investments				
Among which: Cash received by subsidiaries from minority shareholders' investment				
Cash received from borrowings	566,177,798.00	459,677,798.00	66,983,255.35	20,026,120.35
Cash received from issue of bonds				
Other cash received relating to financing activities				
Sub-total of cash inflow from financing activities	566,177,798.00	459,677,798.00	66,983,255.35	20,026,120.35
Cash paid for repayment of liabilities	304,923,970.23	238,923,970.23	322,715,496.45	322,715,496.45
Cash paid for dividends, profits distribution or interest repayment	10,569,134.41	10,372,417.60	31,374,179.70	30,890,370.75
Among which: Dividend and profit paid by subsidiaries to minority shareholders				
Other cash paid relating to financing activities			2,764,395.91	2,680,000.00
Sub-total of cash outflow from financing activities	315,493,104.64	249,296,387.83	356,854,072.06	356,285,867.20
Net cash flows from financing activities	250,684,693.36	210,381,410.17	-289,870,816.71	-336,259,746.85
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate	-2,397,993.20	-2,397,993.20	632,643.67	632,643.67
V. Net increase in cash and cash equivalents	-121,970,605.43	-110,361,714.91	-325,377,751.32	-455,782,344.99
Add: Balance of cash and cash equivalents at the beginning of the period	350,636,120.73	314,143,139.67	754,225,131.33	709,106,130.16
VI. Balance of cash and cash equivalents at the end of the period	228,665,515.30	203,781,424.76	428,847,380.01	253,323,785.17

4.4 Auditors' report

Auditors' opinion: Unaudited

By Order of the Board
Shandong Molong Petroleum Machinery Company Limited
Zhang En Rong
Chairman

Shandong, the PRC
23 April 2012

As at the date of this announcement, the executive Directors are Mr. Zhang En Rong, Mr. Zhang Yun San, Mr. Lin Fu Long and Mr. Xie Xin Cang; the non-executive Directors are Mr. Xiao Qing Zhou, Mr. Wang Ping and the independent non-executive Directors are Mr. John Paul Cameron, Mr. Chau Shing Yim, David and Ms. Wang Chun Hua.

** For identification purpose only*