

# **CHANGCHAI COMPANY, LIMITED**

## **THE FIRST QUARTERLY REPORT FOR YEAR 2016**

### **Section I Important Statements**

The Board of Directors, the Supervisory Committee, directors, supervisors and senior management staff of Changchai Company, Limited (hereinafter referred to as “the Company”) warrant that the information carried in this report is factual, accurate and complete, without any false record, misleading statement or material omission.

And they shall be jointly and severally liable for that.

All directors have attended the board session for reviewing this report.

Xue Guojun, company principal, He Jianguang, chief of the accounting work, and Jiang He, chief of the accounting organ (chief of accounting), hereby confirm that the financial statements enclosed in this report are factual, accurate and complete.

This Report is prepared in both Chinese and English. Should there be any discrepancy between the two versions, the Chinese version shall prevail.

## Section II Financial Results and Changes in Shareholders

### I Financial results

Whether the Company performed any retroactive adjustments to or restatement of its accounting data due to changes of accounting policies or correction of accounting errors

Yes  No

	January-March 2016	January-March 2015	+/-%
Operating revenues (RMB)	654,517,225.08	650,305,530.50	0.65%
Net profit attributable to shareholders of the Company (RMB)	24,282,056.99	17,279,138.61	40.53%
Net profit attributable to shareholders of the Company after exceptional profit and loss (RMB)	24,946,954.15	15,137,500.97	64.80%
Net operating cash flow (RMB)	-5,947,696.22	1,795,087.91	——
Basic earnings per share (RMB/share)	0.04	0.03	33.33%
Diluted earnings per share (RMB/share)	0.04	0.03	33.33%
Weighted average return on equity (%)	1.22%	0.87%	0.35%
	31 March 2016	31 December 2015	+/-%
Total assets (RMB)	3,197,334,506.97	3,232,406,102.20	-1.08%
Net assets attributable to shareholders of the Company (RMB)	1,972,518,668.00	2,002,910,311.01	-1.52%

Exceptional profit and loss

Applicable  Inapplicable

Unit: RMB

Item	January-March 2016	Explanation
Gains/losses on the disposal of non-current assets (including the offset part of the asset impairment provisions)	198,012.66	
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the government's unified standards	153,000.00	
Gains and losses on change in fair value from tradable financial assets and tradable financial liabilities, as well as investment income from disposal of tradable financial assets and tradable financial liabilities and financial	615,230.51	

assets available for sales except for effective hedging related with normal businesses of the Company		
Non-operating income and expense other than the above	-1,679,028.98	
Less: Income tax effects	-47,888.65	
Total	-664,897.16	--

Explain the reasons if the Company classifies an item as exceptional profit/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Profit and Loss, or classifies any exceptional profit/loss item mentioned in the said explanatory announcement as recurrent profit/loss

Applicable  Not applicable

No such cases in the Reporting Period.

## II Total number of shareholders at the period-end and shareholdings of top ten shareholders

### 1. Numbers of common shareholders and preference shareholders with resumed voting rights as well as shareholdings of top ten shareholders

Unit: share

Total number of common shareholders at the period-end	54,693	Total number of preference shareholders with resumed voting rights at the period-end (if any)	0			
Shareholdings of top ten shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Number of shares held	Number of restricted shares held	Pledged or frozen shares	
					Status of shares	Number of shares
State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	On behalf of the State	30.43%	170,845,236			
Huang Lihou	Domestic individual	1.00%	5,600,000			
KGI Asia Limited	Overseas corporation	0.57%	3,224,845			
Zhou You	Domestic individual	0.56%	3,137,200			
BNP Paribas Wealth Management Hong Kong Branch	Overseas corporation	0.55%	3,099,873			
Xu Xingying	Domestic individual	0.52%	2,944,700			

Wu Xiaoping	Domestic individual	0.49%	2,775,300			
Sun Haiyan	Domestic individual	0.47%	2,644,897			
Wang Jixiang	Domestic individual	0.46%	2,555,200			
Bank of Communications Co., Ltd.-Changxin Quantified Core Pioneer Mixed Investment Fund	Other	0.40%	2,271,889			
<b>Shareholdings of top ten non-restricted shareholders</b>						
Name of shareholder	Number of non-restricted shares held	Variety of shares				
		Variety	Number			
State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	170,845,236	RMB ordinary shares	170,845,236			
Huang Lihou	5,600,000	RMB ordinary shares	5,600,000			
KGI Asia Limited	3,224,845	Domestically listed foreign shares	3,224,845			
Zhou You	3,137,200	RMB ordinary shares	3,137,200			
BNP Paribas Wealth Management Hong Kong Branch	3,099,873	Domestically listed foreign shares	3,099,873			
Xu Xingying	2,944,700	RMB ordinary shares	2,944,700			
Wu Xiaoping	2,775,300	RMB ordinary shares	2,775,300			
Sun Haiyan	2,644,897	RMB ordinary shares	2,644,897			
Wang Jixiang	2,555,200	RMB ordinary shares	2,555,200			
Bank of Communications Co., Ltd.-Changxin Quantified Core Pioneer Mixed Investment Fund	2,271,889	RMB ordinary shares	2,271,889			
Related or acting-in-concert parties among the above shareholders	It is unknown whether there was any associated relationship among the top ten tradable shareholders and among the top ten shareholders not subject to trading moratorium, or whether they are persons acting in concert as described by Measures for the Administrative of Disclosure of Shareholder Equity Changes.					
Top ten common shareholders conducting securities margin trading (if any)	Shareholder Huang Lihou held a total of 5,600,000 shares in the Company, representing a stake of 1.00%, through a common securities account and a client account of collateral securities for margin trading. Shareholder Sun Haiyan held 2,644,897 shares in the Company (a stake of 0.47%) through a client account of collateral securities for margin trading in China Galaxy Securities Co. , Ltd.					

Did any of the top ten common shareholders or the top ten non-restricted common shareholders of the Company conduct any promissory repo during the Reporting Period?

Yea  No

No such cases in the Reporting Period.

**2. Total number of preference shareholders and shareholdings of the top ten of them**

Applicable  Not applicable

## Section III Significant Events

### I Changes in major accounting statement items and financial indicators for the Reporting Period, as well as reasons for such changes

Applicable  Not applicable

1. Accounts receivable increased 108.91% from the opening amount mainly because the Company properly allowed customers' buying on credit according to its relevant agreements and marketing plans to expand its market space, and the percentage of multi-cylinder engines in the total sales increased (longer payment days for these customers for they mostly procure our multi-cylinder engines as a component).
2. Other accounts receivable increased 220.69% from the opening amount mainly because of the temporary lendings from subsidiary Housheng Investment to Xuzhou East China Casting General Factory, etc.
3. Other current assets decreased 53.72% from the opening amount mainly because some bank financial produces became due and the overpaid VAT decreased.
4. Payroll payable decreased 38.70% from the opening amount mainly because some of the salary and bonus provisions made last year were paid in the Reporting Period.
5. Taxes and fares payable increased 58.08% from the opening amount mainly because the inventories of the Company (without subsidiaries) decreased and the input VAT decreased accordingly.
6. Net profit attributable to owners of the Company increased 40.53% from the same period of last year mainly because along with its product restructuring, the percentage of multi-cylinder engines in the total sales of the Company increased with its self-made components increasing accordingly, cost control produced remarkable results and the gross profit increased.

### II Progress of significant events and analysis & explanations on their influence and solutions

Applicable  Not applicable

### III Commitments of the Company, its shareholders, actual controller, acquirer, directors, supervisors, senior management or other related parties fulfilled in the Reporting Period or ongoing at the period-end

Applicable  Not applicable

Commitment	Commitment maker	Type of commitment	Contents	Date of commitment making	Term of commitment	Fulfillment
Commitments made in share reform						
Commitments made in acquisition documents or shareholding alteration documents						
Commitments made in time of asset restructuring						
Commitments made in time of IPO or refinancing						
Commitments concerning stock ownership incentive						
Other commitments made to minority shareholders	Changchai Company, Limited	Bonus commitment	Under the conditions of in future three years (2014-2016) the attributable profit (the remaining profits after the losses have been made up and common reserves have been drawn) of shareholders' reward plan in the year or half year is positive, and the cash flow is sufficient, the cash dividends had no influence to the follow-up continuously operation, the profit dividends in cash shall no lower than the 10% of attributable profit realized by the Company and in any three continuous accounting years the accumulative profit dividends in cash shall no less than 30% of	2014-05-14	Y2014-2016	The commitment was under progress.

			the average annual attributable profits realized in three years.			
Executed on time	Yes					

#### IV Operating result forecast for January-June 2016

Warning of possible loss or considerable YoY change of the accumulated net profit made during the period-beginning to the end of the next reporting period according to prediction, as well as explanations on the reasons:

Applicable  Not applicable

#### V Securities investments

Applicable  Not applicable

No such cases in the Reporting Period.

#### VI Investments in derivative financial instruments

Applicable  Not applicable

No such cases in the Reporting Period.

#### VII Visits paid to the Company in the Reporting Period for purposes of research, communication, interview, etc.

Applicable  Not applicable

Date of visit	Way of visit	Type of visitor	Index to main inquiry information
5 Jan. 2016	Other	Individual	Stock price trend of the Company
6 Jan. 2016	Other	Individual	Stock price trend of the Company
6 Jan. 2016	Other	Individual	Future development planning of the Company
8 Jan. 2016	Other	Individual	Future products planning of the Company
11 Jan. 2016	Other	Individual	Stock price trend of the Company
20 Jan. 2016	Other	Individual	Situation of the export business of the Company
21 Jan. 2016	Other	Individual	Situation of the export business of the Company
11 Feb. 2016	Other	Individual	Situation of the reform of the state-owned enterprises of the Company
23 Feb. 2016	Other	Individual	Number of the shareholders of the Company
24 Feb. 2016	Other	Individual	Situation of the joint stock company - Tsinghua Industrial Co., Ltd. of the Company
10 Mar. 2016	Other	Individual	Number of the shareholders of the Company



28 Mar. 2016	Other	Individual	Situation of the held financial assets of the Company
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### **VIII Illegal provision of guarantees for external parties**

Applicable  Not applicable

No such cases in the Reporting Period.

### **IX Occupation of the Company's funds by the controlling shareholder or its related parties for non-operating purposes**

Applicable  Not applicable

No such cases in the Reporting Period.