

# **CHANGCHAI COMPANY, LIMITED**

## **THE FIRST QUARTERLY REPORT FOR YEAR 2017**

### **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.

Shi Xinkun, company principal, Zhang Xin, 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 2017	January-March 2016	+/-%
Operating revenues (RMB)	723,164,530.66	654,517,225.08	10.49%
Net profit attributable to shareholders of the Company (RMB)	34,991,536.70	24,282,056.99	44.10%
Net profit attributable to shareholders of the Company before exceptional profit and loss (RMB)	14,440,682.83	24,946,954.15	-42.11%
Net operating cash flow (RMB)	-52,599,067.83	-5,947,696.22	—
Basic earnings per share (RMB/share)	0.06	0.04	50.00%
Diluted earnings per share (RMB/share)	0.06	0.04	50.00%
Weighted average return on equity (%)	1.48%	1.22%	0.26%
	31 March 2017	31 December 2016	+/-%
Total assets (RMB)	3,924,083,844.86	3,724,857,266.71	5.35%
Net assets attributable to shareholders of the Company (RMB)	2,392,797,929.62	2,323,712,892.92	2.97%

Exceptional profit and loss

Applicable  Inapplicable

Unit: RMB

Item	January-March 2017	Note
Profit/loss on disposal of non-current assets (including offset asset impairment provisions)	621,715.50	
Government subsidies charged to the profit/loss for this Reporting Period (except for the government grants closely related to the business of the Company and given at a fixed quota or amount in accordance with the State's uniform standards)	334,893.41	
Profit due to the situation where investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the enjoyable fair value of identifiable net assets of investees when making investments	22,756,742.66	The equity ownership transfer on the Company's acquisition of Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.

		(Changchai Robin) was completed in 20 January 2017, since when Changchai Robin has been included into the consolidation scope of the Company. For the transaction price of the said equity acquisition was lower than the evaluated price, the said deal generated an income of RMB22,756,742.66.
Profit/loss on fair value changes of transactional financial assets and liabilities & investment income from disposal of transactional financial assets and liabilities as well as financial assets available for sale, except for effective hedges related to routine operations of the Company	107,098.26	
Non-operating income and expense other than the above	-3,609,136.60	
Less: Corporate income tax effects	-318,449.38	
Minority interests effects (after tax)	-21,091.26	
Total	20,550,853.87	--

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	50,464	Total number of preference shareholders with resumed voting rights at the period-end	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	On behalf of the	30.43%	170,845,236			

Administration Commission of Changzhou Municipal People's Government	government					
Bosera Value Growth Fund	Other	2.51%	14,100,000			
China Construction Bank-Bosera Value Growth No. 2 Fund	Other	0.96%	5,400,000			
KGI Asia Limited	Foreign corporation	0.59%	3,294,845			
Beijing Shen Zhou Mu Investment Fund Management Ltd.—Hongyan Shen Zhou Mu Fund	Other	0.48%	2,710,495			
Guo Dong Ze Quan Investment Management Co., Ltd.—Ze Quan Wealth Manager Securities Investment Fund No. 2	Other	0.36%	2,006,800			
Zhong Ou Asset Management-Bank of China-Ping An Life Insurance-Zhong Ou Asset Management - Ping An Life Insurance Entrusted Investment No. 1 Asset Management Plan	Other	0.34%	1,899,930			
Vanguard Total International Stock Index Fund	Foreign corporation	0.29%	1,626,592			
Tibet Shen Zhou Mu Fund Management Co., Ltd.—Tianlu Securities Investment Private Fund No. 1	Other	0.29%	1,613,081			
Huang Guoliang	Domestic individual	0.27%	1,528,891			

**Shareholdings of top ten non-restricted shareholders**

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
Bosera Value Growth Fund	14,100,000	RMB ordinary shares	14,100,000
China Construction Bank-Bosera Value Growth No. 2 Fund	5,400,000	RMB ordinary shares	5,400,000
KGI Asia Limited	3,294,845	Domestically listed foreign shares	3,294,845
Beijing Shen Zhou Mu Investment Fund	2,710,495	RMB ordinary shares	2,710,495

Management Ltd.—Hongyan Shen Zhou Mu Fund			
Guo Dong Ze Quan Investment Management Co., Ltd.—Ze Quan Wealth Manager Securities Investment Fund No. 2	2,006,800	RMB ordinary shares	2,006,800
Zhong Ou Asset Management-Bank of China-Ping An Life Insurance- Zhong Ou Asset Management - Ping An Life Insurance Entrusted Investment No. 1 Asset Management Plan	1,899,930	RMB ordinary shares	1,899,930
Vanguard Total International Stock Index Fund	1,626,592	Domestically listed foreign shares	1,626,592
Tibet Shen Zhou Mu Fund Management Co., Ltd.—Tianlu Securities Investment Private Fund No. 1	1,613,081	RMB ordinary shares	1,613,081
Huang Guoliang	1,528,891	Domestically listed foreign shares	1,528,891
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	Shareholder Beijing Shen Zhou Mu Investment Fund Management Ltd.—Hongyan Shen Zhou Mu Fund held a total of 968,100 shares in the Company, representing a stake of 0.17%, through the client account of collateral securities for margin trading of Southwest 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 by RMB306,206,478.47 (85.23%) from the opening amount mainly because the Company properly allowed customers' buying on credit according to its production and operation characteristics in the first quarter 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 multi-cylinder engines as a component).
2. Other accounts receivable increased by RMB16,648,375.49 (399.66%) from the opening amount mainly because of the temporary lendings from subsidiary Housheng Investment to Xuzhou East China Casting General Factory, etc.
3. Long-term equity investments decreased by RMB21,006,230.03 (100%) from the opening amount mainly because wholly-owned subsidiary Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. (Changchai Robin) were included in the consolidation scope for the Reporting Period, while it was measured as a long-term equity investment in a joint stock company in the same period of last year.
4. Construction in progress decreased by RMB34,954,074.17 (38.93%) from the opening amount mainly because the multi-cylinder engine improvement project phase II partly became fixed assets.
5. Notes payable increased by RMB94,940,000.00 (34.39%) from the opening amount mainly because notes were adopted more often in the settlement with suppliers.
6. Payroll payable decreased by RMB25,813,507.52 (44.09%) from the opening amount mainly because some of the salary and bonus provisions made last year were paid in the Reporting Period.
7. Taxes and surtaxes increased by RMB2,290,705.23 (1550.36%) from the same period of last year mainly because of the taxes and surtaxes of the newly consolidated Changchai Robin.
8. Asset impairment loss decreased by RMB7,152,145.26 (100%) from the same period of last year mainly because provisions were made for the impairment of accounts receivable for in the same period of last year while there were no such cases in the Reporting Period.
9. Investment income increased by RMB1,269,812.54 (134.34%) from the same period of last year mainly because in the consolidation of Changchai Robin, the equity investment was re-measured as per its fair value on the acquisition day and the difference between its fair value and book value was charged to the current investment income.

10. Non-operating revenues increased by RMB20,660,013.67 (2098.62%) from the same period of last year mainly because the Company acquired the equity interests of Changchai Robin at a discount and the income from the consolidation was charged to the current non-operating revenues.
11. Non-operating expense increased by RMB1,515,240.19 (71.04%) from the same period of last year mainly because of the loss on disposal of bad inventories.
12. Corporate income tax decreased by RMB2,368,517.96 (47.86%) from the same period of last year mainly because of the decreased profit of the Company as a parent company.
13. Net profit attributable to the owners of the Company as a parent company increased by RMB10,709,479.71 (44.10%) from the same period of last year mainly because the Company acquired the equity interests of Changchai Robin at a price lower than the evaluated price and the income thus generated was charged to the current profit/loss.
14. Net cash flows from operating activities decreased by RMB46,651,371.61 from the same period of last year mainly because of the increased accounts receivable.
15. Net cash received from disposal of fixed assets, intangible assets and other long-term assets increased by RMB436,223.44 (2011.17%) from the same period of last year mainly because subsidiary Chuangzhou Changchai Benniu Diesel Engine Fittings Co., Ltd. received cash for disposal of some fixed assets.

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

√ Applicable □ Not applicable

The Company held the interim meeting of board of directors on 26 Aug. 2016. The meeting reviewed and approved the Proposal about Receiving 67% of Stock Rights of Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. Held by Fuji Heavy Industries Ltd.. After merger is completed, the Company will hold 100% of stock rights of Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. and Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. will be transferred to domestic enterprise from Sino-Foreign joint venture. Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. completed the industrial and commercial registration of alteration related to stock rights transfer and got Business License changed by Market Supervision Commission of Changzhou National High-Tech Industrial Development Area (New North Area) on 20 Jan. 2017. The registered capital is RMB 37,250,000, scope of business comprises small general gasoline engine and concerned equipment (including agricultural machinery, engineering machinery, water pump unit and small generator unit); production, processing, research, development, sales, technical consultation of relevant components and spare parts. Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. will be added into the scope of consolidated statements of the Company since 20 January 2017. For the transaction price was lower than the evaluated price, an income of RMB22,756,742.66 was generated in this transaction, which was respectively charged to the current investment income and non-operating revenues.

Summary of significant event	Disclosure date	Related announcement No.
Acquisition of a 67% stake of Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	08/30/2016	2016-016

held by the Japan-based Fuji Heavy Industries Ltd.		
Equity ownership transfer completed for the acquisition of a 67% stake of Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. held by the Japan-based Fuji Heavy Industries Ltd.	01/24/2017	2017-001

### 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

### IV Operating result forecast for January-June 2017

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
6 Jan.2017	Other	Individual	List of the progress of the state-owned enterprise reform of the Company
7 Jan.2017	Other	Individual	Future development strategies of the Company
17 Jan.2017	Other	Individual	Operation of the Company
28 Feb.2017	Other	Individual	Operation of the Company
30 Mar.2017	Other	Individual	List of the Company's future plan



### **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.