

Stock Code: 000570, 200570

Stock Name: Changchai, Changchai-B

Announcement No. 2018-027

CHANGCHAI COMPANY, LIMITED

THIRD QUARTER REPORT 2018 (SUMMARY)

Part I Important Notes

The Board of Directors (or the “Board”), the Supervisory Committee as well as the directors, supervisors and senior management of Changchai Company, Limited (together with its consolidated subsidiaries, the “Company”, except where the context otherwise requires) hereby guarantee the factuality, accuracy and completeness of the contents of this Report and its summary, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions therein.

All the Company’s directors have attended the Board meeting for the review of this Report and its summary.

Shi Xinkun, the Company’s legal representative, Zhang Xin, the Company’s General Manager, and Jiang He, head of the Company’s financial department (equivalent to financial manager) hereby guarantee that the financial statements carried in this Report are factual, accurate and complete.

This Report and its summary have been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese versions shall prevail.

Part II Key Corporate Information

I Key Consolidated Financial Information

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

Yes No

	September 30, 2018	December 31, 2017	Change	
Total assets (RMB)	3,756,252,247.55	3,722,905,285.05	0.90%	
Equity attributable to owners of the parent (RMB)	2,109,129,803.12	2,246,896,857.86	-6.13%	
	July-September 2018	YoY change	January-September 2018	YoY change
Net sales (RMB)	432,605,495.58	-21.55%	1,619,366,387.84	-12.91%
Net margin attributable to owners of the parent (RMB)	4,670,842.38	52.03%	23,309,400.04	-45.48%
Net margin attributable to owners of the parent before exceptional gains and losses (RMB)	-5,982,192.17	—	11,280,631.08	-47.29%
Net cash from operating activities (RMB)	—	—	-54,251,797.59	—
Basic earnings per share (RMB/share)	0.01	0.00%	0.04	-50.00%
Diluted earnings per share (RMB/share)	0.01	0.00%	0.04	-50.00%
Weighted average return on equity (%)	0.22%	0.09%	1.05%	-0.80%

Exceptional gains and losses:

Applicable Not applicable

Unit: RMB

Item	Q1-Q3 2018	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	12,044,376.37	In July 2018, the company recovered the entrusted loan of 1,000.00 million yuan which had fully accrued the asset impairment provision. For details, please refer to the company's announcement on recovering part of the entrusted loan disclosed on July 13, 2018 (announcement number: 2018-018).
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed	475,400.00	

quotas or amounts as per government's uniform standards)		
Capital occupation charges on non-financial enterprises that are charged to current profit or loss	573,182.00	
Gain or loss on fair-value changes in trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of effective portion of hedges that arise in the Company's ordinary course of business)	455,319.86	
Other gains and losses that meet definition of exceptional gain/loss	656,800.26	
Less: Income tax effects	2,176,309.53	
Total	12,028,768.96	--

Explanation of why the Company reclassifies as recurrent an exceptional gain/loss item defined or listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gain/Loss Items:

Applicable Not applicable

No such cases for the Reporting Period.

II Total Number of Shareholders and Holdings of Top 10 Shareholders at 30 September 2018

1. Numbers of Ordinary Shareholders and Preferred Shareholders with Resumed Voting Rights as well as Holdings of Top 10 Shareholders

Unit: share

Number of ordinary shareholders	49,459	Number of preferred shareholders with resumed voting rights (if any)	0			
Top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage	Number of shares	Restricted shares	Shares in pledge or frozen	
					Status	Shares
State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	State-owned legal person	30.43%	170,845,236			
KGI Asia Limited	Foreign legal person	0.57%	3,189,845			
Wang Jianwei	Domestic natural person	0.34%	1,934,500			

Zhang Ruirong	Domestic natural person	0.32%	1,789,800			
Wan Peizhong	Domestic natural person	0.29%	1,645,800			
Huang Guoliang	Domestic natural person	0.27%	1,528,891			
Hu Wenyong	Domestic natural person	0.27%	1,500,066			
Li Suinan	Domestic natural person	0.24%	1,356,000			
Vanguard Total International Stock Index Fund	Foreign legal person	0.23%	1,292,594			
Xiong Shunbao	Domestic natural person	0.23%	1,282,251			
Top 10 unrestricted shareholders						
Name of shareholder	Unrestricted shares	Shares by type				
		Type	Shares			
State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	170,845,236	RMB-denominated ordinary stock	170,845,236			
KGI Asia Limited	3,189,845	Domestically listed foreign stock	3,189,845			
Wang Jianwei	1,934,500	RMB-denominated ordinary stock	1,934,500			
Zhang Ruirong	1,789,800	RMB-denominated ordinary stock	1,789,800			
Wan Peizhong	1,645,800	RMB-denominated ordinary stock	1,645,800			
Huang Guoliang	1,528,891	Domestically listed foreign stock	1,528,891			
Hu Wenyong	1,500,066	Domestically listed foreign stock	1,500,066			
Li Suinan	1,356,000	Domestically listed foreign stock	1,356,000			
Vanguard Total International Stock Index Fund	1,292,594	Domestically listed foreign stock	1,292,594			
Xiong Shunbao	1,282,251	RMB-denominated ordinary stock	1,282,251			
Related or acting-in-concert parties among shareholders above	It is unknown whether there is any connected party or acting-in-concert party as defined in the Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies among the top 10 tradable share holders or the top 10 unrestricted tradable share holders.					
Top 10 ordinary shareholders involved in securities margin trading (if any)	N/A					

Indicate by tick mark whether any of the top 10 ordinary shareholders or the top 10 unrestricted ordinary shareholders of the Company conducted any promissory repo during the Reporting Period.

Yea No

No such cases in the Reporting Period.

2. Number of Preferred Shareholders and Shareholdings of Top 10 of Them

Applicable Not applicable

Part III Significant Events

I Changes in Key Consolidated Financial Statement Line Items and Explanation of why

✓ Applicable □ Not applicable

1. Consolidated Balance Sheet Items as at 30 September 2018

Item	30 September 2018 (RMB)	31 December 2017 (RMB)	Change (%)	Explanation of why
Notes and accounts receivable	1,485,050,866.65	1,108,415,299.12	33.98%	During Q1~Q3 2018, credit sale was properly carried out to extend market space, and most multi-cylinder engine customers were supporting manufacturers for bigger enterprises, which means relatively long account ages for the Company, resulting in an increase of 117.69% in receivables compared to the beginning.
Other receivables	21,267,589.07	5,794,971.22	267.00%	Temporary loans granted by subsidiary Changzhou Housheng Investment Co., Ltd. to Xuzhou Huadong Foundry Factory, etc.
Other current assets	23,104,987.78	42,540,184.05	-45.69%	Decrease in overpaid VAT
Payroll payable	24,782,530.80	51,247,112.66	-51.64%	Salaries and bonuses accrued in the nine months ended 30 September 2017 were mostly paid in the corresponding period of the current year

2. Consolidated Income Statement Items for Q1~Q3 2018

Item	Q1~Q3 2018 (RMB)	Q1~Q3 2017 (RMB)	Change (%)	Explanation of why
Finance costs	-4,311,945.83	-1,287,876.55	—	Increase in foreign exchange income resulted from exchange rate fluctuations
Asset impairment loss	-2,531,847.48	9,150,039.27	—	Allowances for doubtful accounts receivable recorded based on aging led to an increase in asset impairment loss, while the collection of entrusted loans with full-amount impairment allowances resulted in writedowns in this item
Investment income	8,053,269.86	13,407,484.45	-39.93%	Decline in dividends from Foton Motor

Non-operating income	2,830,716.11	25,903,268.01	-89.07%	Last year saw the non-operating income arising from including Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd., whose equity interests had been acquired by the Company at a discount, into the consolidated financial statements
Non-operating expense	1,698,515.85	7,979,840.88	-78.71%	Greater loss on the disposal of inactive materials during the same period of last year
Net profit	23,643,295.60	43,305,505.88	-45.40%	Last year saw the non-operating income arising from including Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd., whose equity interests had been acquired by the Company at a discount, into the consolidated financial statements
Other comprehensive income, net of tax	-144,235,225.00	-41,677,200.00	—	Significant decline in gains on fair value changes of available-for-sale financial assets

3. Consolidated Cash Flow Statement Items for Q1~Q3 2018

Item	Q1~Q3 2018 (RMB)	Q1~Q3 2017 (RMB)	Change (%)	Explanation of why
Tax rebates	39,981,450.76	24,619,585.42	62.40%	Mainly for the report period received more export tax rebates.
Taxes paid	21,038,574.94	30,890,368.40	-31.89%	Changes in sales and profit, as well as the effect of the government's tax cuts
Net cash generated from/used in investing activities	-23,421,616.03	-63,559,009.38	—	Significant decline in payments for acquisition of fixed assets, intangible assets and other long-lived assets
Net cash generated from/used in financing activities	-16,892,465.30	21,794,509.81	—	Mainly for the last reporting period borrowings increased more

II Progress, Influence and Solutions Associated with Significant Events

√ Applicable □ Not applicable

The controlling shareholder of the Company—State-owned Assets Supervision and Administration Commission of Changzhou Municipal Government (hereinafter referred to as “Changzhou SASAC”) and Changzhou Investment Group Co., Ltd. signed the *Agreement on Gratuitous Transfer of State-owned Shares Held by Changchai Company Limited* on 16 August 2018, in which the Changzhou SASAC intended to gratuitously transfer all 170,845,236 shares in Changchai Company Limited held by it to Changzhou Investment Group Co.,

Ltd. The issue has been approved by Changzhou People's Government and the State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government. In addition, China securities regulatory commission (CSRC) has agreed to exempt Changzhou Investment Group Co., Ltd. from the tender offer obligation for holding the Company's shares due to gratuitous transfer. The issue is currently going through the relevant equity transfer procedures. For more details, please refer to the *Indicative Announcement on Gratuitous Transfer of State-owned Shares Held by the Controlling Shareholder* (Announcement No.: 2018-015), *Announcement on the Progress of Gratuitous Transfer of State-owned Shares Held by the Controlling Shareholder* (Announcement No.: 2018-020) and *Announcement on the Progress of Gratuitous Transfer of State-owned Shares Held by the Controlling Shareholder* (Announcement No.: 2018-025) disclosed by the Company respectively on 1 June 2018, 17 August 2018 and 5 September 2018. After the completion of the transfer, Changzhou Investment Group Co., Ltd. will be the controlling shareholder of the Company and the actual controller of the Company will not change.

Overview of significant event	Disclosure date	Related announcement
Gratuitous transfer of state-owned shares	1 June 2018	2018-015
	16 August 2018	2018-020
	5 September 2018	2018-025
	20 October 2018	2018-026

III Commitments that the Company's Actual Controller, Shareholders, Related Parties and Acquirers, as well as the Company Itself and Other Parties, Failed to Fulfill on Time during Reporting Period

√ Applicable □ Not applicable

Commitment	Commitment maker	Type of commitment	Contents	Date of commitment making	Period of commitment	Fulfillment
Other commitments made to minority shareholders	Changchai Company, Limited	bonus	Rewards Plan for Shareholders in Next Three Years(2017-2019) Under the premise of positive distributive profit (remaining after-tax profits after making up for the loss and extracting for the common reserves) in this year or half year and abundant money flow and no influence on the following-up going concern after cash bonus, the profits allocated by cash every year shouldn't be lower than 10% of the allocable profits from parent company. Meanwhile, the	11 May 2017	Year 2017-2019	Implement in a normal way

			accumulated allocable profits by cash in the arbitrary continuous three accounting years should not be lower than 30% of the annual average allocable profits in those three years.			
Fulfilled on time				Yes		
When the commitment was not completely fulfilled at maturity, the specific reasons and following work plan shall be given				N/A		

IV 2018 Annual Operating Performance Forecast

Warning of a forecast loss on or a forecast significant year-on-year change in net profit for year 2018, as well as explanation of why:

Applicable Not applicable

V Securities Investments

Applicable Not applicable

No such cases in the Reporting Period.

VI Wealth Management Entrustment

Applicable Not applicable

Unit: RMB'0,000 (in RMB ten thousand yuan)

Type of wealth management	Funding source	Principal	Outstanding amount before maturity	Overdue amount
Wealth management product purchased from securities company	Self-funded	1,600	1,600	0
Total		1,600	1,600	0

High-risk wealth management entrustments with amounts that are individually significant, or with low security, low liquidity, or no protection of the principal:

Applicable Not applicable

Wealth management entrustments with possible impairments including an expectedly unrecoverable principal:

Applicable Not applicable

VII Investments in Derivative Financial Instruments

Applicable Not applicable

No such cases in the Reporting Period.

VIII Visits Paid to the Company for Purposes of Research, Communication, Interview, etc. during Reporting Period

Applicable Not applicable

Date of visit	Way of visit	Type of visitor	About
13 August 2018	Other	Individual	Progress of lithium battery diaphragm project invested with industry funds set up by the Company
18 July 2018	Other	Individual	Repurchase of B-share

IX Irregularities in Provision of Guarantees for External Parties

Applicable Not applicable

No such cases in the Reporting Period.

X Occupation of the Company's Capital by Controlling Shareholder or Its Related Parties for Non-Operating Purposes

Applicable Not applicable

No such cases in the Reporting Period.