

Stock Code: 000570, 200570

Stock Name: Changchai A, Changchai B

Announcement No. 2017-026

CHANGCHAI COMPANY, LIMITED

THIRD QUARTER REPORT 2017 (SHORT FORM)

Part I Important Statements

The board of directors (the “Board”), the supervisory board (the “Supervisory Board”) as well as the directors, supervisors and senior management of Changchai Company, Limited (the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report, and shall be jointly and severally liable for any false representation, misleading statements or material omissions in this Report.

All the directors of the Company attended the board meeting for the review of this Report.

Shi Xinkun, head of the Company, Zhang Xin, accounting head for this Report, and Jiang He, head of the accounting department (head of accounting) of the Company, hereby guarantee that the financial statements carried in this Report are factual, accurate and complete.

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

Part II Company Fundamentals

I Key Consolidated Operating Results

Indicate by tick mark whether the Company needs to retrospectively restate any of its accounting data.

Yes No

	September 30, 2017	December 31, 2016	Change
Total assets (RMB)	3,796,065,908.97	3,724,857,266.71	1.91%

Equity attributable to owners of the parent (RMB)	2,307,945,906.41		2,323,712,892.92		-0.68%
	July-September 2017	YoY change	January-September 2017	YoY change	
Net sales (RMB)	551,411,429.29	-8.89%	1,859,517,610.21	5.13%	
Net margin attributable to owners of the parent (RMB)	3,072,285.14	-84.71%	42,751,443.27	-22.42%	
Net margin attributable to owners of the parent before exceptional gains and losses (RMB)	629,008.33	-96.81%	21,403,055.82	-55.62%	
Net cash from operating activities (RMB)	--	--	-61,051,973.62	---	
Basic earnings per share (RMB/share)	0.01	-75.00%	0.08	-20.00%	
Diluted earnings per share (RMB/share)	0.01	-75.00%	0.08	-20.00%	
Weighted average return on equity (%)	0.13%	-0.82%	1.85%	-0.73%	

Exceptional gains and losses:

√ Applicable □ Not applicable

Unit: RMB

Item	January-September 2017	Note
Gains/Losses on disposal of non-current assets (inclusive of offset asset impairment provisions)	781,459.40	
Governmental subsidy recorded into current gains/losses (exclusive of governmental subsidy closely relevant to business events, and quantified according to national unified standards)	3,097,441.57	
Profit due to situation where investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than enjoyable fair value of identifiable net assets of investees when making investments	22,756,742.66	The ownership transfer formalities regarding the Company's acquisition of equity interest of Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. (Changchai Robin) were completed on January 20, 2017. As such, from that date Changchai Robin has been consolidated by the

		Company. Since the closing cost of this equity acquisition was lower than the appraisal, this transaction generated a premium of RMB22,756,742.66.
Gains/Losses on fair value changes of trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities as well as financial assets available for sale (exclusive of effective hedges related to normal business operations of the Company)	482,684.24	
Non-operating income and expense other than above	-5,834,733.51	
Less: Income tax effects	23,208.39	
Minority interests effects (after tax)	-88,001.48	
Total	21,348,387.45	--

Explanation of why the Company classified an item as an exceptional gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gains and Losses, or reclassified any exceptional gain/loss item given as an example in the said explanatory announcement as a recurrent gain/loss:

Applicable Not applicable

No such cases in the Reporting Period.

II Total Number of Shareholders and Shareholdings of Top 10 Shareholders at Period-End

1. Numbers of Common Shareholders and Preference Shareholders with Resumed Voting Rights, and Shareholdings of Top 10 Shareholders

Unit: share

Total number of common shareholders at period-end	52,641	Total number of preference shareholders with resumed voting rights at period-end	0			
Top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at period-end	Restricted shares held at period-end	Pledged or frozen shares	
					Status	Number
STATE-OWNED ASSETS SUPERVISION AND ADMINISTRATION	On behalf of the government	30.43%	170,845,236			

COMMISSION OF CHANGZHOU MUNICIPAL PEOPLE'S GOVERNMENT						
LEI PING'AN	Domestic individual	0.73%	4,093,998			
KGI ASIA LIMITED	Foreign corporation	0.57%	3,189,845			
YUNNAN INTERNATIONAL TRUST CO., LTD — SHENGJIN No. 36 COLLECTION FUND TRUST PLAN	Other	0.47%	2,618,658			
GUANGDONG FINANCE TRUST CO., LTD — FINANCE TRUST — JUXIN NO. 3 COLLECTION FUND TRUST PLAN	Other	0.34%	1,911,934			
PENG JUN	Domestic individual	0.32%	1,800,000			
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Foreign corporation	0.29%	1,626,592			
HUANG GUOLIANG	Domestic individual	0.27%	1,528,891			
LIANG NIANYOU	Domestic individual	0.24%	1,362,652			
LI SUINAN	Domestic individual	0.24%	1,338,700			
Top 10 non-restricted shareholders						
Name of shareholder	Non-restricted shares held at period-end	Type of stock		Type	Number	
		Type	Number			
STATE-OWNED ASSETS SUPERVISION AND ADMINISTRATION COMMISSION OF CHANGZHOU MUNICIPAL PEOPLE'S GOVERNMENT	170,845,236	RMB common stock	170,845,236			
LEI PING'AN	4,093,998	RMB common stock	4,093,998			
KGI ASIA LIMITED	3,189,845	Domestically listed stock for foreign investors	3,189,845			

YUNNAN INTERNATIONAL TRUST CO., LTD—SHENGJIN No. 36 COLLECTION FUND TRUST PLAN	2,618,658	RMB common stock	2,618,658
GUANGDONG FINANCE TRUST CO., LTD—FINANCE TRUST—JUXIN NO. 3 COLLECTION FUND TRUST PLAN	1,911,934	RMB common stock	1,911,934
PENG JUN	1,800,000	RMB common stock	1,800,000
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	1,626,592	Domestically listed stock for foreign investors	1,626,592
HUANG GUOLIANG	1,528,891	Domestically listed stock for foreign investors	1,528,891
LIANG NIANYOU	1,362,652	RMB common stock	1,362,652
LI SUINAN	1,338,700	Domestically listed stock for foreign investors	1,338,700
Related or acting-in-concert parties among shareholders above	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 10 common shareholders conducting securities margin trading	The shareholder Lei Ping'an held 4,093,998 shares of the Company through customer credit collateral securities trading account of Guosen Securities Co., Ltd, with the proportion of the share holding of 0.73%; The shareholder Peng Jun held 1,800,000 shares of the Company through customer credit collateral securities trading account of Haitong Securities Co., Ltd, with the proportion of the share holding of 0.32%.		

Indicate by tick mark whether any of the top 10 common shareholders or the top 10 non-restricted common shareholders of the Company conducted 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 Top 10 of Them at Period-End

Applicable Not applicable

Part III Significant Events

I Changes in Key Consolidated Financial Statement Items and Reasons for Such Changes

√ Applicable □ Not applicable

1. Selected Items in Consolidated Balance Sheet as of September 30, 2017

Unit: RMB

	September 30, 2017	December 31, 2016	Change	Main reason for change
Accounts receivable	789,836,525.99	359,279,821.69	119.84%	In nine months ended September 30, 2017, 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
Prepayments	25,542,981.62	15,483,475.43	64.97%	Prepayments to suppliers of certain materials were increased to satisfy market needs
Other accounts receivable	17,227,301.11	4,165,674.62	313.55%	Temporary loans granted by subsidiary Housheng Investment to Xuzhou Huadong Foundry Factory, etc.
Other current assets	19,683,519.73	39,669,983.12	-50.38%	Decrease in overpaid VAT
Short-term borrowings	29,900,000.00	10,000,000.00	199.00%	Increase in bank loans of subsidiaries
Long-term borrowings	20,000,000.00	0.00	—	A bank loan of RMB20 million was obtained by the parent company in the current period for the R&D and industrialization of State III/State IV-level high-horsepower efficient agricultural diesel engines
Advances received	74,492,032.02	40,890,620.69	82.17%	Certain customers were required to pay greater advances
Payroll payable	26,207,076.54	58,549,908.90	-55.24%	Salaries and bonuses accrued in the nine months ended September 30, 2016 were mostly paid in the corresponding period of the current year

2. Selected Items in Consolidated Income Statement for January-September 2017

Unit: RMB

	January-September 2017	January-September 2016	Change	Main reason for change
Finance costs	-1,287,876.55	-6,869,369.26	—	Increase in foreign exchange income resulted from exchange rate fluctuations
Investment income	13,407,484.45	3,491,931.65	283.96%	Dividends received on the Bank of Jiangsu stock and the Foton Motor stock increased. And the Company increased its investment in Fuji Robin to become its controlling shareholder. And therefore, the Company's original holding in Fuji Robin was measured at fair value, and the difference between the fair value and the carrying value was charged to investment income
Non-operating income	25,903,268.01	14,014,264.30	84.84%	Income arising from including Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd., whose equity interests the Company acquired at a discount, into the consolidated financial statements

3. Selected Items in Consolidated Cash Flow Statement for January-September 2017

Unit: RMB

	January-September 2017	January-September 2016	Change	Main reason for change
Net cash from operating activities	-61,051,973.62	71,161,321.84	—	Increased accounts receivable
Net cash from investing activities	-63,559,009.38	-41,248,683.31	-54.09%	The parent company had withdrawn investments in wealth management products in January-September 2016, while there was no such event in the current period
Net cash from financing activities	21,794,509.81	-22,454,068.45	—	Increase in bank loans of the parent company and subsidiaries

II Progress, Influence and Solutions Associated with Significant Events

√ Applicable □ Not applicable

Summary of significant event	Disclosure date	Related announcement
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The Company and Synergetic Innovation Fund Management Co., Ltd. jointly incorporated Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership)	09/26/2017, 10/19/2017	No. 2017-022,023,024 and 025
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III Commitments that the Company's Actual Controller, Shareholders, Related Parties and Acquirers, as well as the Company and Other Commitment Makers, 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
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						
Equity incentive commitments						
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	05/11/2017	Year 2017-2019	Implement in a normal way

			<p>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 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.</p>			
Fulfilled on time	Yes					

IV Forecast of 2017 Annual Operating Results

Warning of a possible loss on or a significant year-over-year change in accumulative net margin during the period the beginning of the current year through the end of the next reporting period, as well as 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 for Purposes of Research, Communication, Interview, etc. during Reporting Period

Applicable Not applicable

Date of visit	Way of visit	Type of visitor	About
09/21/2017	Other	Individual	Progress situation of SOE reform of the Company
09/14/2017	Other	Individual	Future development plan of the Company
09/14/2017	Other	Individual	Situation of associated enterprises of the Company
09/13/2017	Other	Individual	Operation situation of the Company
08/27/2017	Other	Individual	Future development plan of the Company
08/21/2017	Other	Individual	Situation of SOE reform
08/04/2017	Other	Individual	Number of shareholders
08/03/2017	Other	Individual	Number of shareholders
07/25/2017	Other	Individual	Stock situation of the Company
07/24/2017	Other	Individual	Operation situation of the Company
07/24/2017	Other	Individual	Progress situation of SOE reform of the Company
07/21/2017	Other	Individual	Operation situation of the Company
07/20/2017	Other	Individual	Number of shareholders
07/06/2017	Other	Individual	Situation of SOE reform
06/22/2017	Other	Individual	Situation of the Company's holding of stock of Jiangsu Bank
06/05/2017	Other	Individual	Situation of the Company's holding of stock of Jiangsu Bank
05/24/2017	Other	Individual	Future development plan of the Company
05/10/2017	Other	Individual	Future development plan of the Company
05/09/2017	Other	Individual	Future development plan of the Company
05/08/2017	Other	Individual	Product situation of the Company
05/02/2017	Other	Individual	R&D situation of the Company
04/27/2017	Other	Individual	Operation situation of the Company

04/24/2017	Other	Individual	Future development plan of the Company
04/24/2017	Other	Individual	Production and operation situation of the Company
04/17/2017	Other	Individual	Future development plan of the Company
04/13/2017	Other	Individual	Future development plan of the Company
04/05/2017	Other	Individual	Production and operation situation of the Company
04/05/2017	Other	Individual	Production and operation situation of the Company
03/30/2017	Other	Individual	Future development plan of the Company
02/28/2017	Other	Individual	Production and operation situation of the Company
01/17/2017	Other	Individual	Production and operation situation of the Company
01/07/2017	Other	Individual	Future development strategy of the Company
01/06/2017	Other	Individual	Progress situation of SOE reform of the Company

VIII Irregularities Arising from Provision of Guarantees for Third Parties

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

No such cases in the Reporting Period.

X Targeted Measures Taken to Help People Lift Themselves out of Poverty

The Company did not take such measures in the third quarter of the year and has no such plans for now.