

Stock Symbol: 000570, 200570

Stock Name: Changchai A, Changchai B

Announcement No.: 2018-002

CHANGCHAI COMPANY, LIMITED ANNUAL REPORT 2017 (ABSTRACT)

Part I Important Notes

This Abstract is based on the full text of the Annual Report of Changchai Company, Limited (together with its consolidated subsidiaries, the “Company”, except where the context otherwise requires). In order for a full understanding of the Company’s operating results, financial condition and future development planning, investors should carefully read the full text which has been disclosed together with this Abstract on the media designated by the China Securities Regulatory Commission (the “CSRC”).

The independent director Mr. Jia Bin was not present at the board session for reviewing this annual report and its summary and thus entrusted the independent director Mr. Feng Genfu to vote on behalf of him.

Independent auditor’s modified opinion:

Applicable Not applicable

Proposal on cash and/or share dividend for common shareholders for the Reporting Period, which has been considered and approved by the Board:

Applicable Not applicable

Share dividend converted from capital reserves:

Yes No

The Board has considered and approved a dividend payout proposal for the common shareholders for the Reporting Period: Based on the total shares of 561,374,326, a cash dividend of RMB0.30 (tax inclusive) per 10 shares would be distributed to all the shareholders, with no share dividend in any form.

Proposal on cash and/or share dividend for preferred shareholders for the Reporting Period, which has been considered and approved by the Board:

Applicable Not applicable

Part II Company Profile

1. Stock Profile

Stock name	Changchai A, Changchai B	Stock symbol	000570, 200570
Stock exchange	Shenzhen Stock Exchange		
Contact information	Board Secretary	Securities Representative	
Name	He Jianjiang		
Office address	123 Huaide Middle Road, Changzhou, Jiangsu, China		
Fax	(86) 519-86630954		
Tel.	(86) 519-68683155		
E-mail address	cchjj@changchai.com		

2. Brief Introduction to Main Business Scope or Products in Reporting Period

As a manufacturer, we specialize in the manufacture and sale of diesel engines, diesel engine fittings and castings, gasoline engines, gasoline engine fittings, rotovators, walking tractors, molds and jigs as well as the assembly and sale of diesel engine and gasoline engine supporting sets.

We mainly manufacture and sell small and medium-sized single-cylinder and multi-cylinder diesel engines under the brand of “Changchai”, which are often used in tractors, combine-harvesters, light commercial vehicles, agriculture equipment, small-sized engineering machinery, generator sets, ship machines, etc.

3. Key Financial Information

(1) Key Financial Information of Past Three Years

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

Yes No

Unit: RMB

	2017	2016	2017-over-2016 change	2015
Operating revenue	2,423,058,958.29	2,283,028,855.52	6.13%	2,519,799,547.29
Net income attributable to shareholders of the listed company	46,431,302.73	62,539,896.17	-25.76%	71,102,792.49
Net income attributable to shareholders of the listed company before nonrecurring gains and losses	18,818,435.16	56,835,566.28	-66.89%	61,588,462.29

Net cash flows from operating activities	-121,669,279.39	99,473,944.04	-	127,926,882.95
Basic earnings per share (RMB/share)	0.08	0.11	-27.27%	0.13
Diluted earnings per share (RMB/share)	0.08	0.11	-27.27%	0.13
Weighted average return on equity (%)	2.00%	3.00%	-1.00%	3.53%
	December 31, 2017	December 31, 2016	Change of December 31, 2017 over December 31, 2016	December 31, 2015
Total assets	3,722,905,285.05	3,724,857,266.71	-0.05%	3,232,406,102.20
Equity attributable to shareholders of the listed company	2,246,896,857.86	2,323,712,892.92	-3.31%	2,002,910,311.01

(2) Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	723,164,530.66	584,941,650.26	551,411,429.29	563,541,348.08
Net income attributable to shareholders of the listed company	34,991,536.70	4,687,621.43	3,072,285.14	3,679,859.46
Net income attributable to shareholders of the listed company before nonrecurring gains and losses	14,440,682.83	6,333,364.66	629,008.33	-2,584,620.66
Net cash flows from operating activities	-52,599,067.83	116,978,391.14	-125,431,296.93	-60,617,305.77

Indicate by tick mark whether any of the financial data in the table above or their summations differs materially from what have been disclosed in the Company's quarterly or semi-annual reports.

Yes No

4. Share Capital and Shareholder Information

(1) Numbers of Common Shareholders and Preferred Shareholders with Resumed Voting Rights as well as Shareholdings of Top Ten Shareholders

Unit: share

Common shareholders at period-end	52,046	Common shareholders at month-end prior to	50,907	Preferred shareholders with resumed voting rights at period-end	0	Preferred shareholders with resumed voting rights at month-end	0
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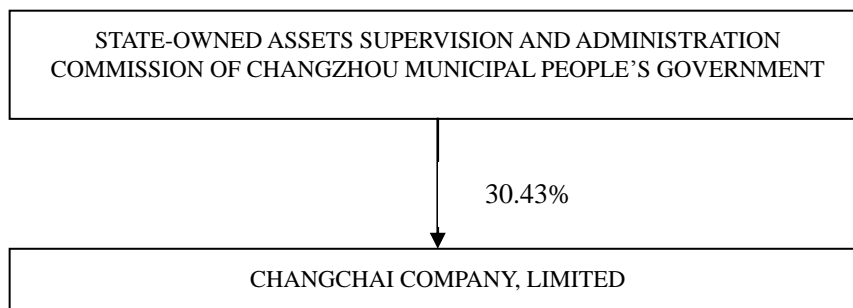
		disclosure of this Report			prior to disclosure of this Report	
Top ten shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage at period-end (%)	Shares	Restricted shares	Pledged or frozen shares	
					Status	Shares
State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	On behalf of the government	30.43%	170,845,236			
KGI Asia Limited	Foreign corporation	0.57%	3,189,845			
Cao Yuting	Domestic individual	0.33%	1,828,000			
Vanguard Total International A Stock Index Fund	Foreign corporation	0.29%	1,626,592			
Wan Peizhong	Domestic individual	0.27%	1,530,700			
Huang Guoliang	Domestic individual	0.27%	1,528,891			
Hu Wenyong	Domestic individual	0.24%	1,365,836			
Liang Nianyou	Domestic individual	0.24%	1,339,452			
Li Suinan	Domestic individual	0.24%	1,338,700			
Vanguard Investment Australia Co., Ltd—Vanguard Emerging Market Stock Index Funds (Stock Exchange)	Foreign corporation	0.21%	1,196,785			
Related or acting-in-concert parties among shareholders above	It is unknown whether there is among the top 10 tradable shareholders and the top 10 non-restrictedly tradable shareholders any related parties or acting-in-concert parties as defined in the Administrative Measures for Information Regarding Shareholding Alteration.					
Shareholders conducting securities margin trading (if any)	N/A					

(2) Number of Preferred Shareholders and Shareholdings of Top Ten of Them

Applicable Not applicable

No preferred shareholders in the Reporting Period.

(3) Ownership and Control Relations between Actual Controller and the Company



5. Corporate Bonds

Does the Company have any corporate bonds publicly offered and listed on the stock exchange, which were undue before the date of this Report's approval or were due but could not be redeemed in full?

No.

Part III Company Performance Discussion and Analysis

1. Business Review for Reporting Period

In 2017, the macro-economy was stabilizing, with the agricultural machinery industry undergoing a key stage characterized by deep changes in the market and product innovation and upgrading. Agricultural equipment manufacturers were busy destocking and improving their new outputs. Amid increasingly fierce competition, the Company focused more on improving product quality, management, appraisal and its talent structure, while continuing to upgrade technology, restructure products and optimize marketing channels. The total market of diesel engines in total dropped slightly, but despite a harsh market environment,, it took up a larger share in the single-cylinder diesel engine market against all the unfavorable factors. As such, it is safe to say the Company has been a leading seller in the industry. For 2017, the Company sold 836,100 units of diesel engines, gasoline engines and generator sets in total, including 160,000 units of gasoline engines, generated sales revenue of RMB2,423,058,958.29, and increased 6.13% a year-over-year .

The Company has adjusted its product mix. Regarding diesel engines for automobile, the Company's two products meeting the National Emission Standard V have been put into mass production for sales, and these two products enjoy good market prospects for they are highly cost effective and competitive. As for diesel engines for non-road sectors, the Company has had a wide range of products covering 20~160 horsepower for tractors, harvesters and engineering machinery, as well as for peanut harvesters and ships, among others.

With respect to quality control and research and development, the Company adopted strict appraisals and strengthened discipline to control and improve product quality; and it used four-valve, shared rail and other new technologies to greatly improve its products in cost efficiency, reliability, etc., boosting market recognition and helping generating better economic results. The Reporting Period has seen excellent outcomes of the Company's efforts in technology innovation. It has applied for 13 patents during the year, of which seven have been granted.

In marketing management, the Company attached importance to operating safety and sales benefits. It strengthened and expanded its competitive products, vigorously promoted new products, tapped new markets and improved customer service. The Company is proceeding well with marketing.

Concerning internal management in 2017, the Company fully promoted information-technology-based management for better management efficiency; and it improved its internal control system by strengthening supervision over key programs and launching various specialized audits, which has further improved its risk control ability and internal audit quality.

Is the Company subject to any disclosure requirements for special industries?

No.

2. Material Change in Main Business Scope in Reporting Period

Yes No

3. Product Categories Contributing over 10% of Main Business Revenue or Income

Applicable Not applicable

Unit: RMB

Product category	Operating revenue	Operating income	Gross margin percentage	YoY change in operating revenue	YoY change in operating income	YoY change in gross margin percentage
Diesel engines	2,232,948,960.31	320,391,133.16	16.75%	-1.13%	-21.58%	-1.55%
Gasoline engines	160,850,613.34	19,426,114.34	13.74%	—	—	—

4. Business Seasonality to which Special Attention should Be Paid

Yes No

5. Material YoY Changes in Operating Revenue, Cost of Operating Revenue and Net Income Attributable to Common Shareholders or Their Composition

Applicable Not applicable

6. Possibility of Listing Suspension or Termination

Applicable Not applicable

7. Matters Related to Financial Reporting

(1) YoY Changes in Accounting Policies, Accounting Estimates or Measurement Methods

Applicable Not applicable

On April 28, 2017, the Ministry of Finance issued and printed the Accounting Standard No. 42 for Business Enterprises—Non-Current Assets and Disposal Groups Classified as Held for Sale and Discontinued Operations, which was implemented from May 28, 2017. The non-current assets and disposal groups classified as held for sale and discontinued operations existed on the implemented date were dealt with prospective application method.

On May 10, 2017, the Ministry of Finance promulgated the Accounting Standard No. 16 for Business Enterprises—Government Subsidies (Revised), which was implemented from June 12, 2017. The Company dealt with the government subsidies existed on January 1, 2017 by adopting prospective application method, and adjusted the newly added government subsidies from January 1, 2017 to the implemented date according to the Standard.

According to the relevant regulations of the 2 above-mentioned accounting standards, the Ministry of Finance revised the format of general financial statements of enterprises, and issued the Notice on Revision and Issuance of Format of General Financial Statements of Enterprises On December 25, 2017; line item of “Assets Held for Sale” and “Liabilities Held for Sale” were newly added to the Balance Sheet; line item of “Assets Disposal Income” and “Other Income” were newly added to Income Statement; line item of “(I) Net Profits of Continuing Operation” and “(II) Net Profits of Discontinued Operation” were newly added to the item of Net Profits. The Ministry of Finance issued Interpretation on Related Questions of Format of General Financial Statements of Enterprises on January 12, 2018, according to the relevant regulations of the Interpretation:

For the line item of “Assets Disposal Income” newly added to Income Statement, the Company adjusted the comparative data in comparative period according to the Notice based on the relevant regulations of the Accounting Standard No. 30 for Business Enterprises—List and Presentation of Financial Statement.

For the line item of “Other Income” newly added to Income Statement, the Company dealt with the government subsidies existed on January 1, 2017 by adopting prospective application method, no need to adjust the comparative data in comparative period according to the relevant regulations of the Accounting Standard No. 16 for Business Enterprises—Government Subsidies.

Due to the retroactive adjustment to the item of “Assets Disposal Income”, the influences on the statement for 2016 are as follows:

Unit: RMB

	Before the change	After the change
Assets disposal income		6,433,767.68

Non-operating income	15,602,392.47	9,156,923.41
Non-operating expenses	10,729,181.83	10,717,480.45

(2) Retrospective Restatements due to Correction of Material Accounting Errors in Reporting Period

Applicable Not applicable

No such cases.

(3) YoY Changes in Scope of Consolidated Financial Statements

Applicable Not applicable

The Company held an extraordinary meeting of the board of directors on August 26, 2016. The Proposal on the Transferee of 67% Equity Interest in Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. held by Fuji Heavy Industries Co., Ltd. of Japan was reviewed and passed in the meeting. The Company holds the 100% equity interest in Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. after completion of the acquisition, and Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. was changed from a Chinese-foreign joint venture to a domestic-funded enterprise. On January 20, 2017, the registration procedures for industrial and commercial changes related to equity transfer of Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. was completed, and the business license renewed by Changzhou National High-Tech Industrial Development Zone (Xinbei District) Market Supervision Administration was issued to the company, which stated a registered capital of RMB 37.25 million, a business scope includes: production, processing, development, sales and technical consultation of small general-purpose gasoline engines and the supporting units (including agricultural machinery, engineering machinery, pump units and small generator sets) as well as the production, processing, development, sales and technical consultation of related components, parts and accessories. Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. has been included in the scope of the consolidated financial statements of the Company since January 20, 2017. The Company has paid for the equity transfer. The share purchase transaction generated revenue of RMB 21,675,689.55, which was included in the investment income and non-operation income of the current period.