

Stock code: 000570, 200570

Stock abbreviation: Su Changchai A, Su Changchai B

Announcement No.: 2018-012

# **CHANGCHAI COMPANY, LIMITED**

## **THE FIRST QUARTERLY REPORT FOR YEAR 2018**

### **Part I Important Notes**

The Board of Directors (or the “Board”), the Supervisory Board as well as the Directors, Supervisors and senior management of Changchai Company, Limited (inclusive of its consolidated subsidiaries, the “Company”; exclusive of its subsidiaries, the “Parent Company”, except where the context otherwise requires) hereby guarantee the factuality, accuracy and completeness of the contents of this Report, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions in this Report.

All the Company’s Directors have attended the Board meeting for the review of this Report.

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 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 Key Corporate Information

### I Key Financial Information

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

Yes  No

	January-March 2018	January-March 2017	Change
Sales revenue (RMB)	593,008,785.46	723,164,530.66	-18.00%
Net income attributable to shareholders of the listed company (RMB)	11,343,577.44	34,991,536.70	-67.58%
Net income attributable to shareholders of the listed company before nonrecurring gains and losses (RMB)	11,141,982.06	14,440,682.83	-22.84%
Net cash flows from operating activities (RMB)	-73,259,277.76	-52,599,067.83	-
Basic earnings per share (RMB/share)	0.02	0.06	-66.67%
Diluted earnings per share (RMB/share)	0.02	0.06	-66.67%
Weighted average return on equity (%)	0.51%	1.48%	-0.97%
	March 31, 2018	December 31, 2017	Change
Total assets (RMB)	3,703,879,135.15	3,722,905,285.05	-0.51%
Equity attributable to shareholders of the listed company (RMB)	2,221,644,110.30	2,246,896,857.86	-1.12%

Nonrecurring gains and losses:

Applicable  Not applicable

Unit: RMB

Item	January-March 2018	Note
Gains and losses on disposal of non-current assets (inclusive of offset allowance for asset impairments)	122,640.78	
Gains and losses on changes in fair value of 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)	64,096.56	
Other gains and losses that meet definition of nonrecurring gain/loss	27,217.56	
Less: Income tax effects	12,359.52	
Total	201,595.38	--

Explanation of why the Company classifies an item as a nonrecurring gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Nonrecurring Gains and Losses, or reclassifies any nonrecurring gain/loss item listed in the said explanatory announcement as a recurring gain/loss:

Applicable  Not applicable

No such cases for the Reporting Period.

## II Total Number of Shareholders and Top 10 Shareholders' Holdings at Period-End

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

Unit: share

Common shareholders at period-end	50,915	Preferred shareholders with resumed voting rights at period-end (if any)	0			
Top 10 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	State-owned juridical person	30.43%	170,845,236	0		
KGI Asia Limited	Foreign juridical person	0.57%	3,189,845	0		
Zhang Ruirong	Domestic natural person	0.32%	1,776,800	0		
Wan Peizhong	Domestic natural person	0.29%	1,645,800	0		
Huang Guoliang	Domestic natural person	0.27%	1,528,891	0		
Hu Wenyong	Domestic natural person	0.27%	1,499,766	0		
Vanguard Total International Stock Index Fund	Foreign juridical person	0.25%	1,382,093	0		
Liang Nianyou	Domestic natural person	0.24%	1,339,452	0		
Li Suinan	Domestic natural person	0.24%	1,338,700	0		
Xiong Shunbao	Domestic natural person	0.23%	1,273,051	0		
Top 10 non-restricted shareholders						
Name of shareholder	Non-restricted shares held at period-end	Type of shares				
		Type	Shares			
State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	170,845,236	RMB common stock	170,845,236			

KGI Asia Limited	3,189,845	Domestically listed stock for foreign investors	3,189,845
Zhang Ruirong	1,776,800	RMB common stock	1,776,800
Wan Peizhong	1,645,800	RMB common stock	1,645,800
Huang Guoliang	1,528,891	Domestically listed stock for foreign investors	1,528,891
Hu Wenyong	1,499,766	Domestically listed stock for foreign investors	1,499,766
Vanguard Total International Stock Index Fund	1,382,093	Domestically listed stock for foreign investors	1,382,093
Liang Nianyou	1,339,452	RMB common stock	1,339,452
Li Suinan	1,338,700	Domestically listed stock for foreign investors	1,338,700
Xiong Shunbao	1,273,051	RMB common stock	1,273,051
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)	The shareholder Xiong Shunbao holds 1,273,051 shares in the Company through an account of collateral securities for margin trading in Guolian Securities Co., Ltd, accounting for 0.23%.		

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

Applicable  Not applicable

## Part III Significant Events

### I Changes in Selected Financial Statement Items and Explanation of why

Applicable  Not applicable

1. Accounts receivable rose by RMB280,595,318.57, or 71.58%, as of March 31, 2018 compared to December 31, 2017, primarily because the Company properly allowed customers' buying on credit for more markets in Q1 2018 and multi-cylinder diesel engine customers are usually given longer payment days.

2. Prepayments rose by RMB8,647,269.62, or 104.87%, as of March 31, 2018 compared to December 31, 2017, primarily because the Company properly increased its prepayments to suppliers to ensure the supply of raw materials and components.

3. Other receivables were increased by RMB18,512,464.39, or 319.46%, mainly due to the temporary borrowing of subsidiary, Changzhou Horizon Investment Company, to the Xuzhou Hua Dong Foundry.

4. Finance costs went down by RMB4,583,391.46, during Q1 2018 compared to Q1 2017, primarily driven by the changes in net foreign exchange gains and losses resulted from exchange rate fluctuations in Q1 2018.

5. Non-operating income decreased by RMB19,969,994.21, or 92.26%, compared with the same period last year, mainly due to the fact that there was no discount for the equity purchase of subsidiary companies compared with the same period last year.

6. Non-operating expense went down by RMB2,123,588.54, or 58.21%, during Q1 2018 compared to Q1 2017, primarily driven by a year-over-year decrease in the loss on disposal of defective inventories.

7. Net income went down by RMB23,727,160.85, or 67.28%, during Q1 2018 compared to Q1 2017, primarily because an equity acquisition was concluded at a price lower than the appraised price, generating a non-recurring gain, in Q1 2017 and costs increased in Q1 2018 due to weak demand for diesel engines and stricter emission regulations.

8. Net cash flows from operating activities decreased by RMB20,660,209.93 from the same period of last year mainly because of the increased accounts receivable.

9. Net cash flows from investing activities went down by RMB29,598,627.43, during Q1 2018 compared to Q1 2017, primarily because Q1 2018 saw a decrease in fixed-assets construction.

### II Progress, Influence and Solutions Associated with Significant Events

Applicable  Not applicable

### 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

No such cases in the Reporting Period.

#### IV Operating Result Forecast for January-June 2018

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

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
January 3, 2018	Other	Individual	The Company's cooperative purpose with foreign companies
January 18, 2018	Other	Individual	Cooperation with scientific research organizations and institutions of higher education
January 29, 2018	Other	Individual	Disclosure time of the Company's operating result forecast
March 13, 2018	Other	Individual	Mixed ownership reform of state-owned enterprises
March 13, 2018	Other	Individual	Development in Southeast Asian market
March 31, 2018	Other	Individual	Cooperation with Jiangsu World
March 31, 2018	Other	Individual	Management of the Company's market value
March 31, 2018	Other	Individual	Situation of the Company's reform

#### VIII Irregularities in Provision of Guarantees for External Parties

Applicable  Not applicable

No such cases in the Reporting Period.

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

Applicable  Not applicable

No such cases in the Reporting Period.