

Stock Code: 000570, 200570    Stock Name: Changchai-A, Changchai-B    Announcement No. 2018-023

## CHANGCHAI COMPANY, LIMITED

### INTERIM REPORT 2018 (SUMMARY)

#### Part I Important Notes

This Summary is based on the full text of the 2018 Interim 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 plans, investors should carefully read the aforesaid full text, which has been disclosed together with this Summary on the media designated by the China Securities Regulatory Commission (the “CSRC”).

Independent auditor’s modified opinion:

Applicable  Not applicable

Board-approved interim cash and/or stock dividend plan for ordinary shareholders:

Applicable  Not applicable

The Company has no interim dividend plan, either in the form of cash or stock.

Board-approved interim cash and/or stock dividend plan for preferred shareholders:

Applicable  Not applicable

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

##### 1. Stock Profile

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

##### 2. Key Financial Information

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

Yes  No

|   | H1 2018          | H1 2017          | Change (%) |
|---|------------------|------------------|------------|
| Operating revenue (RMB)   | 1,186,760,892.26 | 1,308,106,180.92 | -9.28%     |
| Net profit attributable to the listed company's shareholders (RMB)                          | 18,638,557.66    | 39,679,158.13    | -53.03%    |
| Net profit attributable to the listed company's shareholders before exceptional items (RMB) | 17,262,823.25    | 20,774,047.49    | -16.90%    |
| Net cash generated from/used in operating activities (RMB)                                  | -5,608,853.15    | 64,379,323.31    | —          |
| Basic earnings per share (RMB/share)  | 0.03             | 0.07             | -57.14%    |
| Diluted earnings per share (RMB/share)  | 0.03             | 0.07             | -57.14%    |
| Weighted average return on net assets (%)   | 0.86%            | 1.71%            | -0.85%     |
|   | 30 June 2018     | 31 December 2017 | Change (%) |
| Total assets (RMB)  | 3,694,504,040.78 | 3,722,905,285.05 | -0.76%     |
| Net assets attributable to the listed company's shareholders (RMB)                          | 2,122,495,960.74 | 2,246,896,857.86 | -5.54%     |

### 3. Shareholders and Their Holdings at Period-End

Unit: share

| Number of ordinary shareholders   | 50,159                   | 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 | Pledged or frozen shares |        |
|   |                          |  |                  |                   | 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        |                   |                          |        |
| 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%  | 1,515,066        |                   |                          |        |
| Li Suinan   | Domestic natural person  | 0.24%  | 1,356,000        |                   |                          |        |
| Liang Nianyou   | Domestic natural person  | 0.24%  | 1,348,452        |                   |                          |        |

|   |                         |  |           |  |  |  |
|---|-------------------------|--|-----------|--|--|--|
| Vanguard Total International Stock Index Fund                   | Foreign legal person    | 0.24%  | 1,344,607 |  |  |  |
| Xiong Shunbao   | Domestic natural person | 0.23%  | 1,282,251 |  |  |  |
| Connected 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. |           |  |  |  |
| Shareholders conducting margin trading (if any)                 |                         | Shareholder Xiong Shunbao holds 1,282,251 shares of the Company through the client account of collateral securities in Guolian Securities Co., Ltd. for margin trading, accounting for a stake of 0.23%.   |           |  |  |  |

#### 4. Change of Controlling Shareholder or Actual Controller in Reporting Period

Change of the controlling shareholder in the Reporting Period:

Applicable  Not applicable

The controlling shareholder remained the same in the Reporting Period.

Change of the actual controller in the Reporting Period:

Applicable  Not applicable

The actual controller remained the same in the Reporting Period.

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

Applicable  Not applicable

No preferred shareholders in the Reporting Period.

#### 6. 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 Operating Performance Discussion and Analysis

#### 1. Business Overview of Reporting Period

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

No.

For the first half of 2018, the Company sold 315.5 thousand diesel engines and related generator sets, as well

as 68.6 thousand gasoline engines and related generator sets for RMB1,187 million, representing net profit of RMB18.9079 million (a year-on-year decline of 52.79%). During the period, the Company's operations was in face of quite many difficulties caused by the continued deep change in the domestic agricultural machinery market, including rising diesel engine manufacturing costs resulted from increasingly stringent emission regulations, as well as effects of enhanced environment supervision on certain component suppliers. Nonetheless, despite all these challenges, the Company still managed to achieve good operating results amid a sharp growth decline across the industry, thanks to the management's swift moves to change operational strategy along with the entire staff's hard work.

Firstly, the Company has become a larger supply source for its major domestic customers and the domestic markets of three-wheelers, mid-and-large tractors and harvesters in spite of sharp weakening across these markets. Meanwhile, its unit sales in overseas emerging markets saw a rise, generating revenue of US\$27.77 million during the Reporting Period.

Secondly, the Company has launched a 4G33V16 diesel engine for automotive use project under China's Motor Vehicle Emission Standards VI, and the technology roadmap has been determined, with the related project design and theoretical computation well underway. Additionally, three technology roadmaps and the prototypes based on two of these technology roadmaps have been completed for the Company's 4G33V16 diesel engine for non-road vehicles project under China's Motor Vehicle Emission Standards IV, with the harvester carrying test in progress.

In all, the first half of 2018 saw a bigger market share of the Company's single-cylinder engines, as well as major breakthroughs made by its competitive 4G33 Engine in market segments for mid-and-large tractors, crawler rice harvester, etc. In the second half of the year, in order to fulfill its annual targets, the Company will continue to benchmark itself against the best operations in the industry and try to narrow the gap with them on quality-related loss control, production safety and environmental protection, cost and expense reduction, production capacity utilization, talent development, etc.

## **2. Matters Related to Financial Reporting**

### **(1) Changes in Accounting Policies, Accounting Estimates or Measurement Methods Compared to Last Accounting Period**

Applicable     Not applicable

No such changes.

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

Applicable     Not applicable

No such cases.

**(3) Changes in Scope of Consolidated Financial Statements Compared to Last Accounting Period**

Applicable     Not applicable

No such changes.