Stock code: 000570, 200570 Stock name: Changchai A, Changchai B Announcement No.: 2017-002

CHANGCHAI COMPANY, LIMITED
ABSTRACT OF ANNUAL REPORT 2016

I Important information

This Abstract is based on the full text of the Annual Report. In order for a full understanding of the operating results, financial condition and future development planning of the Company, investors are kindly reminded to read the full text carefully on the media designated by the China Securities Regulatory Commission (the "CSRC").

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

Modified auditor's opinion

□ Applicable √ Not applicable

Proposal for profit distribution to common shareholders or converting capital reserve into share capital for this Reporting Period, which has been considered and approved by the Board

√ Applicable □ Not applicable

Share capital increase from capital reserve

□ Yes √ No

The Board has considered and approved the following proposal for profit distribution to common shareholders: Based on the total shares of 561,374,326, a cash dividend of RMB0.3 (tax inclusive) per 10 shares will be distributed to all shareholders of the Company. No bonus shares will be granted, nor will any capital reserve be converted into share capital.

Proposal for profit distribution to preference shareholders for this Reporting Period, which has been considered and approved by the Board

□ Applicable √ Not applicable

Stock profile

Stock name	Changchai A, Changchai B	Stock code	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	cchjj@changchai.com		

II Brief introduction to the main business or products in this 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, cereal harvesting machinery, 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.

III Key financial results

1. Key financial results for the past three years

Indicate by tick mark whether the Company performed any retroactive adjustments to or restatement of its accounting data due to changes of accounting policies or correction of accounting errors.

□ Yes √ No

Unit: RMB

	2016	2015	+/-%	2014
Operating revenues	2,283,028,855.52	2,519,799,547.29	-9.40%	2,489,792,063.33
Net profit attributable to shareholders of the Company	62,539,896.17	71,102,792.49	-12.04%	64,202,144.29
Net profit attributable to shareholders of the Company before exceptional profit and loss	56,835,566.28	61,588,462.29	-7.72%	58,685,034.57
Net cash flows from operating activities	99,473,944.04	127,926,882.95	-22.24%	-51,507,355.52
Basic earnings per share (RMB/share)	0.11	0.13	-15.38%	0.11
Diluted earnings per share (RMB/share)	0.11	0.13	-15.38%	0.11
Weighted average return on equity (%)	3.00%	3.53%	-0.53%	3.28%
	December 31, 2016	December 31, 2015	+/-%	December 31, 2014
Total assets	3,724,857,266.71	3,232,406,102.20	15.23%	3,166,783,758.18
Net assets attributable to shareholders of the Company	2,323,712,892.92	2,002,910,311.01	16.02%	1,936,936,835.27

2. Key financial results by quarter

Unit: RMB

	1Q	2Q	3Q	4Q
Operating revenues	654,517,225.08	509,143,496.61	605,182,860.65	514,185,273.18
Net profit attributable to shareholders of the Company	24,282,056.99	10,736,085.37	20,090,608.28	7,431,145.53
Net profit attributable to shareholders of the Company before exceptional profit and loss	24,946,954.15	3,563,547.46	19,718,706.88	8,606,357.79
Net cash flows from operating activities	-5,947,696.22	123,983,609.51	-46,874,591.45	28,312,622.20

Indicate by tick mark whether there are any material differences between the financial indicators above or their summations and those which have been disclosed in quarterly or semi-annual reports.

□ Yes √ No

IV Share capital and shareholders

1. Numbers of common shareholders and preference shareholders with resumed voting rights as well as shareholdings of top ten shareholders

Unit: share

Total number of common shareholders at the period-end	49,929	Total number of common shareholders at the prior month-end before the disclosure of this Report	50,464	Total number of preference shareholders with resumed voting rights at the period-end	0	Total number of preference shareholders with resumed voting rights at the prior month-end before the disclosure of this Report	0

Top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total shares held at the period-end	Number of restricted shares held	Pledged or frozen shares	
					Status	Number
State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	On behalf of the government	30.43%	170,845,236	0		
Bosera Value Growth Fund	Other	2.49%	14,000,000	0		
Galaxy Futures Co., Ltd.-Galaxy Futures Shengshi No. 2 Asset Management Plan	Other	1.05%	5,915,274	0		
China Construction Bank-Bosera Value Growth No. 1 Fund	Other	0.96%	5,400,000	0		

KGI Asia Limited	Foreign corporation	0.59%	3,324,845	0		
Rongtong Capital-Industrial Bank-Rongtong Capital Rongteng No. 11 Asset Management Plan	Other	0.56%	3,121,200	0		
Bank of Communications-Everbright Pramerica State-owned Enterprise Reform Theme Stock Fund	Other	0.53%	2,950,000	0		
Zhong Ou Asset Management-Bank of China-Ping An Life Insurance- Zhong Ou Asset Management - Ping An Life Insurance Entrusted Investment No. 1 Asset Management Plan	Other	0.34%	1,899,930	0		
Li Liang	Domestic individual	0.33%	1,827,445	0		
Vanguard Total International Stock Index Fund	Foreign corporation	0.29%	1,626,592	0		
Related or acting-in-concert parties among the 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		Shareholder Li Liang held a total of 1,827,445 shares in the Company, representing a stake of 0.33%, through the client account of collateral securities for margin trading of Ping An Securities Co., Limited.				

2. Number of preference shareholders and shareholdings of top ten of them

□ Applicable √ Not applicable

No preference shareholders in this Reporting Period.

3. Ownership and control relations between the actual controller and the Company

STATE-OWNED ASSETS SUPERVISION AND ADMINISTRATION COMMISSION OF CHANGZHOU MUNICIPAL PEOPLE’S GOVERNMENT

↓ 30.43%

CHANGCHAI COMPANY, LIMITED

V Performance discussion and analysis

1. Performance review for this Reporting Period

In the year 2016, facing difficulties such as the continuous downward trend of the macro-economy, stricter emission laws and regulations, and the enormous pressure from safety and environmental protection requirements, we took core competitiveness improvement as the most important measure, by speeding product upgrades, optimizing the product structure, improving product quality, continuously promoting important technological transformation projects, making full use of the resource advantage, seizing opportunities in domestic and overseas markets, and expanding the advantages of superior products and business segments. As a result, we managed to maintain a stable and orderly development.

In 2016, we sold about 724,400 engines and engine units, of which about 116,600 were multi-cylinder engines, and about 607,800 are single-cylinder engines. We exported about 124,600 engines and engine units; and we achieved sales revenue of RMB2.283 billion, a yearly decline of 9.4%. The net profit attributable to shareholders of the Company was RMB62.5714 million, a yearly decline of 12.00%. Under the grim overall situation of the national small diesel engine industry, although our company's total sales of products went down from last year, our overall market share was stable, maintaining a leading position in the industry.

In terms of single-cylinder engines, our company adapted to new changes in the market, stabilize the main supporting enterprise market share, integrate A dealer team and continuously promote the secondary network construction. At the same time, we also accelerated the pace of product and market structure optimization, increased the proportion of superior products, and fully involved in bidding projects and the development of key customers.

Concerning multi-cylinder engines, on the one hand, our company stabilized the existing supporting system to enhance the supporting market share, speed up the agricultural market support of 4G33 and 4L88 series of middle and high ranking new products, as well as the promotion of resources of national standard III. Our company also accelerated the support of end products such as light engines and rice transplanters, but the supporting sales of commercial vehicles decreased significantly.

Facing a more severe situation of foreign trade market in the past two years, our company's export business maintained stable and rapid development. Both export volume and export income of our company increased.

As for market service, we focused on national standard III training for product upgrades and service station optimization, and continuously improved the service capacity of national standard III products. We made full use of the Internet, visualization and other means to improve the terminal market service capabilities by following-up and teamwork.

To sum up, in 2016, our company correctly grasped the industry trends, implemented targeted product structure adjustment, and did a lot to positively and effectively promote product upgrades. On the one hand, the upgrade of single multi-cylinder products to national standard III was basically completed. The technical route was recognized by the market and got an advantage in the development of the industry. On the other hand, the product structure adjustment achieved initial success. New key profitable products increased significantly, making good preparation for the new development of the company.

2. Significant changes in the main business in this Reporting Period

□ Yes √ No

3. Products contributing over 10% of the main business revenue or profit

√ Applicable □ Not applicable

Unit: RMB

Product	Operating revenue	Operating profit	Gross profit margin	Operating revenue: YoY +/-%	Operating profit: YoY +/-%	Gross profit margin: YoY +/-%
Diesel engines	2,258,400,410.51	408,574,378.75	18.09%	-9.49%	1.92%	2.02%

4. Seasonal or periodic characteristics in the operating performance that need special attention

□ Yes √ No

5. Significant YoY changes in the operating revenues, operating costs and net profit attributable to the common shareholders or their composition

□ Applicable √ Not applicable

6. Possibility of listing suspension or termination

□ Applicable √ Not applicable

VI Issues related to the financial report

1. YoY changes in accounting policies, accounting estimations and measurement methods

□ Applicable √ Not applicable

No changes.

2. Retroactive restatements due to correction of significant accounting errors in this Reporting Period

□ Applicable √ Not applicable

No such cases.

3. YoY changes in the scope of the consolidated financial statements

□ Applicable √ Not applicable

No changes.

4. Explanation by the Board of Directors and the Supervisory Board concerning the "auditor's report with modified opinion" issued by the CPAs firm for the Company in the Reporting Period

□ Applicable √ Not applicable