

Stock Code: 000570, 200570

Stock Name: Changchai, Changchai-B

Announcement No. 2019-028

CHANGCHAI COMPANY, LIMITED

INTERIM REPORT 2019 (SUMMARY)

Part I Important Notes

This Summary is based on the full text of the 2019 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, 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 2019	H1 2018	Change (%)
Operating revenue (RMB)	1,115,829,845.59	1,186,760,892.26	-5.98%
Net profit attributable to the listed company's shareholders (RMB)	19,058,025.07	18,638,557.66	2.25%
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	14,227,155.59	17,262,823.25	-17.59%
Net cash generated from/used in operating activities (RMB)	-154,227,704.77	-5,608,853.15	-
Basic earnings per share (RMB/share)	0.0339	0.0332	2.11%
Diluted earnings per share (RMB/share)	0.0339	0.0332	2.11%
Weighted average return on equity (%)	0.97%	0.86%	0.11%
	30 June 2019	31 December 2018	Change (%)
Total assets (RMB)	3,640,229,950.93	3,542,019,195.75	2.77%
Equity attributable to the listed company's shareholders (RMB)	2,135,662,393.66	2,043,308,026.74	4.52%

3. Shareholders and Their Holdings as at 30 June 2019

Unit: share

Number of ordinary shareholders		55,742		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	Shares in pledge or frozen		
					Status	Shares	
Changzhou Investment Group Co., Ltd	State-owned legal person	30.43%	170,845,236				
KGI Asia Limited	Foreign legal person	0.57%	3,189,845				
Huang Guoliang	Domestic natural person	0.27%	1,528,891				
Hu Wenyong	Domestic natural person	0.27%	1,528,066				
Li Suinan	Domestic natural person	0.27%	1,507,800				
Tao Xiaofang	Domestic natural person	0.22%	1,228,000				
Xue Hong	Domestic natural person	0.22%	1,220,000				
Vanguard Investment Australia Ltd-Vanguard	Foreign legal person	0.21%	1,196,785				

Emerging Market Stock Index Fund (Exchange)						
Xie Deqing	Domestic natural person	0.20%	1,140,100			
Central Huijin Asset Management Co., Ltd.	State-owned legal person	0.20%	1,107,900			
Related or acting-in-concert parties among the shareholders above	It is unknown whether there is among the top 10 public shareholders and the top 10 unrestricted public shareholders any related parties or acting-in-concert parties as defined in the Administrative Measures for Information Regarding Shareholding Alteration.					
Shareholders involved in securities margin trading (if any)	N/A					

4. Change of the Controlling Shareholder or the Actual Controller in the 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 on the stock exchange, which were outstanding 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 the Reporting Period

Is the Company subject to any industry-specific disclosure requirements?

No.

The first half of 2019 saw a trough of the agricultural machinery market, which is expected to continue. During this

period, the Company sold 361,100 units of diesel engines, gasoline engines and related generator sets, including 69,300 units of gasoline engines, generating total sales revenue of RMB1,115,829,845.59, a drop of 5.98% year-on-year. In the Reporting Period, the Company strengthened product advantages, accelerated market expansion, and pushed forward product planning step by step. Also, it attached importance to service management to increase service efficiency, and enhanced internal management for better cost efficiency. Through these efforts, it has achieved the following results:

Product R&D and innovation: The Company continued to drive the R&D and reserve of diesel engine for non-road vehicles project under China's Motor Vehicle Emission Standards IV and diesel engine for automotive use project under China's Motor Vehicle Emission Standards VI. The development and application of the remote monitoring platform entered the stage of software deployment, and the platform provided favorable support to the reduction in the Company's service costs of "three guarantees".

Quality management: In light of the adjustment to its organizational structure, the Company revised its system documents, which passed the internal audit in April 2019. In June, the Company passed the external audit of its ISO9001 and IATF16949 quality management systems by CASC and the spot check by China National Accreditation Service for Conformity Assessment.

Marketing management: The Company solidified the existing advantages and enlarged the share of superior products. It kept improving service capabilities by building good cooperative partnership with customers and suppliers, adapting to market changes for opportunities to expand the market and promoting new areas of supporting products. As a result, customer satisfaction kept rising.

Internal management: The Company further improved the Articles of Association, reinforced the construction of internal control system and the supervision of key projects. By deepening the medium-term special audit, it improved risk prevention and control ability and the quality of internal audit work. As timely measures are taken to solve problems, operational efficiency of the Company is improved.

Market: In traditional agriculture sector, facing increasing market competition, the Company established a sales policy of stabilizing the market shares of its two main engine factories while developing new markets and new fields with targeted marketing in key regions, which led to some achievements. Although the total market of single cylinder engine industry fell substantially, decline in the Company's sales of single cylinder engines was lower than the industrial average. Changchai maintained its industrial top position in terms of its market share of single cylinder engines. In non-road sector, an increase was seen in the Company's market share of multi-cylinder engines in tractors, harvesters, corn harvesters, with advantaged fields being further strengthened. Furthermore, in light of the continuous decline in agriculture sector, the Company continued to expand non-agriculture market by striving to develop market shares in such supporting markets as coastal, project infrastructure and small project machinery, in addition to stabilizing its market share of construction machinery and prospecting machinery.

Outbound investment: In February 2019, the Company founded Jiangsu Changchai Machinery Co., Ltd., a wholly owned subsidiary of the Company, which engages in production projects of light engines and castings. As a result, the number of the Company's majority-owned subsidiaries has increased to six.

2. Matters Related to Financial Reporting

(1) Changes to Accounting Policies, Accounting Estimates or Measurement Methods Compared to the Last Accounting Period

√ Applicable □ Not applicable

Changes to the accounting policies and why	Approval process	Remark
The Notice on Revising and Issuing the Formats of 2019 Financial Statements for General Enterprises issued by the Ministry of Finance on 30 April 2019 requires the companies which have implemented the new standards governing financial instruments but not the new standards governing revenue and lease or companies which have implemented the new standards governing financial instruments and revenue but not the new standards governing lease to adjust items of financial statements in line with requirements in Appendix 1 and Appendix 2 of this Notice.	On 27 August 2019, the Company held the 20 th Meeting of the 8 th Board of Directors and the 16 th Meeting of the 8 th Supervisory Committee and approved the <i>Proposal on Changes of Some Accounting Policies</i>	Refer to (1) of other notes for details
The Company starts to implement the Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets, Accounting Standards for Business Enterprises No.24-Hedge Accounting and Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments, which revised and issued by the Ministry of Finance in March 2017 and hereinafter collectively referred to as new standards governing financial instruments since 1 January 2019 which stipulate that the company shall classify and measure financial instruments in accordance with regulations on the execution date, when the data of comparative financial statements of prior years do not comply with the new standards, no adjustment is made by the Company.	On 9 April 2019, the Company held the 17 th Meeting of the 8 th Board of Directors and 13 th Meeting of the 8 th Supervisory Committee and approved the <i>Proposal on Changes in Some Accounting Policies</i>	Refer to (2) of other notes for details

(1) Influence of Changes in Formats of Financial statements

Affected items in the consolidated balance sheet and amount thereof:

31 December 2018		1 January 2019	
Notes receivable and accounts receivable	874,229,941.58	Notes receivable	495,370,782.47
		Accounts receivable	378,859,159.11
Notes payable and accounts payable	1,030,130,275.77	Notes payable	438,375,400.00
		Accounts payable	591,754,875.77

Affected items in the balance sheet of the Company as the parent and amount thereof:

31 December 2018		1 January 2019	
Notes receivable and accounts receivable	790,877,079.72	Notes receivable	490,519,795.91
		Accounts receivable	300,357,283.81
Notes payable and accounts payable	987,550,797.44	Notes payable	425,995,400.00
		Accounts payable	561,555,397.44

(2) Influence of Execution of New Standards Governing Financial Instruments

Affected items in the consolidated balance sheet and amount thereof:

Item	31 December 2018	Affected amount		1 January 2019
		Affected by classification and measurement	Affected by impairment of financial assets	

Available-for-sale financial assets	498,851,369.49	-498,851,369.49		
Other investments in equity instruments		498,851,369.49		498,851,369.49

Affected items in the balance sheet of the Company as the parent and amount thereof:

Item	31 December 2018	Affected amount		1 January 2019
		Affected by classification and measurement	Affected by impairment of financial assets	
Available-for-sale financial assets	470,940,000.00	-470,940,000.00		
Other investments in equity instruments		470,940,000.00		470,940,000.00

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

Applicable Not applicable

No such cases.

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

Applicable Not applicable

No such changes for the Reporting Period.