

Stock Code: 000570, 200570

Stock Name: Changchai, Changchai-B

Announcement No. 2020-025

CHANGCHAI COMPANY, LIMITED

ANNUAL REPORT 2019 (SUMMARY)

Part I Important Notes

This Summary is based on the full text of the 2019 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 position 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”).

All the Company’s directors have attended the Board meeting for the review of this Report and its summary.

Independent auditor’s modified opinion:

Applicable Not applicable

Board-approved final cash and/or stock dividend plan for ordinary shareholders for the Reporting Period:

Applicable Not applicable

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

Board-approved final cash and/or stock dividend plan for preferred shareholders for the Reporting Period:

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		
Address	123 Huaide Middle Road, Changzhou, Jiangsu, China		

Fax	(86) 519-86630954	
Tel.	(86) 519-68683155	
Email address	cchjj@changchai.com	

2. Principal Activities or Products in the 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 the Past Three Years

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

Yes No

Unit: RMB

	2019	2018	2019-over-2018 change (%)	2017
Operating revenue	2,040,133,717.30	2,132,902,718.60	-4.35%	2,423,058,958.29
Net profit attributable to the listed company's shareholders	24,934,586.11	62,021,374.04	-59.80%	46,431,302.73
Net profit attributable to the listed company's shareholders before exceptional gains and losses	14,376,783.21	-43,333,196.13	-	18,818,435.16
Net cash generated from/used in operating activities	-20,542,857.52	273,819,526.89	-	-121,669,279.39
Basic earnings per share (RMB/share)	0.04	0.11	-63.64%	0.08
Diluted earnings per share (RMB/share)	0.04	0.11	-63.64%	0.08
Weighted average return on equity (%)	1.20%	2.84%	-1.64%	2.00%
	31 December 2019	31 December 2018	Change of 31 December 2019 over 31 December 2018 (%)	31 December 2017
Total assets	3,484,975,990.48	3,542,019,195.75	-1.61%	3,722,905,285.05

Equity attributable to the listed company's shareholders	2,109,239,597.94	2,043,308,026.74	3.23%	2,246,896,857.86
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(2) Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	557,670,611.48	558,159,234.11	460,579,449.28	463,724,422.4
Net profit attributable to the listed company's shareholders	2,518,025.10	16,539,999.97	950,668.62	4,925,892.42
Net profit attributable to the listed company's shareholders before exceptional gains and losses	1,083,678.62	13,143,476.97	197,704.53	-48,076.91
Net cash generated from/used in operating activities	-63,832,631.41	-90,395,073.36	-23,645,425.75	157,330,273.00

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

Yes No

4. Share Capital and Shareholder Information at the Period-End**(1) Numbers of Ordinary Shareholders and Preferred Shareholders with Resumed Voting Rights as well as Holdings of Top 10 Shareholders**

Unit: share

Number of ordinary shareholders	50,382	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	48,072	Number of preferred shareholders with resumed voting rights	0	Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report	0
Top 10 unrestricted shareholders							
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Restricted shares held	Shares in pledge or frozen		
					Status	Shares	
常州投资集团有限公司	国有法人	30.43%	170,845,236				

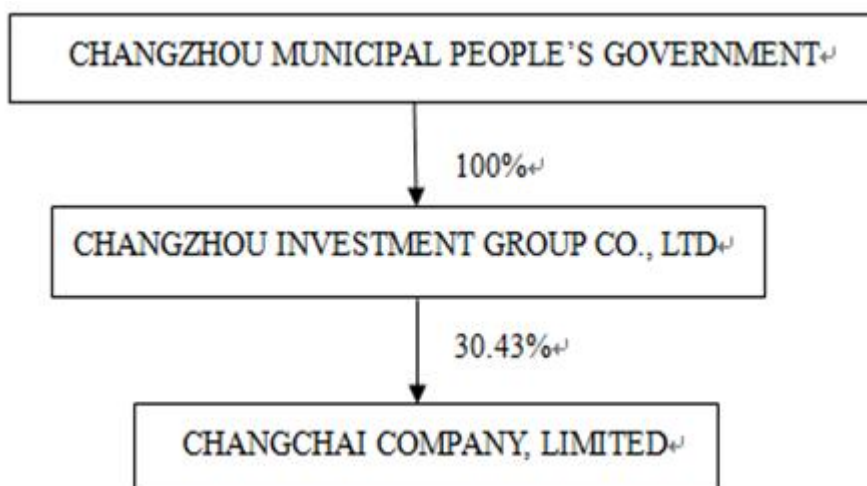
KGI ASIA LIMITED	境外法人	0.57%	3,189,845			
雷延琴	境内自然人	0.39%	2,181,447			
高粉怀	境内自然人	0.35%	1,950,000			
胡文勇	境内自然人	0.28%	1,561,866			
黄国良	境内自然人	0.27%	1,528,891			
黎穗南	境内自然人	0.27%	1,507,800			
周勇	境内自然人	0.27%	1,500,000			
薛鸿	境内自然人	0.23%	1,310,900			
陶晓芳	境内自然人	0.22%	1,230,000			
Related or acting-in-concert parties 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.					
Top 10 ordinary shareholders involved in securities margin trading	The shareholders Lei Yanqin and Gao Fenhuai respectively held 2,017,347 shares and 1,950,000 shares of the Company through their credit accounts.					

(2) Number of Preferred Shareholders and Shareholdings of Top 10 of Them

Applicable Not applicable

No preferred shareholders in the Reporting Period.

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



According to the document of Changzhou Municipal People's Government (CZF[2006] No. 62), the controlling shareholder Changzhou Investment Group Co., Ltd. is the enterprise to perform the investor role for the State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government as authorized by Changzhou Municipal People's Government. Thus, the State-owned Assets

Supervision and Administration Commission of Changzhou Municipal People's Government is the actual controller of the Company.

5. 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.

In 2019, China's economic situation was extremely severe, with much greater risks and challenges at home and abroad. The agricultural machinery market remained under depression due to multiple factors such as changes to the agricultural subsidy policy, stricter emission regulations for diesel engines, more stringent inspection of safety and environmental protection, fluctuating prices of raw materials, weaker purchasing power of farmers and the China-U.S. trade war. Amid the deep change in the agricultural machinery industry and the harsh market environment, the Company formulated effective operating strategies, refined the product mix, worked on segment markets, strengthened quality control and enhanced internal management. As a result, despite a decreasing output and sales volume in the industry as a whole, the Company managed to maintain stable and orderly development. Certain business indicators such as the sales volume decreased, but slower than the industry average. During the Reporting Period, the Company sold 675,000 units of diesel engines, gasoline engines and related generator sets, including 138,100 units of gasoline engines, generating total sales revenue of RMB2,040,133,717.30, a drop of 4.35% year-on-year.

In terms of product development and supporting areas, the Company has completed the development of several models of single-cylinder common rail diesel engines to fully meet the State III emission standards of three-wheels and State IV emission standards of non-road mobile machinery. The Company has established all-round connection with industrial mainstream brands for products of State IV standards. For the key product 4G36V16 diesel, it has completed the calibration of emission source machines for multiple after-treatment modes and multiple power ranges, with a diversity of plant protection tractors as supporting products. The Company developed supporting resources on all fronts, completed supporting promotion for a number of product models and achieved marked growth in market alignment.

In terms of market service, the Company further optimized and expanded the franchised dealer team, strengthened the franchised dealer network, enhanced franchise loyalty, improved the aftermarket sales and

service network, developed new dealers and beefed up the sales and management of accessories. The Company continued to enhance service quality, fully promoted the experience of modular management of busy farming seasons, intensified training for market service personnel, main engine plants and dealers, explored the service application of Internet+, drove the analysis, integration and application management of quality information and service data and improved the overall service capacity of service resources.

In terms of quality management, the Company further implemented quality projects, refined system management and successfully passed the external review for IATF16949 and the ISO9001 quality system and the on-site monitoring and review of CNAS. It enhanced the quality of whole machines and parts on all fronts, made continuous efforts to improve product quality, optimized work flows in a number of aspects, including testing equipment, product parts traceability systems and quality improvement projects, and refined processes, leading to enhancement in product image.

In terms of internal management, the Company strengthened production organization and management according to the actual situation, continuously improved the supply system, intensified delicacy management of cost and inventory, and promoted cost reduction and expenditure minimization as a response to the continuous market downturn, leading to substantial achievements in cost reduction and efficiency enhancement and improvements in production and operation efficiency.

During the Reporting Period, the Company established Jiangsu Changchai Machinery Co., Ltd. to implement light engine and casting relocation projects. The new subsidiary has a registered capital of RMB300 million with RMB10 million already paid up. Early-stage work of the project, including feasibility demonstration, planning, design and registration, has been completed. So far, construction has commenced. The project is planned to be completed and put into operation in 2021.

2. Significant Change to Principal Activities in the Reporting Period

Yes No

3. Product Category Contributing over 10% of Principal Business Revenue or Profit

Applicable Not applicable

Unit: RMB

Product category	Operating revenue	Operating profit	Gross profit margin	YoY change in operating revenue (%)	YoY change in operating profit (%)	YoY change in gross profit margin (%)
Diesel engines	1,856,130,365.33	295,488,170.00	15.92%	-4.59%	-5.65%	0.95%
Gasoline engines	133,936,656.91	25,257,714.51	18.86%	2.77%	-4.68%	6.34%

4. Business Seasonality that Calls for Special Attention

Yes No

5. Significant YoY Changes in Operating Revenue, Cost of Sales and Net Profit Attributable to the Listed Company's Ordinary Shareholders or Their Compositions

Applicable Not applicable

6. Possibility of Listing Suspension or Termination

Applicable Not applicable

7. Matters Related to Financial Reporting**(1) YoY Changes to Accounting Policies, Accounting Estimates or Measurement Methods**

Applicable Not applicable

1. Changes to accounting policies

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 of the Appendix 1 and Appendix 2 of the 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

Other notes:

(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	
Other current assets	34,357,608.97	-8,253,873.41		26,103,735.56
Held-for-trading financial assets		8,253,873.41		8,253,873.41
Available-for-sale financial assets	498,851,369.49	-498,851,369.49		
Investment in other equity instruments		472,150,000.00	1,210,000.00	470,940,000.00
Other non-current financial assets		27,911,369.49		27,911,369.49
Other non-current assets		-4,000,000.00	4,000,000.00	
Investment in debt obligations		4,000,000.00	-4,000,000.00	

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		
Investment in other equity instruments		471,350,000.00	410,000.00	470,940,000.00
Other non-current assets		-4,000,000.00	4,000,000.00	
Investment in debt obligations		4,000,000.00	-4,000,000.00	

2. Changes to accounting estimates

No such cases for the Reporting Period.

3. Changes to accounting measurement methods

No such cases for the Reporting Period.

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

Applicable Not applicable

No such cases.

(3) YoY Changes to the Scope of Consolidated Financial Statements

Applicable Not applicable

Changchai Company, Limited (hereinafter referred to as “the Company”) reviewed and approved the Proposal on Establishing the Wholly-owned Subsidiary to Implement the Project of Producing Light Engines and Casting on the extraordinary board meeting held on 25 February 2019. The Board agreed the Company to invest RMB0.3 billion for establishing the wholly-owned subsidiary to implement the project of producing light engines and casting. For details, please refer to the Announcement on the External Investment and Intention of Establishing the Wholly-owned Subsidiary (No.: 2019-004) disclosed on Securities Times, Hong Kong Ta Kung Pao and Cninfo on 26 February 2019. On 6 March 2019, the wholly-owned subsidiary completed the registration procedures and obtained the Business License issued by the Administrative Examination and Approval Authority of Changzhou State Hi-Tech Industry Development Zone (Xinbei District). For more details, please refer to the Announcement on the Progress of External investment and Intention of Establishing the Wholly-owned Subsidiary (No.: 2019-005) disclosed on Securities Times, Hong Kong Ta Kung Pao and Cninfo on 7 March 2019. Therefore, the subsidiary Jiangsu Changchai Machinery Co., Ltd. has been newly added to the consolidated financial statements of the Reporting Period.