

Stock Code: 000570, 200570

Stock Name: Changchai, Changchai-B

Announcement No. 2020-042

CHANGCHAI COMPANY, LIMITED

INTERIM REPORT 2020 (SUMMARY)

Part I Important Notes

This Summary is based on the full text of the 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 preference 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	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

Reason for retrospective restatement:

Correction of accounting error

	H1 2020	H1 2019		Change (%)
		Before	Restated	Restated
Operating revenue (RMB)	1,167,455,782.30	1,115,829,845.59	1,118,871,125.00	4.34%
Net profit attributable to the listed company's shareholders (RMB)	27,690,311.06	19,058,025.07	19,117,635.69	44.84%
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	20,672,139.96	14,227,155.59	14,260,746.62	44.96%
Net cash generated from/used in operating activities (RMB)	-20,354,729.25	-154,227,704.77	-153,321,492.87	---
Basic earnings per share (RMB/share)	0.0493	0.0339	0.0341	44.57%
Diluted earnings per share (RMB/share)	0.0493	0.0339	0.0341	44.57%
Weighted average return on equity (%)	1.32%	0.97%	0.91%	0.41%
	30 June 2020	31 December 2019		Change (%)
		Before	Restated	Restated
Total assets (RMB)	3,538,385,637.01	3,484,975,990.48	3,488,820,324.60	1.42%
Equity attributable to the listed company's shareholders (RMB)	2,079,769,720.75	2,109,239,597.94	2,110,892,767.58	-1.47%

Reason for change in accounting policy and particulars about correction of accounting error:

For details, please refer to "1. Correction of Previous Accounting Error" under "XV Other Significant Events" of "Part XI Financial Statements" in the full text of the Interim Report.

3. Shareholders and Their Holdings as at the end of the Reporting Period

Unit: share

Number of ordinary shareholders	46,936	Number of preference shareholders with resumed voting rights (if any)	0			
Top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentag	Number of shares	Restricted shares	Shares in pledge or frozen	
					Status	Shares

		e				
Changzhou Investment Group Co., Ltd	State-owned legal person	30.43%	170,845,236			
China Construction Bank Corporation-First State Cinda New Energy Industry Stock Type Securities Investment Fund	Other	1.70%	9,554,765			
KGI Asia Limited	Foreign legal person	0.57%	3,189,845			
China Construction Bank Corporation-First State Cinda Advanced Intelligent Manufacturing Stock Type Securities Investment Fund	Other	0.44%	2,488,474			
Bank of Communications Co., Ltd.-First State Cinda Core Technologies Mixed Type Securities Investment Fund	Other	0.30%	1,676,500			
Hu Wenyong	Domestic natural person	0.28%	1,561,866			
Li Suinan	Domestic natural person	0.27%	1,540,400			
Huang Guoliang	Domestic natural person	0.27%	1,528,891			
Xue Hong	Domestic natural person	0.24%	1,332,700			
Chen Hengjun	Domestic natural person	0.23%	1,276,500			
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)	None					

4. Change of the Controlling Shareholder and the De Facto 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 de facto controller in the Reporting Period:

Applicable Not applicable

The de facto controller remained the same in the Reporting Period.

5. Number of Preference Shareholders and Shareholdings of Top 10 of Them

Applicable Not applicable

No preference 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 for the Reporting Period

Agricultural equipment manufacturers suffered hardship in various degrees in the first half of 2020 due to the COVID-19 pandemic. Under a severe market condition of complexity and volatility at home and abroad during the Reporting Period, the Company sold 376,800 units of diesel engines, gasoline engines and related generator sets, including 61,200 units of gasoline engines, generating total sales revenue of RMB1.167 billion, an increase of 4.34% 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:

In terms of anti-pandemic efforts, the Company has set up a dedicated task force, which is responsible for the implementation of anti-pandemic measures and the related daily work. The focus is on preparation and application for resumption of work/production, as well as ensuring smooth logistics, component procurement and marketing

planning upon the resumption of work/production. Therefore, the pandemic did not have a significant impact on the production and operation of the Company during the Reporting Period.

Concerning product development and innovation, the development of diesel engine under the National Emission Standard IV for Non-Road Vehicles has been pushed forward. Meanwhile, the ongoing diesel outboard engine program aims to develop lightweight, high-speed and low-emission diesel engine and steering gear for outboard engines and fill the gap in respect of domestic diesel outboard engines.

With regard to quality management, the Company was ISO9001 and IATF16949 certified by China Jiuding Automotive Supplier Certification Co., Ltd. in the first half of 2020.

In terms of marketing, the Company managed to make progress in respect of the domestic and overseas markets in face of the significant challenges of the anti-pandemic work and seizing opportunities during the peak season for sales. On the domestic market, the Company solidified its existing markets, worked harder on weaker markets, and launched new products and explored new markets in different areas. As a result, the Company has maintained its leading position industry-wide with a steadily enlarging market share. In addition, breakthrough was made in respect of sales of key products in key markets. As for the overseas market, exports of diesel engines and the related generator sets saw a year-on-year increase. Meanwhile, the Company continued to expand the market share of its strong products in major markets, as well as build trusted and harmonious partnerships with customers and suppliers. Also, it actively dealt with market changes, grabbed market expansion opportunities, explored new markets, and kept perfecting services. As a result, customer satisfaction is on the rise.

In terms of internal management, the Company 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.

During the Reporting Period, construction of Changchai Machinery was in full swing and proceeded smoothly. In mid April, the Company launched a private placement project of 2020, and the plan was approved at a general meeting on 8 May 2020.

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

Change of Accounting Policies

Changes to the accounting policies and why	Approval process	Remark
The Ministry of Finance issued the Notice on Revising and Printing the Accounting Standards for Business Enterprises No.14-Revenue (CK[2017]No.22) (hereinafter referred to as the “New Standards governing Revenue”) in July 2017 and required all domestically listed companies to implement it since 1 January 2020.	On 28 April 2020, the Company held the 2 nd Meeting of the 9 th Board of Directors and the 2 nd Meeting of the 9 th Supervisory Committee and approved the <i>Proposal on Changes of Some Accounting Policies</i>	

Influence of Implementing the New Standards Governing Revenue

Affected items in the consolidated balance sheet and amount thereof:

Item	31 December 2019	Affected by classification and measurement	1 January 2020
Advances from customers	31,789,001.78	-31,789,001.78	
Contract liabilities			31,789,001.78

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

Item	31 December 2019	Affected by classification and measurement	1 January 2020
Advances from customers	28,673,664.87	-28,673,664.87	
Contract liabilities			28,673,664.87

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

√ Applicable □ Not applicable

Correction of Previous Accounting Error

Retrospective Restatement

Unit: RMB

Content	Processing procedure	Affected financial statement line items of the comparative periods	Cumulative effects
Changzhou Xingsheng Property Management Co., Ltd. that was not included in the scope of consolidated statements before has been conducted accounting	The 4 th Meeting of the 9 th Board of Directors held on 29 July 2020 reviewed and approved the Proposal on Accounting Errors Correction in Previous Period.	Consolidated Balance Sheet in 2019-Mnetary assets	1,375,254.03
		Consolidated Balance Sheet in 2019-Trading financial assets	3,050,000.00
		Consolidated Balance Sheet in 2019-Accounts receivable	6,391.36
		Consolidated Balance Sheet in 2019-Prepayment	38,200.00
		Consolidated Balance Sheet in 2019-Other receivables	-893,682.24
		Consolidated Balance Sheet in 2019-Inventories	7,158.32
		Consolidated Balance Sheet in 2019-Other current assets	67,355.14
		Consolidated Balance Sheet in 2019-Total of current	4,632,342.79

treatment according to the provisions of the accounting standards during the Reporting Period.

assets	
Consolidated Balance Sheet in 2019-Fixed assets	140,153.19
Consolidated Balance Sheet in 2019-Long-term prepaid expenses	53,497.80
Consolidated Balance Sheet in 2019-Deferred income tax assets	6.52
Consolidated Balance Sheet in 2019-Total of non-current assets	193,657.51
Consolidated Balance Sheet in 2019- Total assets	4,826,000.30
Consolidated Balance Sheet in 2019-Accounts payable	14,760.00
Consolidated Balance Sheet in 2019-Advances from customers	952,386.57
Consolidated Balance Sheet in 2019-Other payables	1,224,017.91
Consolidated Balance Sheet in 2019-Total of current liabilities	2,191,164.48
Consolidated Balance Sheet in 2019-Total liabilities	2,191,164.48
Consolidated Balance Sheet in 2019-Surplus reserves	163,483.58
Consolidated Balance Sheet in 2019- Retained earnings	1,471,352.24
Consolidated Balance Sheet in 2019- Total equity attributable to owners of the Company as the parent	2,634,835.82
Consolidated Balance Sheet in 2019- Total owners' equity	2,634,835.82
Consolidated Balance Sheet in 2019- Total liabilities and owners' equity	4,826,000.30
Consolidated Income Statement in 2019- Revenue	5,687,083.80
Consolidated Income Statement in 2019- Operating revenue	5,687,083.80
Consolidated Income Statement in 2019-Operating costs	5,726,254.73
Consolidated Income Statement in 2019- Cost of sales	4,884,089.75
Consolidated Income Statement in 2019- Taxes and surtaxes	21,043.17
Consolidated Income Statement in 2019- Administrative expense	832,824.01
Consolidated Income Statement in 2019- Finance costs	-11,702.20
Consolidated Income Statement in 2019-Interest income	13,193.10
Consolidated Income Statement in 2019- Other income	12,063.29
Consolidated Income Statement in 2019- Investment income	58,549.24
Consolidated Income Statement in 2019-Credit	7,317.61

impairment loss	
Consolidated Income Statement in 2019-Operating profit	38,759.21
Consolidated Income Statement in 2019-Non-operating income	16,006.10
Consolidated Income Statement in 2019-Non-operating expense	12,597.35
Consolidated Income Statement in 2019- Profit before taxation	42,167.96
Consolidated Income Statement in 2019- Income tax	10,227.22
Consolidated Income Statement in 2019-Net profit	31,940.74
Consolidated Income Statement in 2019- Net profit from continuing operations	31,940.74
Consolidated Income Statement in 2019- Net profit attributable to owners of the Company as the parent	31,940.74
Consolidated Income Statement in 2019-Total comprehensive income	31,940.74
Consolidated Income Statement in 2019-Attributable to owners of the Company as the parent	31,940.74
Consolidated Income Statement in 2019-Earnings per share	0.00005
Consolidated Income Statement in 2019- Diluted earnings per share	0.00005
Consolidated Cash Flow Statement in 2019-Proceeds from sale of commodities and rendering of services	6,150,306.39
Consolidated Cash Flow Statement in 2019- Cash generated from other operating activities	110,627.50
Consolidated Cash Flow Statement in 2019-Subtotal of cash used in operating activities	6,260,933.89
Consolidated Cash Flow Statement in 2019- Payments for commodities and services	4,051,587.11
Consolidated Cash Flow Statement in 2019- Cash paid to and for employees	1,415,158.29
Consolidated Cash Flow Statement in 2019- Taxes paid	223,381.96
Consolidated Cash Flow Statement in 2019- Cash used in other operating activities	353,138.57
Consolidated Cash Flow Statement in 2019- Subtotal of cash used in operating activities	6,043,265.93
Consolidated Cash Flow Statement in 2019- Net cash generated from/used in operating activities	217,667.96
Consolidated Cash Flow Statement in 2019-Proceeds from disinvestments	3,900,000.00
Consolidated Cash Flow Statement in 2019- Investment income	58,549.24
Consolidated Cash Flow Statement in 2019- Subtotal of cash generated from investing activities	3,958,549.24

	Consolidated Cash Flow Statement in 2019-Payments for acquisition of fixed assets, intangible assets and other long-lived assets	37,696.92
	Consolidated Cash Flow Statement in 2019-Payments for investments	6,950,000.00
	Consolidated Cash Flow Statement in 2019- Subtotal of cash used in investing activities	6,987,696.92
	Consolidated Cash Flow Statement in 2019- Net cash generated from/used in investing activities	-3,029,147.68
	Consolidated Cash Flow Statement in 2019- Cash and cash equivalents, end of the period	-2,811,479.72

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

Applicable Not applicable

No such changes for the Reporting Period.