

Stock Code: 000570, 200570

Stock Name: Changchai, Changchai-B

Announcement No. 2023-005

CHANGCHAI COMPANY, LIMITED

ANNUAL REPORT 2022 (SUMMARY)

Part I Important Notes

This Summary is based on the full 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 directors of the Company attended in person the board meeting for the approval of this Report.

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

Bonus issue from capital reserves:

Yes No

The Board has approved a final dividend plan for ordinary shareholders as follows: based on the 705,692,507 shares, a cash dividend of RMB0.10 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.

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



1. Principal Operations of the Company

We mainly specialize in the R&D, manufacture and sales of diesel engines under the brand "Changchai" and gasoline engines under the brand "Robin". Our products are mainly used in agricultural machinery, small engineering machinery, light commercial vehicles, generator sets and shipborne machinery and other fields closely related to people's livelihood.

In the Reporting Period, there were no major changes in the Company's core business and main products.

2. Main Products of the Company

Our main products are divided into two categories: diesel engines and gasoline engines. The details are as follows:

Main products	Graphic display	Product description	Product features	Application fields
Diesel engine		Our diesel engine products include single-cylinder diesel engines and multi-cylinder engines, covering power range from 1.62kW to 117.6kW, and cylinder diameters from 65mm to 135mm, with one or more cylinders. Besides sale in domestic market, our diesel engines are sold to Southeast Asia, South America, the Middle East and Africa.	High power, low oil consumption, low noise, compact structure, low emission, good reliability	Agricultural machinery, construction machinery, generator sets, shipborne machinery
Gasoline engine		Our gasoline engines are mainly general-purpose small gasoline engines, covering the power range from 1.5kW to 7.0kW. Besides sale in domestic market, our gasoline engines are sold to Southeast Asia, the Middle East, Europe and America, Africa, Japan and other countries and regions.	Simple structure, good reliability, easy maintenance	Agricultural machinery, small construction machinery

3. Industry Review

(1) Basic information on the industry

The internal combustion engine is an important support for China's manufacturing industry security, energy security and national defense security, and an important basic industry of national economy and national defense

construction. The internal combustion engine is the most power-dense, thermally efficient and widely used heat engine power unit.

In order to implement the national overall development strategy of energy conservation, emission reduction, transformation, and upgrading, the internal combustion engine industry and agricultural machinery industry will strengthen independent innovation and research and development, accelerate the construction of a common basic technology platform, optimize the construction of the upstream and downstream industry chain, implement intelligent manufacturing, and actively carry out international exchange and cooperation to accelerate the realization of industrial technology upgrading.

(2) Development pattern and trend of the industry

In terms of policies, at the beginning of 2023, the 20th No. 1 Document guiding the work on agriculture, rural areas, and farmers issued by the central government demonstrated the government's intention to attach greater importance to agriculture and strengthen agricultural development. In a bid to do so, the government will step up efforts to enhance agricultural science and technology and provide more equipment, drive to tackle key problems of key and core technologies in agriculture, and make agricultural machinery more intelligent and automated. In terms of industry concerns, the upgrade and conversion to products that meet the National Emission Standard IV raise challenges to enterprises. At the end of 2022, the central government appropriated RMB211.5 billion of agriculture-related transfer payment funds for 2023 in advance, including RMB14.5 billion for subsidies of agricultural machinery procurement and application. The central government allocated substantive funds for subsidies and implemented policies to strengthen agriculture and benefit farmers, indicating that the state will continue to attach great importance to agricultural mechanization.

In terms of industrial development, after a ten-year golden period of development, since 2016, the entire agricultural machinery industry has entered a period of deep adjustment that has lasted for years. Although short-term explosive growth was seen in 2020, it went down again, entering a phase of updating existing machinery from the growth of new machine procurement. 2022, the first year of switching to the National Emission Standard IV for Non-road Vehicles, the agricultural machinery industry faced pressures such as the shrinking of the demand side, premature market overdraft, participation of tycoons from other industries, and the impact of new energy market on the traditional market. Currently, multiple segmented scenarios still require all-weather and continuous input and output, which is an advantage of diesel engines that cannot be substituted in a short time. Furthermore, new development opportunities have been brought about in the process of national strategic deployment and acceleration of transformation and upgrade. Therefore, the traditional market of agricultural machinery still has a brilliant future. China's diesel engine and gasoline engine industries present a pattern of multiple competitions. As the state adopts

increasingly strict environmental protection policy and the emission standards continue to upgrade, the core technology and key parts of internal combustion engines will be rapidly developed and applied, and the research, development, promoting and application of environmentally friendly and efficient diesel engines and gasoline engines will become the mainstream trend, which promotes the wide use of the fuel injection system, high-efficiency supercharger and high-efficiency after-treatment. In the new normal, the internal combustion engine industry and agricultural machinery industry will improve the industry's capability of independent innovation, support the whole machine development, and organize and implement green manufacturing and intelligent manufacturing, so as to improve the overall strength of the industry. The market share of diesel and gasoline engines is gradually concentrated in a few large-scale enterprises with technical and capital strength.

The present development trend of internal combustion engine industry is as follows: (1) energy saving and emission reduction; (2) intelligent manufacturing; (3) lightweight. Medium- and low-end internal combustion engines with low technical content and low added value will be gradually squeezed out of the market. The upgrade of emission standards and the market's demand for high-end products will eliminate those small enterprises with low level of research and development or less technology reserves.

(3) Sales of internal combustion engine industry in 2022

The total volume of the market dropped significantly due to factors such as subsidy policy change, tight supply chain, upgrading of the National Emission Standard IV for Non-road Vehicles, and intensified existing competition. The total sales of internal combustion engines in 2022 were 43,154,700 units, a decrease of 14.51% compared to 2021. The total sales of diesel engines for the year were 4,286,600 units, down by 29.82% year on year. Specifically, 837,200 engines for construction machinery, 1,222,300 engines for agricultural machinery, 39,700 engines for shipborne machinery, and 311,700 engines for electricity generation were sold. The sales of gasoline internal combustion engines were 38,856,000, a drop of 12.39% year on year.

On the whole, the internal combustion engine market showed a declining tendency for the whole year, with the construction and agricultural machinery still showing an adjustment trend. The agricultural machinery industry faced a major shakeout, focusing on the switching of products that meet the China IV emission standards for non-road mobile machinery. According to the information on the subsidies of agricultural machinery procurement, the main terminal products that need to be upgraded to meet China IV emission standards are large and medium tractors, wheat harvesters, forage harvesters, and spray rod-type sprayers. The market paid more attention to whether they can be adequately verified to meet China IV emission standards and whether mass production can be realized. In the second half of 2022, the sales of large and medium tractors, wheat harvesters, and corn harvesters peaked, showing that the traditional demand cycle was altered.

In terms of the segments of the internal combustion engine market, in 2022, 897,300 units of construction machinery were sold, down by 21.00% year on year; 4,141,300 units of agricultural machinery were sold, down by 22.87% year on year; 39,700 units of shipborne machinery were sold, down by 1.18% year on year; 1,253,000 units of generator sets were sold, down by 19.02 year on year; and 1,645,400 units of horticultural machinery were sold, down by 34.15% year on year. Compared with last year, the year-over-year growth of all kinds of machinery was negative.

Due to the impact of international trade and the characteristics of the enterprise scale, the internal combustion engine industry was steady and showed a positive trend on the whole. In 2022, the total volume of imports and exports was USD30,086 million, down by 2.47% year on year; specifically, the import volume was USD8,803 million, down by 18.63% year on year and the export volume was USD21,284 million, up by 6.27% year on year.

4. The Company's position in the market

We mainly specialize in the R&D, manufacture and sales of diesel engines under the brand "Changchai" and gasoline engines under the brand "Robin". Up to now, we have successfully developed a number of advanced core technologies with independent intellectual property rights. In terms of diesel engine, according to the statistics of China Internal Combustion Engine Industry Association (CICEIA), as the largest small- and medium-sized single-cylinder diesel engine manufacturer in the agricultural machinery industry of China, we have maintained a high market share of single-cylinder engines, and our market share of single-cylinder diesel engines of some power ranges has ranked first in China. For many years, in the process of achieving steady economic development of the enterprise, we developed in a sound manner and cultivated the "Changchai" brand, a famous small diesel engine brand of China with independent intellectual property rights.

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

	2022	2021	2022-over-2021 change (%)	2020
Operating revenue (RMB)	2,182,043,095.61	2,452,430,515.60	-11.03%	2,296,464,711.24
Net profit attributable to the listed company's shareholders (RMB)	76,684,796.91	103,006,232.54	-25.55%	52,432,443.05
Net profit attributable to the listed company's	-73,636,511.02	5,329,092.87	—	25,483,147.57

shareholders before exceptional gains and losses (RMB)				
Net cash generated from/used in operating activities (RMB)	364,930,277.84	-266,323,779.30	—	251,796,654.53
Basic earnings per share (RMB/share)	0.1087	0.1657	-34.40%	0.0934
Diluted earnings per share (RMB/share)	0.1087	0.1657	-34.40%	0.0934
Weighted average return on equity (%)	2.51%	3.86%	-1.35%	2.40%
	31 December 2022	31 December 2021	Change of 31 December 2022 over 31 December 2021 (%)	31 December 2020
Total assets (RMB)	5,219,359,853.42	4,860,382,961.26	7.39%	3,952,954,464.45
Equity attributable to the listed company's shareholders (RMB)	3,284,710,665.90	3,077,550,018.33	6.73%	2,273,349,347.02

(2) Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	675,718,729.65	502,503,762.39	545,599,669.07	458,220,934.50
Net profit attributable to the listed company's shareholders	-31,087,265.83	16,491,996.22	150,405,621.57	-59,125,555.05
Net profit attributable to the listed company's shareholders before exceptional gains and losses	-12,317,891.45	6,508,531.38	-5,566,500.16	-62,260,650.79
Net cash generated from/used in operating activities	-47,199,474.48	-27,101,026.64	-8,250,338.30	447,481,117.26

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 at the period-end	50,886	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	49,998	Number of preferred shareholders with resumed voting rights at the period-end	0	Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report	0
Top 10 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	
Changzhou Investment Group Co., Ltd	State-owned legal person	32.26%	227,663,417	56,818,181			
Chen Jian	Domestic natural person	0.71%	4,979,900				
MORGAN STANLEY & CO. INTERNATIONAL PLC.	Foreign legal person	0.45%	3,146,392				
KGI ASIA LIMITED	Foreign legal person	0.44%	3,101,695				
Yang Xuee	Domestic natural person	0.37%	2,611,500				
China Minsheng Bank-Goldstate Yuanqi Dynamic Asset Allocation Mixed Type Securities Investment Fund	Other	0.36%	2,530,800				
CLSA Asset Management Limited-Clients' Capital	Foreign legal person	0.25%	1,780,068				
Dai Wenping	Domestic natural person	0.25%	1,776,200				
Li Suinan	Domestic natural person	0.22%	1,569,100				
Huang Guoliang	Domestic natural person	0.22%	1,528,891				
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.					

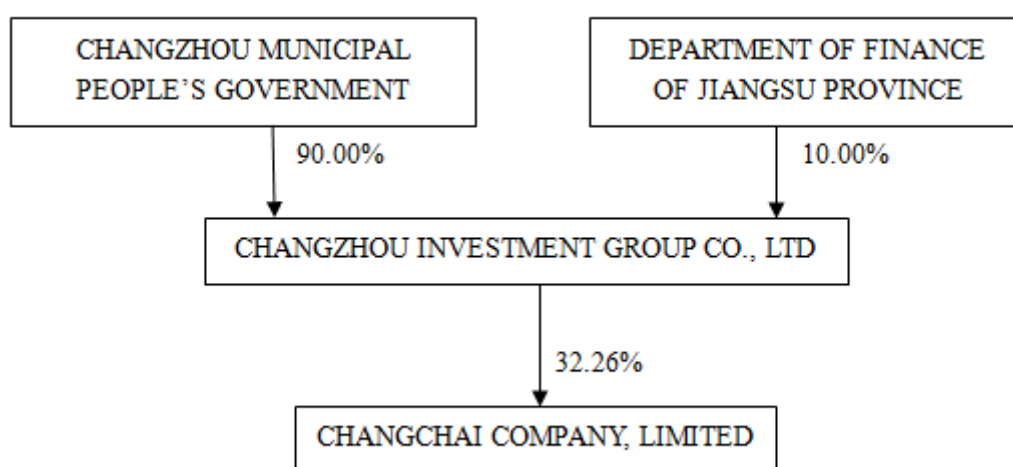
Top 10 shareholders involved in securities margin trading (if any)	Shareholders Chen Jian and Dai Wenping held 3,320,000 and 1,610,200 shares respectively in the Company through their margin accounts.
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(2) Number of Preferred Shareholders and Shareholdings 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



5. Outstanding Bonds at the Date when this Report Was Authorized for Issue

Applicable Not applicable

Part III Significant Events

(1) The Sixth Extraordinary Meeting of the Board of Directors in 2021 held by the Company on 28 October 2021 deliberated on and approved the Proposal on Participation in Bidding for 41.5% Equity Interests in Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd., authorizing the Management of the Company to participate in bidding for 41.5% equity interest in Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. (hereinafter referred to as "Zhenjiang Siyang") that had been put out for sale by Jiangsu Keda Assets Marketing Co., Ltd. (hereinafter, "Keda Assets"). On 12 January 2022, Jiangsu Assets and Equity Exchange Co., Ltd. issued the Confirmation of Transaction on the Transfer of 41.5% Equity Interests (Corresponding to Capital Contribution of RMB830,000) in Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. The Company won the bid for the 41.5% equity interests in Zhenjiang Siyang at a price of RMB33,520,800.00. On 23 February 2022, the Company signed the Contract on

Transfer of State-owned Property Rights with Keda Assets. On 9 March 2022, Zhenjiang Siyang has completed the relevant registration alteration formalities with the competent industrial and commercial administration. On 16 May 2022, Zhenjiang Siyang held meetings of shareholders, the Board of Directors and the Supervisory Committee to elect and appoint new members for the Board of Directors, the Supervisory Committee and management, with the Company taking over half of the seats in the Board of Zhenjiang Siyang. As such, Zhenjiang Siyang has been included in the consolidated financial statements of the Company.

(2) On 25 August 2022, the Company held the Fourth Interim Meeting of the Board of Directors and the Fourth Interim Meeting of the Supervisory Committee in 2022 and deliberated and approved the Proposal on Planning to Participate in Capital Increase and Share Expansion and Related Transactions of Jiangsu Horizon New Energy Technology Co., Ltd., agreeing to increase RMB75 million capital to Horizon New Energy for the subscription of its newly registered capital of RMB18,844,200 and authorizing Shi Xinkun, the Company's Chairman, to sign capital increase agreements with related parties. In August 2022, Horizon New Energy and its shareholders signed the Capital Increase Agreement of Jiangsu Horizon New Energy Technology Co., Ltd., agreeing that the registered capital of Horizon New Energy was increased from RMB1,405,622,491 to RMB1.75 billion. In October 2022, Horizon New Energy completed the industrial and commercial change registration procedures according to the aforesaid capital increase agreement and obtained the new business license.