

Stock Code: 000570, 200570 Stock Name: Changchai, Changchai-B Announcement No. 2020-065
CHANGCHAI COMPANY, LIMITED
THIRD QUARTERLY REPORT 2020 (SUMMARY)

Part I Important Notes
 The Board of Directors (or the "Board"), the Supervisory Committee as well as the directors, supervisors and senior management of Changchai Company, Limited (together with its consolidated subsidiaries, the "Company"), except where the context otherwise requires hereby guarantee the factuality, accuracy and completeness of the contents of this Report and its summary, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions therein. All the Company's directors have attended the Board meeting for the review of this Report and its summary. Shi Xiankun, the Company's legal representative, Zhang Xin, the Company's General Manager, and Jiang He, head of the Company's financial department (equivalent to financial manager) hereby guarantee that the financial statements carried in this Report are factual, accurate and complete.

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
I Key Consolidated 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

	30 September 2020	Before	31 December 2019	After	Change (%)
Total assets (RMB)	3,764,223,265.12	3,484,973,990.48	3,488,820,324.66	3,488,820,324.66	7.89%
Equity attributable to the listed company's shareholders (RMB)	2,175,457,686.37	2,109,239,997.94	2,110,892,767.38	2,110,892,767.38	2.96%
	Q3 2020	Before	Q3 2019	After	YoY change (%)
Operating revenue (RMB)	584,044,852.93	460,579,449.29	462,134,190.47	462,134,190.47	10.83%
Net profit attributable to the listed company's shareholders before income tax (RMB)	11,263,467.62	990,688.62	944,813.43	1092,133.18	38.05%
Net profit attributable to the listed company's shareholders after income tax (RMB)	8,151,814.68	197,704.53	159,010.84	160,265.88	98.98%
Net cash generated from/used in operating activities (RMB)	38,040,529.46	-23,645,435.78	-23,579,838.08	-23,579,838.08	176.85%
Dividend earnings per share (RMB)	0.0017	0.0007	0.0007	0.0007	146.43%
Weighted average return on equity (%)	0.0101	0.0017	0.0017	0.0017	5.03%
Diluted earnings per share (RMB)	0.0101	0.0017	0.0017	0.0017	5.03%
Diluted average return on equity (%)	0.0101	0.0017	0.0017	0.0017	5.03%

Reason for change in accounting policy and particulars about correction of accounting error:
 The Proposal on Correction of Previous Accounting Error was reviewed and approved on the 4th Meeting of the 9th Board of Directors held on 29 July 2020, and Changzhou Xingheng Property Management Co., Ltd. which was not included in the scope of consolidated balance sheet before has been carried out accounting treatment in accordance to the stipulation of accounting standards. For details, see the Announcement on the Resolutions of the 4th Meeting of the 9th Board of Directors (Announcement No. 2020-043), the Announcement on Correction of Previous Accounting Error (Announcement No. 2020-045), and the Authorization Report of Special Instruction regarding Correction of Accounting Error from 2017 to 2019 disclosed on Securities Times, Ta Kung Pao and http://www.cninfo.com.cn.

	Effectuated items	1 January – 30 September 2019	After
Income statement:			
1. Revenues	1,576,409,294.87	1,581,095,315.47	
Operating revenue	1,576,409,294.87	1,581,095,315.47	
Costs and expenses	1,561,560,072.64	1,566,116,040.04	
Cost of sales	1,339,819,510.40	1,363,790,386.82	
Costs and expenses	1,561,560,072.64	1,566,116,040.04	
Administrative expense	56,899,918.77	56,899,918.77	
Finance costs	-5,341,392.35	-5,341,392.35	
Interest expense	3,885,333.84	3,885,333.84	
Interest income	3,264,981.18	3,264,981.18	
Other income	3,264,981.18	3,264,981.18	
Investment income	3,264,981.18	3,264,981.18	
Operating profit	1,014,909.23	1,014,909.23	
Operating profit	1,014,909.23	1,014,909.23	
Non-operating income	977,214.21	977,214.21	
Non-operating expense	23,654.06	23,654.06	
Income tax expense	-2,324,069.57	-2,324,069.57	
Net profit	30,907,708.04	30,907,708.04	
Net profit attributable to owners of the Company as the parent	20,088,695.69	20,088,695.69	
Total comprehensive income	51,086,783.04	51,086,783.04	
Attributable to owners of the Company as the parent	31,085,536.12	31,085,536.12	
7. Earnings per share			
7.1 Basic earnings per share	0.0356	0.0356	
7.2 Diluted earnings per share	0.0356	0.0356	
Cash Flow Statement:			
1. Cash flows from operating activities	1,359,318,699.75	1,364,093,458.22	
Proceeds from sale of commodities and rendering of services	1,149,085,729.11	1,149,085,729.11	
Subtotal of cash generated from operating activities	1,359,318,699.75	1,364,093,458.22	
Payments for commodities and services	1,269,133,404.46	1,269,133,404.46	
Cash paid to and for employees	29,511,319.88	29,511,319.88	
Interest and dividend income	3,264,981.18	3,264,981.18	
Cash used in other operating activities	66,853,134.94	66,853,134.94	
Subtotal of cash used in operating activities	1,374,762,840.46	1,374,762,840.46	
Net cash generated from/used in operating activities	-17,823,332.52	-17,823,332.52	
2. Cash flows from investing activities	14,000,000.00	14,000,000.00	
Proceeds from investment	6,484,408.76	6,484,408.76	
Subtotal of cash generated from investing activities	21,484,918.84	21,484,918.84	
Payments for the acquisition of fixed assets, intangible assets and other long-term assets	16,277,775.02	16,277,775.02	
Payments for investments	77,088,441.76	77,088,441.76	
Subtotal of cash used in investing activities	90,881,303.94	90,881,303.94	
Net cash generated from/used in investing activities	-69,396,385.10	-69,396,385.10	
Net increase in cash and cash equivalents	-59,208,477.35	-59,208,477.35	
Cash and cash equivalents, beginning of the period	607,679,636.99	607,679,636.99	
Cash and cash equivalents, end of the period	548,471,159.64	548,471,159.64	

Exceptional gains and losses:
☒ Applicable ☐ Not Applicable
 Gain/Loss arising from disposal of non-current assets (including impairment allowance write-off)
 Items: 181,780.55
 Amount: 181,780.55
 Reason: Financial assets recognized in the current period, except for those acquired in the ordinary course of business or granted in certain grants or amounts according to the government's unified standard.
 Capital occupation charges on non-financial enterprises that are recorded into current profits or loss
 Items: 257,714.14
 Amount: 257,714.14
 Reason: On changes in fair value arising from holding of held-for-trading financial assets and liabilities, derivative financial assets and liabilities and investment contracts, and changes in fair value of held-for-trading financial assets and liabilities, derivative financial assets and liabilities and other debt investments other than effective hedge business related to the Company's normal operating business.
 Non-current operating income and expense other than the above
 Items: 224,536.71
 Amount: 224,536.71
 Reason: Income tax expense
 Non-current interest income (after tax)
 Items: 10,129,824.04
 Amount: 10,129,824.04
 Reason: Explanation of why the Company reclassifies as recurrent an exceptional gain/loss item defined or listed in the Supplementary Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gain/Loss Items:
☐ Applicable ☒ Not Applicable
 No such cases in the Reporting Period.

II Total Number of Shareholders and Holdings of Top 10 of Them as at the End of the Reporting Period
 1. Numbers of Ordinary Shareholders and Preference Shareholders with Resumed Voting Rights as well as Holdings of Top 10 Shareholders

	Unit: share				
Number of ordinary shareholders	46,684	Number of preference shareholders with resumed voting rights (if any)	0		
	Top 10 shareholders				
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held	Restricted shares held	Shares in pledge or frozen
Changzhou Investment Group Co., Ltd.	State-owned corporation	30.43%	170,045,236	—	—
China Construction Bank - First State Cnhd New Energy Industry Equity Securities Investment Fund	Other	1.70%	9,554,765	—	—
RGJ ASIA LIMITED	Foreign corporation	0.34%	1,914,000	—	—
Chen Jian	Domestic individual	0.29%	1,614,501	—	—
China Citic Bank - CCB CSI 500 Index Enhanced Securities Investment Fund	Other	0.28%	1,594,500	—	—
China Construction Bank - First State Cnhd Advanced Intelligence Equity Securities Investment Fund	Domestic individual	0.28%	1,548,000	—	—
Li Siman	Domestic individual	0.27%	1,528,801	—	—
Hong Guangdong	Domestic individual	0.27%	1,528,801	—	—
Hu Wenrong	Domestic individual	0.27%	1,528,801	—	—
UBS AG	Foreign corporation	0.25%	1,392,123	—	—
	Top 10 restricted shareholders				
Name of shareholder	Unrestricted ordinary shares held	Shares by class			
	Class	Shares			
Changzhou Investment Group Co., Ltd.	RMB-denominated ordinary shares	170,045,236			
China Construction Bank - First State Cnhd New Energy Industry Equity Securities Investment Fund	RMB-denominated ordinary shares	9,554,765			
RGJ ASIA LIMITED	RMB-denominated foreign shares	1,914,000			
Chen Jian	RMB-denominated ordinary shares	1,614,501			
China Citic Bank - CCB CSI 500 Index Enhanced Securities Investment Fund	RMB-denominated ordinary shares	1,594,500			
China Construction Bank - First State Cnhd Advanced Intelligence Equity Securities Investment Fund	RMB-denominated foreign shares	1,548,000			
Li Siman	RMB-denominated foreign shares	1,528,801			
Hong Guangdong	RMB-denominated foreign shares	1,528,801			
Hu Wenrong	RMB-denominated foreign shares	1,528,801			
UBS AG	RMB-denominated ordinary shares	1,392,123			

It is unknown whether there is among the top 10 public shareholders and the top 10 unrestricted public shareholders any related parties or in the corresponding period of the current year.
 Shareholder Chen Jian held 800,000 shares in the Company through his account of collateral securities for margin trading in Zhongguo Securities Co., Ltd. according to 0.14% of shareholding.
 Related or acting-in-concert parties among the shareholders above:
 Top 10 shareholders engaged in securities margin trading (if any):
 Indicate by tick mark whether any of the top 10 ordinary shareholders or the top 10 unrestricted ordinary shareholders of the Company conducted any proprietary report during the Reporting Period.
☐ Yes ☒ No
 No such cases in the Reporting Period.
 Po and http://www.cninfo.com.cn
☒ Applicable ☐ Not Applicable

Part III Significant Events
I Changes in Key Financial Statement Line Items and Explanation of why
☒ Applicable ☐ Not Applicable
 1. Consolidated Balance Sheet Items as at 30 September 2020

Item	30 September 2020 (RMB)	31 December 2019 (RMB)	Change (%)	Explanation of why
Accounts receivable	798,741,553.78	419,302,686.87	90.49%	The Company's property showed customers' buying on credit for more markets and multi-channel direct engine customers are mainly supporting companies in main engine, which are usually given longer payment days.
Other receivables	6,275,613.71	9,703,390.94	-34.29%	Recovery of an amount of RMB85 million due to wholly-owned subsidiary Housheng Investment.
Construction in progress	136,252,904.99	91,358,156.24	49.14%	Wholly-owned subsidiary Changchai Machinery being under construction.
Notes payable	573,907,000.00	403,035,000.00	42.27%	Bank loan and finance bill were paid to suppliers as required by them during Q1-Q3 2020.
Employee benefits payable	13,343,460.16	44,559,015.79	-70.05%	Salaries and bonuses accrued in the nine months ended 30 September 2019 were paid in the corresponding period of the current year.
Taxes and levies payable	12,144,962.87	9,094,382.58	33.54%	Increases in both sales and profit during Q1-Q3 2020.

Item	Q1-Q3 2020 (RMB)	Q1-Q3 2019 (RMB)	Change (%)	Explanation of why
Finance costs	7,051,835.86	-5,349,163.54	1863.39%	Exchange gains and losses resulted from exchange rate fluctuation and increase in discounting expense.
Other income	5,695,997.89	338,322.49	1583.33%	Increase in government grants received by the Company and its subsidiaries during Q1-Q3 2020.
Income tax expense	5,108,476.05	-2,224,636.93	328.41%	Profit increased during Q1-Q3 2020, and the same period of last year use corporate income tax rebates, with no such rebates in the current period.
Net profit attributable to shareholders of the Company	30,907,708.04	30,907,708.04	94.16%	Increases in both sales revenue and profitability during Q1-Q3 2020.

Item	Q1-Q3 2020 (RMB)	Q1-Q3 2019 (RMB)	Change (%)	Explanation of why
Net cash generated from/used in operating activities	17,685,800.21	-17,901,330.95	199.59%	Q1-Q3 2019 was an investment of RMB85 million by the Company in Housheng New Energy, with no such investment in Q1-Q3 2020.
Payments for the acquisition of fixed assets, intangible assets and other long-term assets	114,151,611.49	16,317,913.12	599.56%	Q1-Q3 2019 was the repayment of some bank loan and the payment of cash dividends, with no such dividend payment in Q1-Q3 2020.
Payments for investments	25,022,956.16	77,088,441.76	-67.54%	Q1-Q3 2019 was the repayment of some bank loan and the payment of cash dividends, with no such dividend payment in Q1-Q3 2020.
Net cash generated from/used in financing activities	-2,880,722.28	-44,354,601.12	93.54%	Q1-Q3 2019 was the repayment of some bank loan and the payment of cash dividends, with no such dividend payment in Q1-Q3 2020.

II Progress, Influence and Solutions in respect of Significant Events
☒ Applicable ☐ Not Applicable
 1. On the 9th April 2020, the Company held the 24th Meeting of the 8th Board of Directors and the 19th Meeting of the 8th Supervisory Committee, on which the Proposal on the Plan for Private Placement of A-shares in 2020 and related proposal were reviewed and approved. The total amount of A-shares to be issued is not exceeding 168,412,297 shares (inclusive), to specific investors not exceeding 35 including Changzhou Investment Group Co., Ltd. (hereinafter referred to as "Investment Group") for raising funds not exceeding RMB635 million (inclusive). On 8 May 2020, issue was reviewed and approved by the 2019 Annual General Meeting of the Company.
 2. On 7 September 2020, the Company received the Acceptance Form regarding Application for Administrative Permission of China Securities Regulatory Commission from the China Securities Regulatory Commission (hereinafter referred to as the "CSRC"), and the CSRC accepted the Company's application for administrative permission for private placement of A-shares.
 3. On 14 September 2020, the Company received the Notice of First Feedback on Administrative Permission Project of CSRC from the CSRC. The Company carefully checked and implemented the feedback together with related intermediaries, supplemented materials of and answered questions about issues involved as required by the feedback and disclosed the reply on the feedback on 29 September 2020. The Company timely submitted the materials regarding the reply on the feedback to the CSRC as required.

2.3 Total number of preferred shareholders and shareholding status of top-ten preferred shareholders and top-ten non-restricted preferred shareholders.
☒ Applicable ☐ N/A
 3. IMPORTANT EVENTS
 3.1 Explanation for great changes in main indices in financial report
☒ Applicable ☐ N/A
 3.1.1 The Consolidated Balance Sheet

Item	30 Sept 2020	31 Dec 2019	+/- (%)	Reason
Monetary capital	569,597,488.95	566,279,805.95	-3.64%	Repaid part of debts.
Notes receivable	12,232,776.14	132,904,061.42	-90.8%	Bill collection in maturity and reduced current receivables.
Accounts receivable	708,903,454.64	452,036,770.32	56.83%	Effect of seasonal reason on the recovery of accounts receivable.
Other receivables	40,863,247.98	12,249,935.95	236.8%	Recovery of receivables increased.
Other non-current financial assets	35,000,000.00	15,000,000.00	133.3%	Industrial fund investment increased.
Construction in progress	405,889,047.44	303,467,406.29	33.87%	Investment of project construction increased.
Advance received from customers	87,436,015.63	-100.00%	-	Advance received from customers was classified to contract liabilities and other current liabilities due to the changes of account policy.
Contract liabilities	60,036,123.47	N/A	N/A	Contract liability and other current liabilities due to the changes of account policy.
Other current liabilities	7,804,065.05	-44.34%	-	Advance received from customers was classified to contract liabilities and other current liabilities due to the changes of account policy.
Employee salary payable	49,538,097.68	88,995,801.79	-43.34%	Advance received from customers was classified to contract liabilities and other current liabilities due to the changes of account policy.
Tax payable	31,622,967.63	17,707,005.96	78.59%	VAT payable and withholding income tax changes on cash and cash equivalents.
Other payables	186,317,809.89	291,974,094.04	-36.19%	Because of some fund repayment.
Non-current liabilities due within 1 year	10,013,194.44	30,601,774.38	-67.28%	Repaid part of the loans.
Long-term borrowings	50,024,786.24	-100.00%	-	Repaid the long-term borrowings.
Long-term account payable	90,496,782.56	-100.00%	-	Repaid the long-term account payable.
Minority equity	953,982,198.87	731,768,880.09	30.37%	Minority shareholders increased capital.

Item	Jan – Sept 2020	Jan – Sept 2019	+/- (%)	Reason
Investment return	6,235,670.71	10,570,592.94	-41.01%	Return on disposal of available-for-sale financial assets for Jan – Sept 2019 and there were no such return for the same period in 2020.
Credit impairment losses	-4,754,143.57	N/A	N/A	Bad debt losses of receivables were classified to credit impairment losses.
Assets impairment losses	-7,982,759.57	-16,887,966.90	N/A	Government subsidy increased.
Non-operating revenue	6,071,600.95	4,097,873.48	48.24%	Payment for the establishment of investment fund.
Non-operating expenditure	2,286,279.91	70,087,588.28	-208.92%	Revenue reduced and the gross profit of main business decreased.
Net profit	96,021,505.97	141,398,228.90	-32.09%	Revenue reduced and the gross profit of main business decreased.
Gains and losses of the minority shareholders	-15,893,997.37	5,156,937.19	N/A	Major subsidiaries of the Company that the minority shareholders hold the shares, suffered a profit decline year-on-year due to the decrease of sales revenue.

Item	Jan – Sept 2020	Jan – Sept 2019	+/- (%)	Reason
Investment return	6,235,670.71	10,570,592.94	-41.01%	Return on disposal of available-for-sale financial assets for Jan – Sept 2019 and there were no such return for the same period in 2020.
Credit impairment losses	-4,754,143.57	N/A	N/A	Bad debt losses of receivables were classified to credit impairment losses.
Assets impairment losses	-7,982,759.57	-16,887,966.90	N/A	Government subsidy increased.
Non-operating revenue	6,071,600.95	4,097,873.48	48.24%	Payment for the establishment of investment fund.
Non-operating expenditure	2,286,279.91	70,087,588.28	-208.92%	Revenue reduced and the gross profit of main business decreased.
Net profit	96,021,505.97	141,398,228.90	-32.09%	Revenue reduced and the gross profit of main business decreased.
Gains and losses of the minority shareholders	-15,893,997.37	5,156,937.19	N/A	Major subsidiaries of the Company that the minority shareholders hold the shares, suffered a profit decline year-on-year due to the decrease of sales revenue.

Item	Jan – Sept 2020	Jan – Sept 2019	+/- (%)	Reason
Investment return	6,235,670.71	10,570,592.94	-41.01%	Return on disposal of available-for-sale financial assets for Jan – Sept 2019 and there were no such return for the same period in 2020.
Credit impairment losses	-4,754,143.57	N/A	N/A	Bad debt losses of receivables were classified to credit impairment losses.
Assets impairment losses	-7,982,759.57	-16,887,966.90	N/A	Government subsidy increased.
Non-operating revenue	6,071,600.95	4,097,873.48	48.24%	Payment for the establishment of investment fund.
Non-operating expenditure	2,286,279.91	70,087,588.28	-208.92%	Revenue reduced and the gross profit of main business decreased.
Net profit	96,021,505.97	141,398,228.90	-32.09%	Revenue reduced and the gross profit of main business decreased.
Gains and losses of the minority shareholders	-15,893,997.37	5,156,937.19	N/A	Major subsidiaries of the Company that the minority shareholders hold the shares, suffered a profit decline year-on-year due to the decrease of sales revenue.

Item	Jan – Sept 2020	Jan – Sept 2019	+/- (%)	Reason
Investment return	6,235,670.71	10,570,592.94	-41.01%	Return on disposal of available-for-sale financial assets for Jan – Sept 201