

Stock code: 420063

Stock name: Wuguo B5

Announcement No.: 2019-026

# **WUHAN BOILER COMPANY LIMITED**

## **2019 QUARTERLY THREE REPORT**

## **Section I Important Notes**

The Board of Directors, the Board of Supervisors as well as all Board Directors, Supervisors and Senior Management of Wuhan Boiler Company Limited (hereinafter referred to as the “Company”) hereby warrant that this Report is authentic, accurate and complete without any misstatement, misleading statement or material omission and will take individual and joint and several liabilities for that.

All Board Directors attended the Board Meeting for reviewing this Report.

Stuart Adam Connor, the Company Principal, Feng Zheng, the Accounting Principal, and Zhou Wei, the Accounting Division’s Principal (Accounting Manager), hereby ensure that the Financial Statements enclosed in this Report are authentic, accurate and complete.

## Section II Company Profile

### I. Major accounting data and financial indexes

Does the Company need to adjust retrospectively or restate accounting data of previous periods?

Yes  No

	Sep. 30, 2019	Dec. 31, 2018	Increase/decrease (%)	
Total assets (RMB)	1,282,663,120.92	1,236,668,941.72	3.72%	
Owners' equity attributable to shareholders of the Company (RMB)	-1,220,003,546.31	-1,194,395,210.61	-2.14%	
	Jul. – Sep. 2019	Increase/decrease (%) as compared to same period last year	Jan. – Sep. 2019	Increase/decrease (%) as compared to same period last year
Gross operating revenues (RMB)	371,609,901.09	73.23%	968,989,493.10	25.60%
Net profit attributable to shareholders of the Company (RMB)	-22,775,815.45	-64.39%	-25,608,335.70	-139.44%
Net profit attributable to shareholders of the Company after excluding non-recurring gains and losses (RMB)	-22,865,077.16	-65.48%	-26,441,547.03	-141.03%
Net cash flow from operating activities (RMB)	--	--	131,619,984.27	140.13%
Basic EPS (RMB/share)	-0.08	-60.00%	-0.09	-140.91%
Diluted EPS (RMB/share)	-0.08	-60.00%	-0.09	-140.91%
The weighted average ROE	-1.89%	-3.09%	-2.19%	-7.39%

Applicable  Not applicable

Unit: RMB

Item	Jan.-Sep. 2019	Explanation
Government grants recognized in the current year, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the country's unified standards	208,332.00	
Others	624,879.33	GRNI clearing
Total	833,211.33	--

Explain the reasons if the Company classifies an item as a non-recurring gain/loss according to the definition in

the Explanatory Announcement No. 1 on Information Disclosure for Public Listed Companies – Non-recurring Gains and Losses, or classifies any non-recurring gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item

Applicable Not applicable

In the report period, the Company didn't classify any non-recurring gain/loss item defined or mentioned in the Explanatory Announcement No. 1 on Information Disclosure for Public Listed Companies – Non-recurring Gains and Losses as a recurrent gain/loss item.

## II. Total number of shareholders at the period-end and shareholdings of the top ten shareholders

### 1. Total number of shareholders with common shares and shareholders with preference shares with resumed voting rights as well as shareholdings of the top ten shareholders

Unit: share

Total number of shareholders with common shares at the period-end		5287	Total number of shareholders with preference shares who had resumed their voting right at the end of the report period (if any)		0	
Shareholdings of the top ten shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage	Number of the shares held	Number of the restricted shares held	Pledged or frozen shares	
					Status of shares	Number of shares
ALSTOM (CHINA) INVESTMENT CO., LTD	Domestic non-state-owned corporation	51.00%	151,470,000	151,470,000	-	-
WUHAN BOILER GROUP CO., LTD	State-owned corporation	6.91%	20,530,000	20,530,000	-	-
WANG XIAO	Domestic natural person	0.90%	2,672,800			
CHEN PENG	Domestic natural person	0.79%	2,331,545			
HU ZHIHONG	Domestic natural person	0.47%	1,390,397			
CHEN CHUYUN	Domestic natural person	0.46%	1,367,450			
LI ZHIJIAN	Domestic natural person	0.43%	1,286,281			

HSBC BROKING SECURITIES (ASIA) LIMITED-CLIENTS A/C	Foreign corporation	0.40%	1,185,114			
CHINA MERCHANTS SECURITIES (HK) CO., LTD.	State-owned corporation	0.40%	1,176,836			
ZHUANG CHANGXIONG	Domestic natural person	0.35%	1,045,000			
Shareholdings of the top ten shareholders with non-restricted shares						
Name of shareholder	Number of non-restricted shares held	Type of shares		Type	Number	
		Type	Number			
WANG XIAO	2,672,800	Domestically listed stock for foreign investors	2,672,800			
CHEN PENG	2,331,545	Domestically listed stock for foreign investors	2,331,545			
HU ZHIHONG	1,390,397	Domestically listed stock for foreign investors	1,390,397			
CHEN CHUYUN	1,367,450	Domestically listed stock for foreign investors	1,367,450			
LI ZHIJIAN	1,286,281	Domestically listed stock for foreign investors	1,286,281			
HSBC BROKING SECURITIES (ASIA) LIMITED-CLIENTS A/C	1,185,114	Domestically listed stock for foreign investors	1,185,114			
CHINA MERCHANTS SECURITIES (HK) CO., LTD.	1,176,836	Domestically listed stock for foreign investors	1,176,836			
ZHUANG CHANGXIONG	1,045,000	Domestically listed stock for foreign investors	1,045,000			
SUN WEIWEI	966,567	Domestically	966,567			

		listed stock for foreign investors	
TANG JUAN	887,236	Domestically listed stock for foreign investors	887,236
Explanation on affiliated relationship or persons acting in concert among the above-mentioned shareholders	The top ten shareholders of the Company are public shareholders with tradable shares. The Company is not aware of whether there is any affiliated relationship among the top ten shareholders with tradable shares and whether there are persons acting in concert among them. The Company is not aware of whether there is any affiliated relationship among the top ten shareholders and the top ten shareholders with tradable share.		
Explanation on the top ten shareholders with common shares participating in the margin trading business (if any)	Not applicable		

Whether the top 10 shareholders with common shares and the top 10 shareholders with tradable common shares of the Company reach agreement of buy-back trading in the report period?

Yes  No

No top 10 shareholders with common shares and top 10 shareholders with tradable common shares of the Company carried out any agreed buy-back trading in the report period.

## **2. Total number of shareholders with preference shares and shareholdings of the top ten shareholders with preference shares**

Applicable  Not applicable

## Section III Significant Events

### I. Major changes of main accounting statement items and financial indicators in the report period, as well as reasons for the changes

√Applicable Not applicable

1. Cash and cash equivalent decreased by 46.14%, mainly due to repayments of short-term borrowings this period;
2. Notes receivable increased by 413.39%, mainly due to accounts receivable collected by bank acceptance bill this period;
3. Accounts receivable decreased by 72.06%, mainly due to collection of accounts receivable which are booked in prior period;
4. Down payment increased by 255.44%, mainly due to increase on purchasing material for HK waste to energy boiler and Ostroleka projects;
5. Other receivable decreased by 34.11%, mainly due to collection of other receivable which are booked in prior period;
6. Inventories increased by 37.27%, mainly due to increase on the inventories on construction contracts more than increase on progress billing;
7. Other current assets decreased by 30.91%, mainly because we book output VAT invoices issued and paid but not recognized with customers in other current assets, it decreased in this period;
8. Other non-current assets decreased by 100%, mainly due to decrease of hedging loss for un-expired forward contracts in this period;
9. Notes payable increased by 46.65%, mainly due to bank note issued for the raw material ;
10. Accounts payable increased by 41.11%, mainly due to the increase of raw material purchasing this period, Hassyand and Ostroleka etc;
11. Tax payable decreased by 135.90%, mainly due to input VAT increase;
12. Other current liabilities decreased by 59.24%, mainly due to decrease on hedging losses arising from non-settled forward contracts in the reporting period;
13. Other non-current liabilities decreased by 100%, mainly due to increase on hedging losses arising from non-settled forward contracts in the reporting period;
14. Operating cost increased by 47.98%, mainly due to the sales increase in the reporting period and lower gross margin of new project orders;
15. Selling expenses increased by 49.05%, mainly due to selling department expense and tendering expense increase;
16. Other income increased by 578.10%, mainly due to government grants increase;
17. Changes in fair value gains increased by 258.53%, mainly due to the increased of hedging gains arising from exchange rate movement of hedging instrument;
18. Assets impairment loss increased by 139.03%, mainly due to reversed bad-debt provision more than the same period last year for the AR collection this period;
19. Gains/Losses from disposal of assets increased by 100%, mainly due to losses in disposal of assets occurred in the prior period, but not in the current period;
20. Non-operating income increased by 174.80% , mainly due to GRNI clearing this period;
21. Income tax expenses increased by 145.73%, mainly due to the difference between the estimated income tax expenses in the prior period and the final payment;
22. Net cash flows from operating activities increased by 140.13%, mainly due to cash collection from projects increase this period;
23. Net cash flow generated from investment activities decreased by 177.57%, mainly due to the increase of cash out paid for fixed

assets this period;

24. Net cash flow generated from financing activities decreased by 77.13%, mainly due to the increase of repayments of entrusted loans this period.

## II. Progress and influence of significant events, as well as the analysis and explanation on solutions

Applicable  Not applicable

Progress on any share repurchase

Applicable  Not applicable

Progress on reducing the repurchased shares by means of centralized bidding

Applicable  Not applicable

## III. Commitments ongoing at the period-end made by the Company's actual controller, shareholders, related parties and acquirer, as well as the Company and other parties

Applicable  Not applicable

No such cases in the report period.

## IV. Securities investment

Applicable  Not applicable

No such cases in the report period.

## V. Wealth management entrustment

Applicable  Not applicable

No such cases in the report period.

## VI. Derivatives Investment

Applicable  Not applicable

Unit: RMB 0,000

Operator	Relation	Related party transaction or not	Type of derivatives investment	Initial investment amount	Beginning date	Ending date	Opening investment amount	Amount purchased in reporting period	Amount sold in reporting period	Impairment provision (if any)	Closing investment amount	Proportion of the closing investment amount in the Company's	Actual gain/losses in report period
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												closing net assets (%)	
HSBC	Non- Relation	No	Forward FX contract	1,781.5 9/30	2016/11 30	2020/3/ 30	1,781.5 9	6,433.4 4	5,626.3 2		2,588.7 1	-2.12%	-97.96
SCB	Non- Relation	No	Forward FX contract	6,484.9 8/03	2018/07 22	2020/5/ 22	6,484.9 8	7,315.4 5	7,565.6 3		6,234.8	-5.11%	-28.3
Total				8,266.5 7	--	--	8,266.5 7	13,748. 89	13,191. 95		8,823.5 1	-7.23%	-126.26
Capital source for derivatives investment				Self-funded									
Any litigation involved				NA									
Disclosure date of the board announcement approving the derivative investment (if any)				April 26, 2019									
Disclosure date of the Shareholders' Meeting announcement approving the derivative investment (if any)				NA									
Analysis on risks and control measures of derivative products held in the report period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)				<p>In order to satisfy needs arising from business development and avoid risk concerning exchange rates, the Company signed forward FX contracts with HSBC, SCB, etc. respectively.</p> <p>For exchange rate fluctuations risk, the Company and banks do collaborative exchange rate trend forecasts, closely track changes in exchange rates, changes in market conditions to implement dynamic management; For liquidity risk, foreign exchange hedging operations carried out by the Company are based on the Company's estimated foreign exchange payments and collection of trade, because the foreign exchange hedging operations match with the actual foreign exchange trade, so this can ensure sufficient fund for settlement at delivery time, there is less affected on the liquidation of the company's current assets; For operational risk, the Company developed a standardized operational processes and authorization management systems, equipped with full-time staff and strictly control their authority to conduct foreign exchange hedging operations; while strengthening business related personnel training and professional ethics , and improving quality of personnel, and the establishing anomalies timely reporting system to avoid the occurrence of operational risk at the maximum; For credit risk, the Company's counterparties of foreign exchange hedging are reputable business and the company has established long-term business relationship with large commercial banks and foreign banks, so, basically there is no performance risk; For legal risk, the Company conducted foreign exchange hedging operations legally in accordance with relevant laws and regulations and relevant transaction management practices, and signed a legal agreement with the counterparties for clear and</p>									

	accurate terms to avoid possible legal disputes at the maximum; and the Company has carried out sufficient assessment and effective control on possible risk concerning credit, operation and cash flows.
Changes of market prices or fair values in the report period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters	The company recognized the gain and loss of fair values of the invested derivatives, the fair values loss of the invested derivatives this period was 0RMB, the loss of investment was 1.26MRMB. the calculation of fair values was based on the contract values and forward rate quote of end of this accounting period provided by the related business partners which was accordance with the expiry date of each forward contracts.
Whether significant changes occurred to the Company's accounting policy and specific accounting principles of derivatives in the report period compared to the previous report period	No major change
Independent Directors' opinions on derivatives investment and risk control	The foreign exchange trading for hedging purpose made by WBC in order to prevent exchange rate risk is based on reasonable estimation and current need for foreign exchange payment and collection. The business process is compliant with laws and regulations. WBC has established organization, business procedures, approval process and Internal Control Rules on Derivatives Investment for foreign exchange trading, so as to improve foreign exchange risk management and prevent exchange rate risk through derivatives investment business.

## VII. Researches, visits and interviews received in this report period

Applicable Not applicable

Date	Way of reception	Visitor type	Main inquiry information
Aug. 8, 2019	Inquiry in writing	Individual	Inquired and advised about the progress in solving the negative equity issue and re-listing
Aug. 23, 2019	By phone	Individual	Inquired about the Company's operating performance and the controlling shareholder's plan for the re-listing of the Company
Aug. 23, 2019	By phone	Individual	Inquired about the progress in solving the negative equity issue
Sep. 22, 2019	Inquiry in writing	Individual	View about the valuation of the Company's stock

## VIII. Illegal provision of guarantees for external parties

Applicable  Not applicable

No such cases in the report period.

**IX. Occupation of the Company's funds by its controlling shareholders or its related parties for non-operating purposes**

Applicable  Not applicable

No such cases in the report period.