

Stock code: 420063 Stock name: Wuguo B5 Announcement No.: 2018 – 023

WUHAN BOILER COMPANY LIMITED 2018 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 Jack Zhang, the Accounting Director *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, 2018	Dec. 31, 2017	Increase/decrease (%)
Total assets (RMB)	1,188,191,832.21	1,200,726,969.91	-1.04%
Owners' equity attributable to shareholders of the Company (RMB)	-1,156,446,318.88	-1,281,838,103.18	9.78%
Gross operating revenues (RMB)	214,521,031.07	—	—
Net profit attributable to shareholders of the Company (RMB)	-13,829,667.22	-112.17%	64,972,595.35
Net profit attributable to shareholders of the Company after excluding non-recurring gains and losses (RMB)	-13,791,837.00	-112.16%	64,485,424.22
Net cash flow from operating activities (RMB)	—	—	51,940,202.16
Basic EPS (RMB/share)	-0.05	-113.16%	0.22
Diluted EPS (RMB/share)	-0.05	-113.16%	0.22
The weighted average ROE	1.20%	-7.10%	5.20%

The total share capital of the company by the previous trading day:

The total share capital of the company by the previous trading day (share)

Diluted EPS calculated by the latest share capital (RMB/share)

Items and amounts of non-recurring gains and losses

☒ Applicable ☐ Not applicable

Item	Jan.-Sep. 2018	Unit: RMB
Gain/loss on the disposal of non-current assets (including the offset part of the asset impairment provisions)	-16,030.97	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	408,332.00	
Others	94,870.10	
Total	487,171.13	—

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 shareholdings with preference shares with resumed voting rights as well as shareholdings of the top ten shareholders

Item	Jan.-Sep. 2018	Unit: share
Total number of shareholders with common shares at the period-end	5,315	0

Name of shareholder	Nature of shareholder	Shareholding percentage	Number of shares held	Number of restricted shares held	Pledged or frozen shares
ALSTOM (CHINA) INVESTMENT CO., LTD	Domestic non-state-owned corporation	51.00%	151,470,000	151,470,000	
WUHAN WUHAO 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		
CHANG 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		

Name of shareholder	Number of non-restricted shares held	Type of shares	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
CHANG 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 listed stock for foreign investors	966,567
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

Explanation on the top ten shareholders with common shares participating in the margin trading business (if any)

Whether the top 10 shareholders with common shares and the top 10 shareholders with no 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 no common shares of the Company reached 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 62.50%, mainly due to loan repayment this period;

2.Down payment increased by 40.96%, mainly due to increase on purchase material for Haysan, Lucky projects;

3.Inventories increased by 41.58%, mainly due to increase on the inventories on construction contracts more than increase on progress billing;

4.Construction in progress increased by 961.32%, mainly due to new equipment installation;

5.Other non-current assets decreased by 100.00%, mainly due to decrease of hedging gain for un-expired forward contracts in this period;

6.Payroll payable increased by 40.11%, mainly due to 13 salary accrual;

7.Taxes payable decreased by 402.26%, mainly due to CIT prepayment and output tax not enough to balance input tax;

8.Other payable decreased by 64.35%, mainly due to debt forgiveness from related company-GE Boiler Deutschland GmbH;

9.Other current liabilities decreased by 81.40%, mainly due to decrease of unbilled taxes in the reporting period;

10.Other non-current liabilities increased by 30.36%, mainly due to increase on hedging losses arising from derivatives;

11.Capital reserve increased by 34.59%, mainly due to debt forgiveness from related company-GE Boiler Deutschland GmbH;

12.Operating cost decreased by 51.31%, mainly due to some old projects have almost completed and some new projects can not start manufacturing until in Q4 this year and next year like Thar2 Hubco and Lucky;

13.Selling expenses decreased by 57.07%, mainly due to selling department expense and tendering expense decrease;

14.Administrative expenses decreased by 44.06%, mainly due to building taxes ect. reassessed to Taxes and surcharges;

15.Assets impairment loss increased by 105.90%, mainly due to large reversed bad-debt provision for cash collection in the prior period but success in the reporting period;

16.Changes in fair value gains decreased by 110.70%, mainly due to the increased of hedging losses from exchange rate movement of hedging instrument;

17.Non-operating income decreased by 81.15%, mainly due to Technology and Development fund from Wuhan Finance Ministry in the prior period but no same thing this period;

18.Income tax expense decreased by 92.36%, mainly due to the increase of the temporary deductible differences resulted from account receivable;

19.Net cash flow from operating activities increased by 185.05%, mainly due to decrease of raw material purchasing;

20.Net cash flow generated from investment activities increased by 67.86%, mainly due to the decrease of cash out paid for fixed assets this period;

21.Net cash flow generated from financing activities decreased by 354.31%, mainly due to the decrease of entrusted loans this period.

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

☒ 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

Commitment	Commitment maker	Type of commitment	Contents	Time of making commitment	Period of commitment	Fulfillment
Commitment on share reform	Alstom (China) Investment Co., Ltd	Disclosed commitment	Avoid horizontal competition	14-Apr-06	Long-term effective	Strictly fulfill the commitment and no breaches
Commitment in the acquisition report or the report on equity changes	General Electric Company, GE Albany Global Holdings B.V.	Disclosed commitment	Ensure the independence of the Company	28-Dec-15	Long-term effective	Strictly fulfill the commitment and no breaches
	General Electric Company, GE Albany Global Holdings B.V.	Disclosed commitment	Avoid horizontal competition	28-Dec-15	Long-term effective	Strictly fulfill the commitment and no breaches
	General Electric Company, GE Albany Global Holdings B.V.	Disclosed commitment	Ensure new related party transactions will obtain appropriate approvals	28-Dec-15	Long-term effective	Strictly fulfill the commitment and no breaches

IV. Forecast for 2018 annual operating results

Warnings of possible loss or considerable year-on-year change of the accumulated net profit made during the period from the beginning of the year to the end of the next report period according to forecast, as well as explanations on the reasons

☒ Applicable ☐ Not applicable

✓ Securities investment

☒ Applicable ☐ Not applicable

No such cases in the report period.

VI. Wealth management entrustment

☒ Applicable ☐ Not applicable

No such cases in the report period.

VII. Derivatives Investment

☒ Applicable ☐ Not applicable

Operator	Relationship	Related party transaction or not	Type of derivative investment	Initial investment amount	Beginning date	Ending date	Open-ended investment amount	Purchased in report period	Sold in report period	Impairment provision (if any)	Proportion of the closing investment amount in the Company's net assets (%)	Actual gain/loss in report period
HS-BC	Relation	No	Forward FX contract	4,061.00	28/10/2014	30/3/2020	061.00	82.23	2,361.64	1,781.59	27.42%	173.97
SCB	Relation	No	Forward FX contract	3,250.05	30/11/2016	26/2/2020	3,250.05	770.92	1,566.09	2,454.88	37.78%	82.4
Total				7,311.05			7,311.05	853.15	3,927.73	4,236.47	65.20%	256.37

Capital source for derivative investment

Any litigation involved (if any)

Disclosure date of the board announcement approving the derivative investment (if any)

Disclosure date of the Shareholders' Meeting announcement approving the derivative investment (if any)

Operator	Relationship	Related party transaction or not	Type of derivative investment	Initial investment amount	Beginning date	Ending date	Open-ended investment amount	Purchased in report period	Sold in report period	Impairment provision (if any)	Proportion of the closing investment amount in the Company's net assets (%)	Actual gain/loss in report period
HS-BC	Relation	No	Forward FX contract	4,061.00	28/10/2014	30/3/2020	061.00	82.23	2,361.64	1,781.59	27.42%	173.97
SCB	Relation	No	Forward FX contract	3,250.05	30/11/2016	26/2/2020	3,250.05	770.92	1,566.09	2,454.88	37.78%	82.4
Total				7,311.05			7,311.05	853.15	3,927.73	4,236.47	65.20%	256.37

Capital source for derivative investment

Any litigation involved (if any)

Disclosure date of the board announcement approving the derivative investment (if any)

Disclosure date of the Shareholders' Meeting announcement approving the derivative investment (if any)

Name of shareholder	Unrestricted shares	Shares by type
Zibo Lucheng Textile Investment Co., Ltd.	140,353,583	RMB-denominated ordinary stock
Hong Kong Securities Clearing Co. Ltd	30,738,071	RMB-denominated ordinary stock
Central Huifu Assets Management Co., Ltd.	20,315,300	RMB-denominated ordinary stock
T.J Rowe Price Ltd Discovery Fund	19,948,219	Domestically listed foreign
China Securities Finance Corporation Limited	18,313,391	RMB-denominated ordinary stock
National Social Security Fund Portfolio 103	11,999,947	RMB-denominated ordinary stock
Hong Kong Monetary Authority	11,255,593	RMB-denominated ordinary stock
Hua' on New Silk Road Theme Equity Asset Management Fund	7,860,000	RMB-denominated ordinary stock
Boersa Selected Mixed Securities Investment Fund	6,991,034	RMB-denominated ordinary stock
Foreningen AP Invest F.M.B.A.	6,055,003	Domestically listed foreign stock

Zibo Lucheng Textile Investment Co., Ltd. is the largest shareholder and the actual controller of the Company. Taitan (Thailand) Textile Co., Ltd. is the second largest shareholder and the foreign sponsor of the Company. All the other shareholders are holding partial A-shares or B-shares. And it is unknown whether there is any related party or setting-in-concert among shareholders above.

Top 10 ordinary shareholders involved 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 promissory report during the Reporting Period.

☒ Yes ☐ No

No such cases in the Reporting Period.

2. Number of Preferred Shareholders and Shareholdings of Top 10 of Them

☒ Applicable ☐ Not applicable

I. Changes in Key Consolidated Financial Statement Items and Reasons for Such Changes

☒ Applicable ☐ Not applicable

(1) Prepayments rose by RMB93,777.1 million (or 64.03%) from the amount at 31 December 2017 to RMB240,134,236.4 at 30 September 2018, primarily driven by prepayments of subsidiary Xinjiang Lutha Fengshou Cotton Industry Co., Ltd. (hereinafter referred to as "Xinjiang Lutha Fengshou") for raw materials;

(2) Other receivables rose by RMB19,390,797 million (or 34.15%) from the amount at 31 December 2017 to RMB76,163,473.60 at 30 September 2018, primarily driven by advances paid by Xinjiang Lutha Fengshou for agricultural machinery purchased by cotton farmers, etc.

(3) Other current assets declined by RMB62,725.5 million (or 52.89%) from the amount at 31 December 2017 to RMB55,863,530.53 at 30 September 2018, primarily driven by the withdrawal of capital asset wealth management-treat used trust maturity in the current period.

(4) Long-term receivables rose by RMB16,650 million (or 106.00%) from the amount at 31 December 2017 to RMB165,000,000 at 30 September 2018, primarily driven by finance leases of equipment by Xinjiang Lutha Fengshou.

(5) Construction in progress rose by RMB38,751.1 million (or 157.11%) from the amount at 31 December 2017 to RMB51,086,723.63 at 30 September 2018, primarily driven by more investments and to-be-installed equipment in the second phase of the Lu Tai (Vietnam) project.

(6) Other non-current assets declined by RMB11,188.2 million (or 30.74%) from the amount at 31 December 2017 to RMB5,202,247.12 at 30 September 2018, primarily driven by decrease in prepayments for equipment.

(7) Short-term borrowings rose by RMB49,582.1 million (or 41.37%) from the amount at 31 December 2017 to RMB1,604,707,428.77 at 30 September 2018, primarily driven by more bank loans.

(8) Financial liabilities at fair value through profit or loss rose by RMB41,112 million (or 100.00%) from the amount at 31 December 2017 to RMB44,112,150.00 at 30 September 2018, primarily driven by unsettled forward foreign settlement contracts and option contracts at the end of the current period.

(9) Taxes payable rose by RMB15,076 million (or 106.12%) from the amount at 31 December 2017 to RMB168,134,645.51 at 30 September 2018, primarily driven by increase in corporate income tax.

(10) Other payables rose by RMB6,628 million (or 67.10%) from the amount at 31 December 2017 to RMB157,301,155.07 at 30 September 2018, primarily driven by increase in loans borrowed by Zibo Lusheng Thermal Power Co., Ltd. (a subsidiary of the Company) from Zibo Lucheng Textile Investment Co., Ltd. (a shareholder of the Company).

(11) The current portion of non-current liabilities declined by RMB2,657.5 million (or 100.00%) from the amount at 31 December 2017 to RMB0.00 at 30 September 2018, primarily driven by the repayment in the current period of the Lu Tai (Vietnam)'s loans due within one year.

(12) Long-term borrowings rose by RMB157,617 million (or 100.00%) from the amount at 31 December 2017 to RMB157,617,479.70 at 30 September 2018, primarily driven by the long-term loans taken out by Lu Tai (Vietnam) for the expansion of its second phase.

(13) Treasury stock rose by RMB44,642.4 million (or 100.00%) from the amount at 31 December 2017 to RMB44,642,394.01 at 30 September 2018, primarily driven by the B-share repurchase of the Company as the parent in the current period.

(14) Other comprehensive income rose by RMB52,126.4 million (or 310.86%) from the amount at 31 December 2017 to RMB46,997,000.11 at 30 September 2018, primarily driven by more gains from the translation of foreign currency—financial statements denominated from exchange rate fluctuations.

(15) Asset impairment loss rose by RMB1,690.2 million (or 50.84%) from RMB1,053,597.48 during Q1-Q3 2018 compared to Q1-Q3 2017, primarily driven by increase in allowances for doubtful accounts in the current period.

(16) Other income rose by RMB15,087 million (or 84.89%) to RMB16,267,401.20 during Q1-Q3 2018 compared to Q1-Q3 2017, primarily driven by increase in government subsidies received during the ordinary course of business.

(17) Investment income declined by RMB2,759.9 million (or 521.37%) from RMB18,388,041.25 during Q1-Q3 2018 compared to Q1-Q3 2017, primarily driven by greater losses on derivative investments during the current period.

(18) Gain on changes in fair value declined by RMB43,318 million (or 5438.94%) to RMB-44,112,150.00 during Q1-Q3 2018 compared to Q1-Q3 2017, primarily driven by changes in the fair value of unsettled forward foreign settlement contracts and option contracts.

(19) Asset disposal income rose by RMB20,284.3 million (or 687.48%) to RMB2,233,253.44 during Q1-Q3 2018 compared to Q1-Q3 2017, primarily driven by increase in income from the disposal of non-current assets during the current period.

II. Progress, Influence and Solution Approaches with Significant Events

☒ Applicable ☐ Not applicable

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. 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 liquidity 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 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.

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

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. There is almost no market risk, no performance risk and no liquidity risk. WBC has established a complete established operation, 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.

VIII. Researches, visits and interviews received in this report period

☒ Applicable ☐ Not applicable

Date	Way of reception	Visitor type	Main inquiry information
Sep. 5, 2018	One-on-one meeting	Individual	Inquired about the Company's condition of business and the progress in solving the negative equity issue, visited the Company's plants, and asked about the Company's related party transactions and some past events

IX. Illegal provision of guarantees for external parties

☒ Applicable ☐ Not applicable

No such cases in the report period.

☒ Applicable ☐ Not applicable

No such cases in the report period.

證券代碼：420063 證券簡稱：武鍋B5 公告編號：2018-025