

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 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, 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%	
	Jul. – Sep. 2018	Increase/decrease (%) as compared to same period last year	Jan. – Sep. 2018	Increase/decrease (%) as compared to same period last year
Gross operating revenues (RMB)	214,521,031.07	-58.36%	771,518,549.90	-29.66%
Net profit attributable to shareholders of the Company (RMB)	-13,829,667.22	-112.17%	64,972,595.35	-51.39%
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	-51.17%
Net cash flow from operating activities (RMB)	--	--	51,940,202.16	185.05%
Basic EPS (RMB/share)	-0.05	-113.16%	0.22	-51.11%
Diluted EPS (RMB/share)	-0.05	-113.16%	0.22	-51.11%
The weighted average ROE	1.20%	-7.10%	5.20%	-4.42%

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)	297,000,000
Diluted EPS calculated by the latest share capital (RMB/share)	0.2188

Items and amounts of non-recurring gains and losses

Applicable Not applicable

Unit: RMB

Item	Jan.-Sep. 2018	Explanation
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Gain/loss on the disposal of non-current assets (including the offset part of the asset impairment provisions)	-16,030.97	
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 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	5,315	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	0.90%	2,672,800			

	person					
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
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 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	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 62.50%, mainly due to loan repayment this period;
2. Down payment increased by 40.96%, mainly due to increase on purchasing material for Hassyan, 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 non-settled forward contracts in the reporting period;
11. Capital reserve increased by 34.59%, mainly due to debt forgiveness from related company-GE Boiler Deutschland GmbH.
12. Operating cost decreased by 31.31%, 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. reclassified 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 no same thing this 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						
Commitment in the acquisition report or the report on equity changes	Alstom (China) Investment Co., Ltd	Disclosed commitment	Avoid horizontal competition	April 14, 2006	Long-term effective	Strictly fulfill the commitment and no breaches
	General Electric Company, GE Albany Global Holdings B.V.	Disclosed commitment	Ensure the independence of the Company	December 28, 2015	Long-term effective	Strictly fulfill the commitment and no breaches
	General Electric Company, GE Albany Global Holdings B.V.	Disclosed commitment	Avoid horizontal competition	December 28, 2015	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	December 28, 2015	Long-term effective	Strictly fulfill the commitment and no breaches
Commitments made in assets reorganization						
Commitments made in IPO or refinancing						
Equity incentive commitment						
Other commitments made to minority shareholders						

Commitments fulfilled on time or not	Yes
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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

V. 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

Unit: RMB 0,000

Operator	Relation	Related party transaction or not	Type of derivative investment	Initial investment amount	Beginning date	Ending date	Opening investment amount	Purchased in report period	Sold in report period	Impairment provision (if any)	Closing investment amount	Proportion of the closing investment amount in the Company's closing net assets (%)	Actual gain/loss in report period
HSBC	Non-Relation	No	Forward FX contract	4,061.00	2014/10/28	2020/3/30	4,061.00	82.23	2,361.64		1,781.59	27.42%	173.97
SCB	Non-Relation	No	Forward FX contract	3,250.05	2016/11/30	2020/2/26	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	Self-funded
Any litigation involved (if applicable)	NA
Disclosure date of the board announcement approving the derivative investment (if any)	April 26, 2018
Disclosure date of the Shareholders' Meeting announcement approving the derivative investment (if any)	
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.)	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 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 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 1.29MRMB, 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	No major change

in the report period compared to the previous report period	
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. There is almost no market risk, no performance risk and no impact on liquidity of WBC. 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.

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.

X. 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.