

Stock code: 000018 , 200018 Stock ID : Sino Great Wall , Sino-B Announcement No.2019-042

## Summary of 2018 Annual Report of Sino Great Wall Co., Ltd.

### 1. Important notes

The summary is abstract from full-text of annual report, for more details information , investors should found in the full-text of annual report that published on website of Shenzhen Stock Exchange and other website appointed by CSRC.

Objections of the directors, supervisors and senior management

Name	Office title	Objection & reason
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Statement

Other directors attending the Meeting for annual report deliberation except for the followed:

Name of director absent	Title for absent director	Reasons for absent	Attorney
Jiang Chongguang	Independent director	Due to work reasons	Yu Haichun

Non-standard auditor's opinion

Applicable  Not applicable

Due to the inability to obtain sufficient and appropriate audit evidence as the basis for expressing audit opinions on the financial statements, Reanda Public Certified Accountants (LLP) issued an audit report that could reservation opinions on the company. The board of directors and the board of supervisors of the Company have made detailed explanations on relevant matters, to which investors shall pay attention.

Preliminary plan for profit distribution to the common shareholders or turning the capital reserve into the share capital for the reporting period, which has been reviewed and approved at the board meeting

Applicable  Not applicable

The Company will not distribute cash dividend or bonus shares, neither capitalizing of common reserves for the report period.

Plans for profit distribution on preference shares for the reporting period approved by the Board

Applicable  Not applicable

### II. Basic information about the company

#### 1. Company profile

Stock ID	Sino Great Wall , Sino-B	Stock code:	000018、200018
Stock Exchange Listed	Shenzhen Stock Exchange		
Contact person and contact manner	Board secretary	Securities affairs Representative	
Name	Yang Chunling	Sun Yu	
Contact address	Sino Great Wall Building, No.3 Jinxiu Street, Economic Technology Development Zone , Beijing	Sino Great Wall Building, No.3 Jinxiu Street, Economic Technology Development Zone , Beijing	
Fax	010-89045856	010-89045856	
Tel	010-89045855	010-89045855	
Email.	1208806865@qq.com	000018sz@sina.com	

#### 2. Brief introduction to the main business or products in the reporting period

(I) Company main business scope and business model

Within the report period, the core business of Sino Great Wall is the engineering construction and medical treatment and health industry investment and management. The engineering construction mainly includes the international EPC and domestic PPP business. The medical treatment and health industry investment and management mainly comprises the hospitals and medical treatment operation management through engagement in the industry through several ways including acquisition of existing hospitals, construction of new hospitals as well as building and investing the hospital PPP project, etc. At present, the company business covers the house building, roads and bridges, power and chemical industry as well as medical treatment and health, etc. among many countries and regions in Southeast Asia, the Middle East, South Asia and Africa, etc.

The company mainly engages in the foreign engineering construction through EPC, namely contracting the whole process or several phases among the construction project design, purchase, construction and trial operation, etc. through integrating the high-quality resources at home and abroad. For the domestic engineering construction, the company mainly adopts PPP mode, namely the project operation mode through cooperation of the governmental and social capital. Under such mode, the government will select the social capital with the investment and operation management capacity through the competitive ways and both parties shall enter into the contract subject to the equality-based consultation principle, under which, the social capital shall provide public services and the government shall pay the consideration against the social capital based on the public service achievement assessment result.

The Company business includes the project development, financing, design, procurement and construction, etc. and it will also participate in investment in and provision of operation services for high-quality projects with good development prospect.

#### (II) Engineering construction industry macro-situation, competition pattern and position in industry

Foreign engineering: with the comprehensive advance of the "One Belt and One Road" initiative, the Company's contracted engineering projects industry for other countries is in the good growth momentum wholly with continuous expansion of the industry scale.

During the reporting period, the company was awarded with the 138th medal in the "2018 ENR Top 250 International Contractors" (ranked 39th among Chinese enterprises and 1st among Chinese private enterprises). According to statistics from the Ministry of Commerce and the State Administration of Foreign Exchange, China's industry-wide foreign direct investment in 2018 was USD 129.83 billion, with a year-on-year increase of 4.2%. Turnover from overseas contracted projects reached USD 169.04 billion, with a year-on-year increase of 0.3%. The turnover of overseas contracted projects in 63 countries and regions along the "the Belt and Road" was USD 89.33 billion, accounting for 52% of the total for the same period. The Chinese government has continued to push forward the construction of "the Belt and Road" and has strengthened strategic docking with countries and regions along the line. It has embraced a broader cooperation space in infrastructure construction, metallurgical engineering, equipment manufacturing and other fields, and created more market opportunities for the company's overseas business expansion.

In terms of domestic projects: In order to further standardize the development of the Public-Private Partnership (PPP) market, in the first half of 2018, relevant government departments successively issued policy documents such as Notice on Regulating Investment and Financing Behavior of Financial Enterprises to Local Governments and State-owned Enterprises and Notice of the Ministry of Finance on Further Strengthening the Standardized Management of Public Private Partnership (PPP) Demonstration Project, further guiding the effective allocation of resources and preventing risks, ensuring that truly standardized and efficient PPP projects can be implemented and the market will decline in the short term. After October 2018, with the end of PPP clearing and government debt regulation, investment enterprises have rebounded steadily, and the restart of infrastructure investment is expected to boost the overall investment.

#### (III) Company's qualification

At present, the Company possesses the construction certificates such as Constructional Engineering Construction General Constructing-Grade I, Highway Engineering General Constructing-Grade I; Municipal utility construction General Constructing-Grade I; Urban and road lighting engineering Constructing-Grade I; Environmental engineering Constructing-Grade I; Design and construction of architectural decoration Constructing-Grade I, Electromechanical Equipment Installation Project Specialized Contracting-Grade I, Construction Curtain Wall Project Specialized Contracting-Grade I, Fire Control Facilities Project Specialized Contracting-Grade I, Possessing 10 first-class qualifications of professional contracting for engineering of waterproof, anti-corrosion and insulation; meanwhile, possesses two class-a special-grade design qualifications of building curtain wall engineering design and architectural decoration engineering design; in addition, possesses 5 second-class qualifications, including the second-class general contracting qualification of construction of water conservancy and hydropower projects, the second-class of general contracting of metallurgy engineering construction, the second-class qualification of professional contracting of steel structure engineering, the

second-class qualification of professional contracting of electronic and intelligent engineering and the second-class general contracting qualification of mechanical and electrical engineering construction, and possesses the third-class general contracting qualification of railway construction, the specialized contracting qualification for special projects and so forth qualifications. The scope covers architecture, highways, railways, municipal utilities, water conservancy and hydropower, petrochemical, electric power and other specialties.

For the overseas market, the Company has always been developing the market, accumulating the talent and technology and improving the adaptive capacity of oversea standards and the local project management ability continuously for many years.

For the domestic business, accumulates experience in aspects of the project bidding, financing ways and operation management and forms its unique operation ways.

#### (IV) Financing Situation

During the reporting period, the company's financing structure was reasonable and it better supported the company's business development. The financing during the reporting period is as follows:

In RMB				
No	Financing Channel	December 31, 2018	Financing cost range	Structure
1	Bank loans	2,758,060,500	3.15%-8.1%	Within 1 year
		228,632,300	3.25%-5.75%	1-2 years
		19,995,100	6.75%	2-3 years
	Subtotal	3,006,688,000		
2	Trust financing	558,770,000	7%-9.77%	Within 1 year
		1,200,000,000	6.65%-11%	1-2 years
		300,000,000	6.30%	2-3 years
	Subtotal	2,058,770,000		
3	Bond financing	200,000,000	5.96%-6.2%	1-2 years
		145,000,000	6.20%	2-3 years
	Subtotal	345,000,000		
4	Notes	75,257,400	0-10%	Within 1 year
	Total	5,485,715,400		

#### (V) Quality Control System

Quality is the life of engineering construction companies. Quality is the best display and promotion of the image of construction companies. The company has always attached great importance to project quality management, has a dedicated QC (Quality Control) department, and is fully responsible for the management of the company's construction projects, forming a set of effective and mature quality control processes and systems. Quality control measures have been continuously optimized to cover all aspects and operate efficiently; quality management is scientific and standardized. During the reporting period, the company did not have major project quality problems.

#### (VI) Safety Production Operation

The company has firmly established the guiding principle of "safety first, prevention first", attaches great importance to safety production, carefully organizes safety education and training, adheres to the safety red line, strictly implements the safety production responsibility system, and conducts in-depth safety inspections and hidden trouble investigations, enhances safety precautions, and creates a safe, harmonious, standardized construction environment, and constantly improves the level of precision management of safety production. During the reporting period, the company did not have major safety issues, all work was carried out in an orderly manner, and the construction was safe and stable.

### 3. Major accounting data and financial indicators

#### (1) Major accounting data and financial indicators for the last three years

May the Company make retroactive adjustment or restatement of the accounting data of the previous years

Yes  No

In RMB

	2018	2017	Changed over last year (%)	2016
Operating revenue	2,426,987,687.02	6,497,124,980.52	-62.65%	4,664,999,117.17
Net profit attributable to the shareholders of the listed company (Yuan)	-1,704,739,736.40	380,090,990.82	-548.51%	473,661,862.67
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company (Yuan)	-1,411,440,495.34	377,087,197.69	-474.30%	470,274,602.37
Net cash flow generated by business operation, net (Yuan)	827,879,055.45	-1,781,868,618.65	-146.46%	-1,687,875,813.94
Basic earning per share(Yuan/Share)	-1.004	0.220	-560.45%	0.28
Diluted gains per share(Yuan/Share)(Yuan/Share)	-1.004	0.220	-560.45%	0.28
Net asset earning ratio (%)	-142.85%	19.35%	-162.20%	31.18%
	End of 2018	End of 2017	Changed over last year (%)	End of 2016
Gross assets	9,603,455,934.89	11,667,845,186.30	-17.69%	7,986,178,961.63
Net assets attributable to shareholders of the listed company	235,202,473.51	2,151,482,467.52	-89.07%	1,777,948,117.49

## (2)Main Financial Index by Quarters

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	923,442,740.92	663,528,834.32	672,083,613.81	167,932,497.97
Net profit attributable to the shareholders of the listed company	218,523,628.75	-74,524,173.03	-118,516,821.76	-1,730,222,370.36
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company	56,977,615.63	-65,023,592.77	-144,157,168.17	-1,284,719,983.99
Net Cash flow generated by business operation	809,676,459.22	288,487,906.41	189,148,952.32	-459,434,262.50

Whether significant variances exist between the above financial index or the index with its sum and the financial index of the quarterly report as well as semi-annual report index disclosed by the Company.

Yes  No

## 4.Share capital and shareholders

(1) Number of holders of ordinary shares and preference shares with restored voting right and Top 10 shareholders

In shares

Total number of common shareholders at the end of the reporting period	77,544	Total shareholders at the end of the month from the date of disclosing the annual report	78,961	The total number of preferred shareholders voting rights restored at period-end	0	Total preferred shareholders at the end of the month from the date of disclosing the annual report	0
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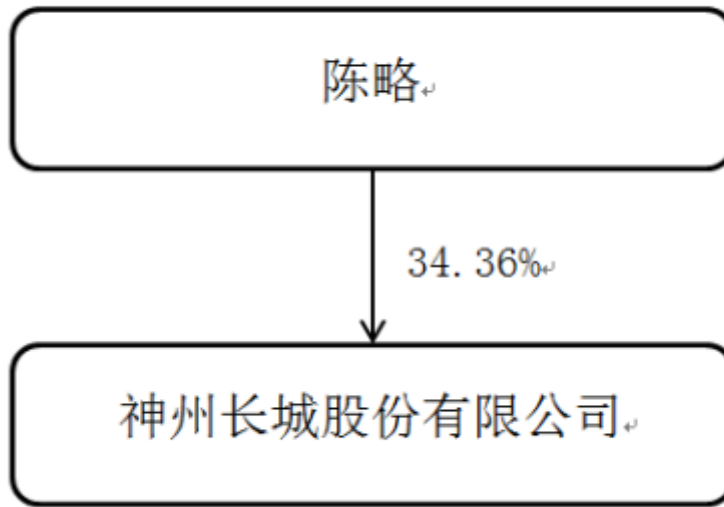
Shareholdings of Top 10 shareholders						
Shareholders	Nature of shareholder	Proportion of shares held (%)	Number of shares held at period -end	Amount of restricted shares held	Number or share pledged/frozen	
					State of share	Amount
Chen Lue	Domestic Natural person	34.36%	145,863,639	437,590,917	Pledge	583,454,462
					Freeze	583,454,556
STYLE-SUCCESS LIMITED	Foreign legal person	5.47%	92,970,910	0		
Union Holdings Co., Ltd.	Domestic Non-State-owned legal person	5.18%	87,935,921	0		
He Feiyan	Domestic Natural person	3.23%	54,800,458	0	Freeze	54,800,458
Jiutai Fund—Bank of Communications—Jiutai Huitong No.2 specific customer asset management plan	Other	2.40%	40,696,772	0		
Rich Crown Investment Co., Ltd.	Foreign legal person	1.37%	23,235,313	0		
Qinghai Heyi Industry Development Co., Ltd.	Domestic Non-State-owned legal person	0.79%	13,357,084	0	Pledge	13,357,084
Huang Huaian	Domestic Natural person	0.72%	12,300,000	0		
Zhang Xubao	Domestic Natural person	0.34%	5,852,820	0		
Chen Lihong	Domestic Natural person	0.28%	4,775,760	0		
Explanation on associated relationship among the aforesaid shareholders	The largest shareholder of Mr. Chen Lue and the Fourth largest shareholder of Ms. He Feiyan aforesaid are persons acting in concerted; The controlling shareholder of the above-mentioned third shareholder Shenzhen Union Holdings Co.,Ltd. And Sixth shareholder Rich Crown Investment Co., Ltd.. Is Union Development Group Ltd.; It is unknown whether there is relationship between other shareholders and whether they are persons taking concerted action specified in the Regulations on Disclosure of Information about Change in Shareholding of Shareholders of Listed Companies.					
Notes to the shareholders involved in financing securities (if any)	Not applicable					

## (2) Total preference shareholders and the shares held by the Top 10 Preference shareholders

Applicable  Not applicable

The Company had no shareholders with preferred stock held in the reporting.

(3) Block diagram of the ownership and control relations between the Company and the actual controller



## 5. Corporation bonds

Whether the company has corporate bonds that have been publicly issued and listed on the stock exchange, and not yet due or due but not fully cashed on the approval date of annual report

No

## III. Discussion and Analysis of the Management

### 1. Business Operation summary in the reporting period

Whether the company needs to comply with the disclosure requirements of the particular industry

Reference disclosure

Civil Engineering Construction

2018 is an extremely difficult year for the company, with the global economic situation increasingly complicated, international trade protection on the rise, growth rate of foreign engineering contracting industry slowed down and competition intensified. Due to the national capital management policy at the beginning of 2018 and the environmental impact of deleveraging, the company was subjected to loan recovery with different degrees such as loan withdrawal and loan cut, resulting in the liquidity difficulties of the company's operating funds and triggering a series of chain reactions of operating difficulties. Overdue repayment appeared in the financing of the company, its subsidiaries and banks and other financial institutions. Major accounts, some assets and shares of subsidiaries were frozen by overdue financial institutions in pre litigation preservation, further causing some employees of the company to default on their wages, some suppliers to default on their debts, and bidding for new projects was also greatly affected. The company's operating income has been greatly reduced, and the annual operating results in 2018 show losses for the first time. In 2018, the company realized operation income of RMB 2.431 billion, a decrease of 62.58% from the last year; realized the operating profits of RMB- 1.48 billion, a decrease of 391.32% from the last year; and the net profit attributable to the parent company was RMB -1.736 billion, a decrease of 556.66% from the last year.

In terms of engineering construction, the company overcame difficulties and obstacles, rooted in the existing business area and scale, and continued to steadily expand its business. During the reporting period, the company faced difficulties both domestically and abroad. In terms of foreign business, the company undertook the traditional construction business-Cambodia Mekong River Villa Project; Meanwhile, it actively participated in investment and financing, development, construction and operation projects, and jointly develops Dongpoxi Comprehensive Park in Laos with international engineering companies; In addition, It completed and delivered the residential and commercial buildings of the stock project NAGA Phase II Integrated entertainment in Cambodia and the Cambodia Haoli Diamond Project, and maintained the normal operation of the stock projects in

Cambodia, Russia, Sri Lanka, Malaysia, Algeria and Myanmar regions. In terms of domestic business, the company has successfully connected with strategic projects such as Chengdu Rennan Square Project, Future New World Project, Xinhui Hilton Hotel and Villa Project. Meanwhile, it actively expands its major clients and reaches strategic cooperation intentions with well-known real estate developers and investment companies, which are expected to sign high-value business contracts with the company in 2019.

The medical and health industry is an important pillar in the company's transformation and development strategy. Due to the influence of the adjustment of national financial policies, the company actively expanded the traditional construction business of infrastructure, utilized existing resources, and strengthened horizontal integration. It is expected that some breakthroughs will be made in Medical engineering and proton therapy projects in the future.

In smart housing sector, it will locate the trend and accurately position it, and comprehensively push forward the implementation of strategic development goals. In recent years, the Chinese government has successively issued relevant policies to vigorously promote the transformation of the construction industry to construction industrialization. The company has set up a "Sino Great Wall Intelligence Residential Co, Ltd." in Zhanjiang, Guangdong, to produce fabricated supporting products. During the reporting period, the construction of the base's factory building framework was basically completed. Due to the financial environment, the production line has not yet been established and put into production. Meanwhile, the company promoted the rural assembly business and made a preliminary layout in key regions of the country.

Faced with the financial difficulties, the company has made concerted efforts from top to bottom to conquer the difficulties. It has successively carried out a series of reforms and innovations in enterprise management mode, timely investigated and re-elected board members, integrated the senior management team, re-organized the business sectors, defined the responsibility assessment, strengthened the asset preservation, comprehensively optimized control and other measures to effectively stimulate enterprise development potential in adversity.

## 2. Material change in principal activities during the reporting period

Yes  No

## 3. Products accounting for over 10% of revenue or profit from principal activities of the Company

Applicable  Not applicable

In RMB

Name	Turnover	Operation cost	Gross profit rate(%)	Increase/decrease of revenue in the same period of the previous year(%)	Increase/decrease of business cost over the same period of previous year (%)	Increase/decrease of gross profit rate over the same period of the previous year (%)
EPC	1,853,545,312.44	1,854,176,312.80	-0.03%	-56.57%	-38.80%	-29.05%
Decoration work	430,784,976.15	494,437,274.02	-14.78%	-78.62%	-70.55%	-31.47%
On Area	2,284,330,288.59	2,348,613,586.82	-2.81%	-63.64%	-50.12%	-27.88%
Overseas	1,725,531,194.49	1,817,363,558.28	-5.32%	-53.99%	-40.14%	-24.36%
Domestic	701,456,492.53	632,137,076.59	9.88%	-74.47%	-65.84%	-22.76%

## 4. Seasonal or cyclical operations requiring special attention

Yes  No

## 5. Material difference of revenue, operating costs or net profit attributable to holders of ordinary shares of the

Company for the reporting period from the last reporting period

Applicable  Not applicable

Due to the national capital management policy at the beginning of 2018 and the environmental impact of deleveraging, the company was subjected to loan recovery with different degrees such as loan withdrawal and loan cut, resulting in the liquidity difficulties of the company's operating funds and triggering a series of chain reactions of operating difficulties. Overdue repayment appeared in the financing of the company, its subsidiaries and banks and other financial institutions. Major accounts, some assets and shares of subsidiaries were frozen by overdue financial institutions in pre litigation preservation, further causing some employees of the company to default on their wages, some suppliers to default on their debts, and bidding for new projects was also greatly affected. The company's operating income has been greatly reduced, and the annual operating results in 2018 show losses for the first time.

6. Suspension in trading or delisting

Applicable  Not applicable

7. Events relating to the financial report

(1) Reason for changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the prior year

Applicable  Not applicable

The format of financial statements of general enterprises has been revised in accordance with the provisions of *Notice on Revision and Issue of 2018 Format of Financial Statements for General Enterprises* (CK [2018] No.15) issued by the Ministry of Finance.

(2) Reason for retrospective restatement to correct major accounting errors during the reporting period

Applicable  Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period.

(3) Reason for changes in scope of the consolidated financial statements as compared to the financial report for the prior year

Applicable  Not applicable

During the reporting period, the changes in the scope of consolidated statements are detailed in the notes to the financial reports.