Stock code: 000022, 200022 Stock name: Chiwan Wharf A, Chiwan Wharf B Announcement No. 2018-083

Shenzhen Chiwan Wharf Holdings Limited
Abstract of Semi-Annual Report 2018

I Important information

This Abstract is based on the full text of the Semi-Annual Report. In order for a full understanding of the operating results, financial condition and future development planning of the Company, investors are kindly reminded to read the full text carefully on the media designated by the China Securities Regulatory Commission.

This Report has been approved at the 4th Meeting of the 9th Board of Directors of the Company. Chairman of the Board Bai Jingtao was not present at the meeting in person for the reason of work, but he had expressed his consent to all the proposals to be reviewed at the meeting and authorized Vice Chairman of the Board Zhou Qinghong to attend the meeting and perform duties including hosting the meeting, expressing opinions and signing meeting documents on behalf of him. All the other directors attended the meeting in person.

Non-standard auditor's opinion

□ Applicable √ Not applicable

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 plans not to distribute cash dividends or bonus shares or turn capital reserve into share capital.

Preliminary plan for profit distribution to the preference shareholders for the reporting period which has been reviewed and approved at the board meeting

□ Applicable √ Not applicable

This Abstract has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

II Company profile

1. Stock profile

Stock name	Chiwan Wharf A, Chiwan Wharf B	Stock code	000022, 200022
Stock exchange	Shenzhen Stock Exchange		
Contact information	Board Secretary	Securities Representative	
Name	Mr. Wang Yongli	Ms. Hu Jingjing and Ms. Chen Dan	
Office address	8/F, Chiwan Petroleum Building, Zhaoshang Street, Nanshan District, Shenzhen, PRC		
Tel.	+86 755 26694222	+86 755 26694222	
E-mail address	cwh@szcwh.com	cwh@szcwh.com	

2. Major accounting data and financial indicators

Does the Company need to adjust retrospectively or restate accounting data?
√ Yes □ No

Unit: RMB

	Reporting period	Same period of last year	YoY +/-（%）
Operating revenues	1,246,135,516.34	1,176,651,017.99	5.91%
Net profit attributable to shareholders of the Company	316,060,290.67	276,061,357.50	14.49%
Net profit attributable to shareholders of the Company before extraordinary gains and losses	316,625,908.24	275,611,120.89	14.88%
Net cash flows from operating activities	349,174,873.68	574,555,532.03	-39.23%
Basic EPS (RMB/share)	0.490	0.428	14.49%
Diluted EPS (RMB/share)	0.490	0.428	14.49%
Weighted average ROE (%)	6.79%	5.72%	1.07%
	As at the end of the reporting period	As at the end of last year	+/-（%）
Total assets	7,028,586,133.86	7,975,470,563.32	-11.87%
Net assets attributable to shareholders of the Company	4,484,162,198.15	4,922,969,405.92	-8.91%

Business combination under common control have caused retrospective adjustments or restatements, which are shown in the table below. For further information, see “(3) Changes in scope of consolidated financial statements compared to last accounting period” under “2. Matters related to financial report” under “III Performance discussion and analysis” in this Abstract.

Unit: RMB

	Reporting period	Same period of last year		YoY +/-（%）
		Before adjustment	After adjustment	After adjustment
Operating revenues	1,246,135,516.34	929,608,498.91	1,176,651,017.99	5.91%
Net profit attributable to shareholders of the Company	316,060,290.67	276,407,832.70	276,061,357.50	14.49%
Net profit attributable to shareholders of the Company before extraordinary gains and losses	316,625,908.24	275,545,048.09	275,611,120.89	14.88%
Net cash flows from operating activities	349,174,873.68	419,531,779.91	574,555,532.03	-39.23%
Basic EPS (RMB/share)	0.490	0.429	0.428	14.49%
Diluted EPS (RMB/share)	0.490	0.429	0.428	14.49%
Weighted average ROE (%)	6.79%	5.76%	5.72%	1.07%
	As at the end of the reporting period	As at the end of last year		+/-（%）
		Before adjustment	After adjustment	After adjustment
Total assets	7,028,586,133.86	6,784,421,548.53	7,975,470,563.32	-11.87%
Net assets attributable to shareholders of the Company	4,484,162,198.15	4,671,374,937.86	4,922,969,405.92	-8.91%

3. Shareholders and their holdings at period-end

Unit: share

Total number of common shareholders at period-end	35,589（25,131 A-shareholders and 10,458 B-shareholders）	Total number of preference shareholders with resumed voting rights at period-end (if any)	0

Shareholding of common shareholders holding more than 5% shares or the top 10 of common shareholders							
Name of shareholder	Nature of shareholder	Holding percentage (%)	Number of shareholding at the end of the reporting period	Increase and decrease of shares during reporting period	Number of shares held subject to trading moratorium	Number of shares held subject to trading moratorium	Pledged or frozen shares
CHINA MERCHANTS GANGTONG DEVELOPMENT (SHENZHEN) CO., LTD.	Common domestic corporation	57.52%	370,878,000	370,878,000	0	370,878,000	0
BROADFORD GLOBAL LIMITED	Foreign corporation	8.58%	55,314,208	55,314,208	0	55,314,208	0
CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	Foreign corporation	7.43%	47,914,954	0	0	47,914,954	Unknown
CITIC SECURITIES CO., LTD	Common domestic corporation	1.47%	9,467,951	0	0	9,467,951	0
NORGES BANK	Foreign corporation	0.43%	2,802,863	0	0	2,802,863	Unknown
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign corporation	0.41%	2,617,518	0	0	2,617,518	Unknown
MAI SHUQING	Domestic individual	0.35%	2,238,347	0	0	2,238,347	0
CHINA MERCHANTS SECURITIES (HK) CO., LTD.	State-owned corporation	0.33%	2,126,022	0	0	2,126,022	Unknown
CANADA POST CORPORATION REGISTERED PENSION PLAN	Foreign corporation	0.24%	1,579,096	0	0	1,579,096	Unknown
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Foreign corporation	0.24%	1,530,596	0	0	1,530,596	Unknown
Strategic investors or general corporations becoming top-ten shareholders due to placing of new shares (if any)	N/A						

Related or acting-in-concert parties among the shareholders above	China Merchants Gangtong Development (Shenzhen) Co., Ltd. (hereinafter referred to as "CMGD") is a wholly-owned subsidiary set up in Shenzhen by Broadford Global Limited (hereinafter referred to as "Broadford Global"). The two companies are acting-in-concert parties. The Company does not know whether the other shareholders are related parties or persons acting in concert.

Top 10 non-restricted shareholders			
Name of shareholder	Number of non-restricted shares held at period-end	Type of shares	
		Type	Number
CHINA MERCHANTS GANGTONG DEVELOPMENT (SHENZHEN) CO., LTD.	370,878,000	A-share	370,878,000
BROADFORD GLOBAL LIMITED	55,314,208	B-share	55,314,208
CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	47,914,954	B-share	47,914,954
CITIC SECURITIES CO., LTD	9,467,951	A-share	9,467,951
NORGES BANK	2,802,863	B-share	2,802,863
VANGUARD EMERGING MARKETS STOCK INDEX FUND	2,617,518	B-share	2,617,518
MAI SHUQING	2,238,347	A-share	2,238,347
CHINA MERCHANTS SECURITIES (HK) CO., LTD.	2,126,022	B-share	2,126,022
CANADA POST CORPORATION REGISTERED PENSION PLAN	1,579,096	B-share	1,579,096
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	1,530,596	B-share	1,530,596
Explanation on associated relationship among the top ten shareholders of tradable share not subject to trading moratorium, as well as among the top ten shareholders of tradable share not subject to trading moratorium and top ten shareholders, or explanation on acting-in-concert	CMGD is a wholly-owned subsidiary set up in Shenzhen by Broadford Global. The two companies are acting-in-concert parties. The Company does not know whether the other shareholders are related parties or persons acting in concert.		
Particular about shareholder participate in the securities lending and borrowing business (if any)	N/A		

4. Change of controlling shareholder or actual controller in reporting period

Change of the controlling shareholder in the reporting period:

√ Applicable □ Not applicable

New controlling shareholder	China Merchants Gangtong Development (Shenzhen) Co., Ltd.
Date of change	8 June 2018
Index to the relevant announcement disclosed on the designated website	For further information, see the Announcement No. 2018-060 on the Completion of Share Transfer and Change of the Controlling Shareholder on www.cninfo.com.cn
Date of disclosure	12 June 2018

Change of the actual controller in the reporting period:

□ Applicable √ Not applicable

The actual controller remained the same in the reporting period.

5. Number of preference shareholders and shareholdings of top 10 of them

□ Applicable √ Not applicable

No preference shareholders in the reporting period.

6. Corporate bonds

Are there any corporate bonds publicly offered and listed on the stock exchange, which were undue before the approval date of this Report or were due but could not be redeemed in full?

No.

III Performance discussion and analysis

1. Performance review for reporting period

Is the Company subject to any disclosure requirements for special industries?

No.

In the first half of 2018, the world economy continued to recover, but with polarized slowdowns in growth of major economies due to challenges including rising inflation across the globe, tightening monetary policies and rising trade protectionism. Amid increasing trade frictions with the U.S and the deepened supply-side reform, China's economic growth was maintained at a steady and positive rate of 6.8%, with driving forces shifting in an orderly manner. As the "Belt and Road Initiative" effectively promoted multilateral trade, China's imports and exports registered a 7.9% expansion in value. Performance was stable across the port industry in spite of slower throughput growth from a year ago. To be specific, large coastal ports recorded a total throughput of 4.58 billion metric tons, representing a year-on-year rise of 4.3% (3.0 percentage points lower than the same period of last year), including 0.11 billion TEU, a 5.5% year-on-year expansion (2.3 percentage points lower than a year ago).

During the reporting period, the Company was in face of tough challenges including external factors such as the trade war between China and the U.S. and local competition, as well as internal ones including limited resources and rigid cost increases. Despite all these difficulties, the Company kept forging ahead. For the reporting period, it recorded a total throughput of 33.534 million metric tons, down 4.9% year-on-year. Operating revenue was RMB1.25 billion (a 5.9% growth from a year earlier), gross profit was RMB0.52 billion (a 16.2% expansion over the same period of last year) and net profit attributable to the Company as the parent was RMB0.32 billion (up 14.5% year-on-year).

(1) Container handling business

The first half of 2018 saw stable and positive demand for container shipping, but freight rates of most routes showed fluctuations with immediate falling back driven by new shipping capacity after year-beginning highs. The three new alliances of the OCEAN Alliance, the THE Alliance and the 2M+HMM alliance have firmly dominated the global container shipping market, with their combined capacity accounting for 81% of the world's total, indicating more control on the market.

During the reporting period, the combined container throughput of the ports of the three major cities in South China was 32.47 million TEU, up 2.3% from the same period of last year, lower than the national average, of which Shenzhen ports handled 12.13 million TEU, a 2.3% year-on-year growth. In the fierce local competition, the Company realized a container throughput of 2.686 million TEU, increasing 3.5% compared to the same period of last year, which accounted for 22.1% of the Shenzhen market.

Keeping a close eye on shipping company dynamics, the Company adjusted its business strategy in a timely manner and managed to maintain stable core clients, with the top 10 clients contributing over 80% of the Company's total revenue. Meanwhile, great effort was spent on exploring new clients and new routes. The end of the reporting period saw seven new Asian routes from a year ago, increasing the throughput of the Asian routes by 37%. Also, the Company has greatly improved the customs clearance efficiency by introducing a new model featuring immediate access to cargos through advanced declaration. It also piloted a hinterland operational model to attract local container handling demand. As a result, local container throughput went up 8.6% year-on-year, offsetting the impact of declining international transit demand. Additionally, closely following the trend of "Internet + Smart Port", the Company put in great effort to improve and extend the functions of its unified customer service platform, ePort. The launch of the visible operation monitoring system and the call center system has laid a solid foundation for a new container handling process. In the meanwhile, in order for safe, orderly and efficient wharf operations, as well as for better customer service efficiency, the Company continued to promote automatic and smart logistics facilities featuring the smart quayside loading and unloading system, the smart storage yard operation system and the smart tallying system.

(2) Bulk cargo handling business

The Company primarily handles imported grain and feedstuff and fertilizers in its bulk cargo handling business. In the first half of 2018, the rising trade frictions between China and the U.S. exerted a big impact on China's agricultural product supply mix. For this period, China imported 58.62 million metric tons of grain and soybean, a slight rise of 1.1% year-on-year (9.8 percentage points lower from a year ago). Meanwhile, due to a declining domestic fertilizer output as a result of strict environment-related regulations, high production costs, etc., China imported 5.56 million metric tons of fertilizers in the first half of 2018, a considerable increase of 19.1% year-on-year (6.9 percentage points higher compared to the same period of last year). Under such circumstances, the Company proactively dealt with market changes such as declining local grain and feedstuff imports, changed production schedules of core clients and insufficient storage space, and at the same time captured opportunities arising from the grain and feedstuff flows from North China to the south, clients' exploration of alternative supply sources, and the rising fertilizer imports, among others. As a result, the Company recorded a bulk cargo throughput of 10.16 million metric tons in the first half of 2018, down 9.6% year-on-year.

With respect to grain and feedstuff handling, the Company helped its clients look for alternative supply sources to offset the fluctuations in their business caused by the Sino-U.S. trade frictions, and strengthened clients' loyalty through pre-sales. As a result, core clients maintained stable, with the top five clients contributing about 70% of the Company's total grain and feedstuff throughput. In addition, the Company successfully attracted new clients in relation to rice export and sunflower seed meal import. In the reporting period, the Company's grain and feedstuff throughput was down 9.6% compared to the same period of last year, of which the international throughput went down 12.9% while the domestic throughput increased 14.8%, securing its leading position in the field of grain and feedstuff handling, as well as its position as a preferred discharge port for international grain and feedstuff, in the Pearl River Delta.

As for fertilizer handling, by paying close attention to changes in the market and staying in close contact with clients, the Company handled significantly more cargos from its core clients, with the top five clients contributing over 80% of the total fertilizer throughput, indicating higher client concentration. Meanwhile, the Company seized opportunities and successfully extended its business to handling of imported urea, kaolin, etc. Currently, the country's imported urea all goes through Machong Wharf. In the reporting period, the Company's fertilizer throughput increased 14.8% compared to the same period of last year, of which the imported compound fertilizer throughput went up 20.8%, accounting for 48% of the national total, keeping the Company in a leading position in this respect; while the throughput of imported potash rose 5.9%, accounting for 6% of the national total.

(3) Support services and investment management

The Company's tow truck, tugboat, customs clearance and barge services operated smoothly. These services not only supported the core business of cargo handling, but also recorded a rise in income generated. The Company's main joint ventures in this respect, including China Overseas Harbour Affairs (Laizhou) Co., Ltd., China Merchants Bonded Logistics Co., Ltd. and China Merchants Holdings (International) Information Technology Co., Ltd., contributed flat returns to the Company compared to the same period of last year.

The Company's primary business results are set out as follows:

Main business indicator	Reporting period (January-June 2018)	Same period of last year (January-June 2017)	Change (%)
Total throughput (thousand tons)	33,534	35,244	-4.9%
Among which: Container throughput (thousand TEU)	2,686	2,596	3.5%
Bulk cargo throughput (thousand tons)	10,160	11,233	-9.6%
Hours charged for tow trucks (thousand hours)	558	588	-5.1%
Hours charged for tugboats (hour)	22,135	17,152	29.1%

During the reporting period, the Company carried out all tasks according to the annual plan, and focused on promoting the "Project of Improving 1% Quality", to achieve the Company's balanced development of quality, benefit and scale. The platform of the headquarters coordinated the capital management by multi-channel innovative financing to significantly reduce the cost of capital. It made full use of existing resources and explored assets benefit deeply. It established a benchmark-control system to improve the efficiency of corporate management and control. It deepened the application of Internet technology and used intelligent system on line to improve the efficiency of production links. It strengthened the innovation of technology and process to replace labor, which reduced the reliance on traditional labor, and reduced production costs.

In the second half of the year, the global economy is expected to continue to recover. According to the latest forecast of the International Monetary Fund in July 2018, the global economic growth of 2018 is expected to increase by 3.9%, but it will face the potential risks such as the raising of U.S. trade protectionism, global inflation and so on. China's economy is generally stable, but there are increasing difficulties and challenges. In the second half of the year, economic growth may slow down, and be affected by the trade friction between China and the United States. Pressure on imports and exports will increase, which will cause greater fluctuations in the port industry. The Company is located in the Guangdong-Hong Kong-Macao Greater Bay Area and a free trade zone, which provides it a superior external development environment, and "Development Planning Outline of Guangdong-Hong Kong-Macao Greater Bay Area" is expected to be introduced in the second half of the year, and then, the regional synergy will be further highlighted, market-oriented regional port resource integration will be accelerated, and the operations of the Company will face both challenges and opportunities. The growth rate of regional container transportation demand is expected to slow down, and the Company will closely follow the customer's developments and strive for new routes and further improve the PRD network layout. At the same time, it will speed up the upgrading and reconstruction of berths and cooperate with the construction of sea channel in the western port area so as to improve the hardware resource conditions of the terminal and strive to maintain the stability of container service. The demand for regional grain and feedstuff and fertilizer supply is expected to remain stable generally, but it is greatly affected by policy volatility, so the Company will focus on the changes of market and industry policy, consolidate the advantages of sources, and accelerate the cultivation of new sources and new forms. At the same time, the Company will speed up the storage resources upgrading of Chiwan Wharf and the supporting storage facilities' construction of Machong Wharf to enhance the overall resource capacity, and the market position with respect to bulk cargo handling. In terms of internal management, the Company will continue to follow and carry out the work plan to improve quality and efficiency, and at the same time, the Company will work on innovation management and risk control, so as to achieve its annual business objectives.

No major changes occurred to the profit structure or sources of the Company during the reporting period.

YoY movements in financial highlights:

Unit: RMB

	Reporting period	Same period of last year	Change (%)	Main reasons for movements
Operating revenues	1,246,135,516.34	1,176,651,017.99	5.91%	
Operating costs	669,139,867.98	682,744,597.73	-1.99%	

Administrative expenses	87,636,508.75	77,908,036.28	12.49%	
Finance costs	17,869,102.88	13,274,775.13	34.61%	greater exchange loss caused by a fluctuating exchange rate against the U.S. dollar
Corporate income tax expenses	75,484,671.73	72,860,139.44	3.60%	
R&D expenses	16,906,043.65	17,130,145.36	-1.31%	
Net cash flows from operating activities	349,174,873.68	574,555,532.03	-39.23%	Slower collection of container clients' payments, and accrued income tax on dividend from subsidiary
Net cash flows from investing activities	-394,893,240.49	-78,300,304.51	-404.33%	Decline in monetary assets resulted from the payment for the Zhoushan RORO wharf investment and the exclusion of MPIL from the consolidated financial statements
Net cash flows from financing activities	-287,326,646.23	-382,463,833.98	24.87%	Lower debt repayments
Net increase in cash and cash equivalents	-349,906,153.32	108,855,629.56	-421.44%	All the factors above

2. Matters related to financial report

(1) Changes in accounting policies, accounting estimations and measurement methods compared to last accounting period

The major changes in the Company's accounting policy are: on 31 March 2017, the Ministry of Finance published the *Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments* (hereinafter referred to as the "Standards No. 22"), the *Accounting Standards for Business Enterprises No. 23-Transfer of Financial Assets* (hereinafter referred to as the "Standards No. 23") and the *Accounting Standards for Business Enterprises No. 24-Hedge Accounting* (hereinafter referred to as the "Standards No. 24"); on 28 April 2017, the Ministry of Finance published the *Accounting Standards for Business Enterprises No. 42-Non-current Assets and Disposal Groups Held for Sale and Discontinued Operations* (hereinafter referred to as the "Standards No. 42"); on 2 May 2017, the Ministry of Finance published the *Accounting Standards for Business Enterprises No. 37-Presentation of Financial Instruments* (hereinafter referred to as the "Standards No. 37"); on 10 May 2017, the Ministry of Finance published the *Accounting Standards for Business Enterprises No. 16-Government Subsidies* (hereinafter referred to as the "Standards No. 16"); on 5 July 2017, the Ministry of Finance published the *Accounting Standards for Business Enterprises No. 14-Income* (hereinafter referred to as the "Standards No. 14"); in accordance with requirements stipulated in documents issued by the Ministry of Finance, the Company begins to implement the Standards No. 22, No. 23, No. 24, No. 37 and No. 14 from 1 Jan. 2018; begins to implement the Standards No. 42 from 28 May 2017; begins to implement the Standards No. 16 from 12 June 2017. For related details, please refer to the Announcement on Changes in Accounting Policy (Announcement No. 2018-025) disclosed on www.cninfo.com.cn.

(2) Retrospective restatements due to correction of significant accounting errors in reporting period

□ Applicable √ Not applicable

No such cases.

(3) Changes in scope of consolidated financial statements compared to last accounting period

The Company signed the Supplementary Agreement to the Media Port Investments Limited Shareholder Agreement with China Merchants Port Holdings Company Limited (hereinafter referred to as "CMPort"), Fatten Investments Limited (hereinafter referred to as "FIL") and Media Port Investments Limited (hereinafter referred to as "MPIL") on 23 August 2017 in Shenzhen. Under the arrangements of the agreement, the Company completed the director appointment for MPIL at the end of September 2017 and has realized control over MPIL and its subsidiary FIL, Shenzhen Mawan Wharf Co., Ltd., Shenzhen Mawan Port Services Co., Ltd. and Shenzhen Mawan Warehouse & Terminals Co., Ltd. (hereinafter referred to as the "Mawan Companies") in form and nature. According to the Accounting Standards for Business Enterprises No. 33-Consolidated Financial Statements, the Company began to consolidate MPIL and its subsidiary FIL and the Mawan Companies from September 2017. And in accordance with the requirements on company consolidation under common control, the Company has restated the amounts of the same period of last year in the financial statements.

The Company signed the Supplementary Agreement II to the Media Port Investments Limited Shareholder Agreement with CMPort, FIL and MPIL on 5 February 2018 which became effective after being signed by all the parties. After the transfer of a combined stake of 66.10% in the Company held by Shenzhen Malai Storage Co., Ltd., Keen Field Enterprises Limited and China Nanshan Development (Group) Inc. to the subsidiary of China Merchants Group-CMGD and its acting-in-concert party Broadford Global, the Company will no longer control MPIL and its subsidiary FIL and the Mawan Companies. Therefore, it has excluded the said companies from its consolidated financial statements from the date when its control ceased.

The Company received from CMGD and Broadford Global the Securities Transfer Registration Confirmation issued by the Shenzhen branch of China Securities Depository and Clearing Corporation Limited on 11 June 2018. The registration formalities for the said share transfer have been completed on 8 June 2018. From this day on, the Company will exclude MPIL and its subsidiary FIL and the Mawan Companies from its consolidated financial statements. For further information, please refer to the Announcement on the Completion of Share transfer and Change of the Controlling Shareholder (Announcement No.: 2018-060) disclosed on www.cninfo.com.cn dated 12 June 2018.

For and on behalf of the Board

Bai Jingtao

Chairman of the Board

Shenzhen Chiwan Wharf Holdings Limited

Dated 31 August 2018