

# Shandong Airlines Co., Ltd.

## Summary of Annual Report 2015

### 1. Important Notice

The summary is abstract from full-text of annual report, for more details of operating results, financial condition and future development plan of the Company; investors should found in the full-text of annual report that published on media appointed by CSRC.

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
Wang Kaiyuan	Independent director	Submitted application for resignation	

The profit distribution plan that deliberated and approved by the Board is: based on total stock issued 400,000,000 shares, distributed 2.5 Yuan (tax included) bonus in cash for every 10-share hold by all shareholders, 0 shares bonus issued (tax included) and no capitalizing of common reserves carried out.

Short form of the stock	Shanhang-B	Stock code	200152
Stock exchange for listing	Shenzhen Stock Exchange		
Person/Way to contact	Secretary of the Board	Rep. of security affairs	
Name	Dong Qiantang	Fan Peng	
Office add.	1/F, Tiangong Office Building, North of Red-crowed cranes Hotel, Yaoqiang International Airlines, Licheng District, Jinan, Shandong	3/F, Tiangong Office Building, North of Red-crowed cranes Hotel, Yaoqiang International Airlines, Licheng District, Jinan, Shandong	
Fax.	0531-85698767 ext. 8679	0531-85698767 ext. 8679	
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### II. Main business or product introduction in the reporting period

Our Company and its subsidiaries are mainly engaged in provision of airline transportation service. The details of our operation scope are set out in the notes to financial statements.

For the past two decades, the Company has always emphasized on “safety, efficiency, punctuality and service”. As of December 2015, the Company owns 90 airplanes including Boeing 737 series, enabling it to rank as one of large airlines. Currently, it operates 160 routes, with over 3,000 scheduled flights flying to 70 domestic cities every week and also international flights to Taiwan, South Korea, Japan, Thailand, Vietnam and Cambodia. It sets flight bases in Jinan, Qingdao, Yantai, Xiamen, Beijing, Kunming, Chongqing, *Urumqi and Guiyang, and determines the “big triangle” route networks centralized with Shandong, Xiamen and Chongqing.*

The Company has been awarded the title of the “most valuable top 500 brands of China” for successive eight years. In 2012, the brand value of the Company increased by RMB4.943 billion as compared to previous year to RMB23.215 billion, making it rank No.105 among the most valuable top 500 brands of China, with 7 positions improved. In April 2015, the Company, together with Xiamen Airline, Air China, Hainan Airline and Sichuan Airline, were honored as the “best airlines in airline service evaluation for 2014”. Besides, the Company also obtained the single prize of “best advance in cabin facilities”.

Through making strategic layout, consolidating firm foundation for safety management, continuous optimization of route network and fleet structure, continuous improvement of its capability of production and operation, enhancement of human resources construction and reinforcement of energy saving and emission reduction, the Company realized steady improvement of sustainable development in 2015.

### III. Main accounting data and financial indexes

#### 1. Main accounting data and financial indexes for recently three years

Whether it has retroactive adjustment or re-statement on previous accounting data for accounting policy changed and accounting

error correction or not

 Yes  No

In RMB

	2015	2014	Changes over last year	2013
Operating income	12,108,963,139.11	11,570,296,757.48	4.66%	11,427,157,933.15
Net profit attributable to shareholders of the listed company	532,260,993.04	287,851,542.09	84.91%	390,121,811.72
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	387,733,814.57	146,403,043.43	164.84%	138,890,318.37
Net cash flow arising from operating activities	2,424,457,843.01	1,459,828,215.31	66.08%	1,411,186,522.15
Basic earnings per share (RMB/Share)	1.33	0.72	84.72%	0.98
Diluted earnings per share (RMB/Share)	1.33	0.72	84.72%	0.98
Weighted average ROE	17.22%	10.33%	6.89 percentage points up	15.42%
	End of 2015	End of 2014	Changes over end of last year	End of 2013
Total assets	12,748,902,597.96	12,118,867,620.51	5.20%	11,474,898,669.33
Net assets attributable to shareholder of listed company	3,365,013,204.57	2,878,120,380.35	16.92%	2,692,517,344.38

## 2. Quarterly main financial index

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	2,865,150,067.48	2,848,574,455.23	3,573,871,388.93	2,821,367,227.47
Net profit attributable to shareholders of the listed company	135,623,893.16	81,182,980.53	423,378,501.05	-107,924,381.70
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	129,461,801.13	52,077,440.44	399,391,907.08	-193,197,334.08
Net cash flow arising from operating activities	251,123,795.40	530,458,860.31	1,202,697,554.35	440,177,632.95

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the company's quarterly report and semi-annual report

 Yes  No

## IV. Shares and shareholders

### 1. Particulars about common stock shareholders, preference shareholders with voting rights recovered and top ten shareholders

In Share

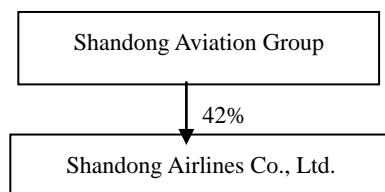
Total common stock shareholders in reporting period-end	13,939	Total common stock shareholders at end of last month before annual report disclosed	14,658	Total preference shareholders with voting rights recovered	0	Total preference shareholders with voting rights recovered at end of last month before	0
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				at end of reporting period	annual report disclosed		
Top ten shareholders							
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Amount of shares held	Amount of restricted shares held	Number of shares pledged/frozen		
					State of share	Amount	
Shandong Aviation Group	State-owned legal person	42.00%	168,004,000	168,004,000			
Air China Limited	State-owned legal person	22.80%	91,200,000	91,200,000			
CHINA INT'L CAPITAL CORP HONG KONG SECURITIES LTD	Foreign legal person	1.50%	5,981,000	0			
WANXIANG INTERNATIONAL INVESTMENT CORPORATION	Foreign legal person	0.62%	2,480,000	0			
DZ S/A QUONIAM FDS SELE SICAV-EMERGING MARKETS EQ MINRISK	Foreign legal person	0.56%	2,259,178	0			
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.56%	2,253,791	0			
Chen Jingjian	Domestic nature person	0.37%	1,494,800	0			
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Foreign legal person	0.37%	1,476,820	0			
Xie Qingjun	Domestic nature person	0.33%	1,322,100	0			
Haitong International Securities Company Limited-Account Client	Foreign legal person	0.29%	1,159,000	0			
Explanation on associated relationship among the aforesaid shareholders	N/A						
Explanation on shareholders involving margin business (if applicable)	N/A						

## 2. Total preferred stock shareholders of the Company and shares held by top ten shareholders with preferred stock held

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

## 3. Property right and controlling relationships between the actual controllers of the Company and the Company is as follows:



## V. Discussion and analysis by the Management Team

### 1. Introduction of operation in the reporting period

In 2015, we achieved satisfying operating results since we stay calm to respond to complicated internal and external operating conditions, continuously consolidate safety management foundation, enhance operation management efficiency, dramatically promote reform of marketing model, raise general service quality, facilitate refined management and perform honesty operation, which enabled the Company to substantially complete the scheduled targets in respect of safety, operation, efficiency, service and management works.

#### (I) We maintained stable safety operation and recorded achievements in safety operation construction

In 2015, transportation segment, our principal business, has guaranteed 155,000 safe flights for 314,000 hours, representing increases of 14.1% and 7.0% respectively as compared to previous year. There is no civil aircraft incident or worse occurred due to the reason of the Company or external engagement. *Safety quality evaluation* indicator was 10.73, indicating stable safety conditions. Thanks to adherence to liability accounting and wholesome system, the safety management system became more improved. The key risks were under effective control through optimizing management mechanism. Besides, the awareness of safety operation was obviously improved by sticking to combination of violation rectification and cultural guideline.

#### (II) The operation quality was steadily improved through optimization of operation management mechanism

Our punctuation rate throughout the year was 74.70%, representing an increase of 7.31 percentage points over last year, ranking the 1<sup>st</sup> position among all the major civil airlines. 51 flights for significant missions and special III (inclusive) were ensured, with punctuation rate of 92.16%. New technological applications have been broadly promoted to provide powerful supports for production and operation. The operation scope of HUD was steadily expanded, and pilot flight has been completed in the airports of Jinan, Qingdao, Yantai and Urumqi. Throughout the year, 158 flights were realized through HUD operation, reflecting our advantages in technology competition, which strongly contributed to establishment of our corporate brand image.

#### (III) We continued to optimize production organization and recorded satisfying efficiency better than our expectation

In 2015, we completed a total turnover of 2.23 billion tons per kilometer, total passengers of 16.846 million and freights transportation of 143,000 tons (including wet lease), representing increases of 14.9%, 10.0% and 1.1% respectively. In addition, we realized operating income of RMB12.109 billion, representing an increase of 4.66% year on year; total profit of RMB711 million, representing an increase of 78.48% year on year. The occupation rate of our passenger flights was 75.9%, with a decrease of 1.3 percentage points year on year, the loading rate of freight flights was 35.6%, with a decrease of 7.1 percentage points year on year. E-commerce has been consolidated, resulting in initial effects of “increasing direct sales and reducing agent sales”. We were able to maintain stable revenue through strengthening market development and marketing management.

#### (IV) We continued to improve service quality and further diversified the brand culture

The overall comment on passenger satisfaction investigation reached at 94.16, increasing 2.21 points year on year. The comprehensive service ranking as determined by competent authorities was No.4, with one position advanced. Customer’s effective complain rate was 0.184 per ten thousand people, representing a decrease of 0.018 per ten thousand people. The abnormal rate of package transportation was 0.636%, which was less than the highest rate of 0.700% as targeted by the Company. The Company has been awarded the title of the “most valuable top 500 brands of China” for successive eight years. The brand value of the Company increased by RMB4.943 billion as compared to previous year to RMB23.215 billion, making it rank No.105 among the most valuable top 500 brands of China, with 7 positions improved.

### 2. Whether the main business had major change in the reporting period

Yes  No

### 3. About the industries, products, or regions accounting for over 10% of the company’s operating income or operating profit

In RMB

Name	Operating revenue	Operating cost	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
Air transport service	11,841,482,708.13	393,418,990.17	14.46%	4.25%	421.24%	2.64 percentage points up

## VI. Relevant items involving financial report

### 1. Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last year

No particulars about the changes in aspect of accounting policy, estimates or calculation method in Period.

### 2. Major accounting errors within reporting period that needs retrospective restatement

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

### 3. Compare with last year's financial report; explain changes in consolidation statement's scope

No changes in consolidation statement's scope for the Company in the period.

### 4. Explanation on "Qualified Opinion" from the Certified Public Accountants in the report period by the Board of Directors and Supervisory Committee

Applicable     Not applicable