

# SHANDONG AIRLINES CO., LTD.

## Summary of Semi-Annual Report 2016

### 1. Important Notice

The summary of semi-annual report is excerpted from the full text of the semi-annual report. For the details, investors should carefully read the full text of the semi-annual report published on Juchao Information website (www.cninfo.com.cn) and Shenzhen Stock Exchange Website etc., appointed by CSRC.

#### Company Profile

Short form of the stock	SHANHANG B	Stock code	200152
Listing stock exchange	Shenzhen Stock Exchange		
Contact person and ways	Secretary of the Board	Rep. of securities affairs	
Name	Dong Qiantang	Fan Peng	
Tel.	0531-82085939	0531-82085586	
Fax.	0531-85698767 ext.8679	0531-85698767 ext. 8679	
E-mail	dongqt@shandongair.com.cn	fanp@shandongair.com.cn	

### 2. Main accounting data and Changes of shareholders

#### (1) Main accounting data

Whether it has retroactive adjustment or re-statement on previous accounting data for accounting policy changed and accounting error correction or not

Yes  No

	Current Period	Same period of last year	Increase/decrease over same period of last year
Operating revenue (RMB)	6,309,749,290.22	5,713,724,522.71	10.43%
Net profit attributable to shareholders of the listed company(RMB)	283,689,488.65	216,806,873.69	30.85%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	202,463,168.92	181,539,241.57	11.53%
Net cash flow arising from operating activities(RMB)	1,024,495,732.22	781,582,655.71	31.08%
Basic earnings per share (RMB/Share)	0.71	0.54	31.48%
Diluted earnings per share (RMB/Share)	0.71	0.54	31.48%
Weighted average ROE (%)	8.09%	7.32%	0.77 percentage points up
	End of current Period	End of period of last year	Increase/decrease over same period-end of last year
Total assets (RMB)	12,677,120,229.09	12,748,902,597.96	-0.56%
Net assets attributable to shareholder of listed company (RMB)	3,568,708,313.17	3,365,013,204.57	6.05%

**(2) Particulars about the common stock held by the top shareholders**

In Share

Total shareholders with common stock held at period-end					15,459	
Top ten shareholding of common stock						
Shareholders	Nature	Proportion of shares held	Amount of shares held	Amount of non-tradable stocks held	Shares pledge or frozen	
					State of share	Amount
Shandong Aviation Group	State-owned corporate	42.00%	168,004,000	168,004,000		
Air China Limited	State-owned corporate	22.80%	91,200,000	91,200,000		
WANXIANG INTERNATIONAL INVESTMENT CORPORATION	Overseas corporate	0.62%	2,490,000			
DZ S/A QUONIAM FDS SELE SICAV-EMERGING MARKETS EQ MINRISK	Overseas corporate	0.56%	2,259,178			
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Overseas corporate	0.55%	2,208,338			
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas corporate	0.53%	2,102,217			
Chen Jingjian	Domestic nature person	0.37%	1,494,800			
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Overseas corporate	0.37%	1,476,820			
Yao Ming	Domestic nature person	0.33%	1,300,000			
NORGES BANK	Overseas corporate	0.31%	1,225,924			
Explanation on related relationship or concerted action among the abovementioned shareholders	<p>1. Shandong Aviation Group is the first largest shareholder of the Company, who holds the shares of the Company on behalf of the State with unlisted shares;</p> <p>2. Air China Limited is the second largest shareholder of the Company, who holds the shares of the Company on behalf of the State with unlisted shares;</p> <p>3. Among the above top ten shareholders, Air China Limited is the first largest shareholder of the SDA, and there exists no associated relationship between SDA and Air China and the other shareholders, and they don't belong to the consistent actionist regulated by the Management Regulation of Information Disclosure on Change of Shareholding for Listed Companies with the other shareholders.</p>					

**(3) Particulars about the shares held by the top ten preferred shareholders**

There in no particular about the shares held by the preferred shareholder in Period.

#### **(4) Changes of controlling shareholders or actual controller**

Changes of controlling shareholders had no change in reporting period; changes of actual controller in reporting period had no change in reporting period.

### **3. Discussion and analysis of management**

Since the beginning of the year, the company has been focusing closely on the development planning of “13th Five Year Plan” and annual strategic objectives, leading by ten strategic administration points, continuing to consolidate security basis, making efforts to enhance the operational quality, building first-rate service brand, and actively promoting the innovation and transformation and upgrading, production has remained stable, and the company has achieved good operating management performance.

#### **(I) Appropriately dealing with the grim situation both inside and outside the industry, and safety production situation remaining stable**

In the first half year, the transportation business has guaranteed safe flight of 167,200 hours and 79,800 vehicles, a respective increase of 13.28% and 7.46%. No unsafe event has occurred due to the transport aviation incidents cause by company reasons or external reasons. Safety quality evaluation index has reached 9.36, and the security situation has been basically stable. The company has continued to promote the pilot work of safety performance management, and security management initiative has been enhanced; improved the security management mechanism, and built the sustainable security management system; continued to improve security policy, highlight and intensify the system control and closed-loop management, improve the security training and education system, revise the investigation procedures for unsafe incidents; pay close attention to key aspects of governance and rectification of security style, and the security guarantee capability of the basic level has been consolidated.

#### **(II) Adhere to system control and scientific decision-making, and continue to improve operating efficiency**

In the first half year, the company’s average flight punctuality rate has reached 80.11%, an increase of 9.57% on a year-on-year basis, ranking number 3 among the major airlines. The company has improved the flight regularity control mechanism, and maintained a high normal rate. The company has introduced flight regularity control program, established the index control mechanism, and the flight scheduling rationality has been improved; completed the sector coordination linkage mechanism, and improved the operational control level; strengthened the coordination interaction in production department, flight scheduling can better match with the production and operation capabilities; further promoted the construction of operation system and the application of new technologies.

#### **(III) Promote lean management and control of income and expenses, the benefit level basically meets the expectations**

In the first half year, the company has completed transportation turnover of 1.232 billion ton-kilometers, an increase of 18.21% on a year-on-year basis, passenger transport volume has reached 8,771,200 person-times, an increase of 9.82% on a year-on-year basis, cargo and mail transport volume has reached 73,500 tons, an increase of 5.54% on a year-on-year basis; achieved main business income of 6.174 billion Yuan, an increase of 9.59% on a year-on-year basis, total profits of 378 million Yuan, an increase of 25.97% on a year-on-year basis. The company has established the resource investment linkage mechanism that the production, marketing and benefit control department mutually coordinate, and realized the dynamic optimizing allocation of production resources; exerted to optimize the airline network structure and consolidate the base advantage, so that the transport capacity in Qingdao, Xiamen, and Urumqi has increased significantly after the summer season. The company has also actively implemented the e-commerce direct selling and surrounding internationalization strategy, which constantly improves the revenue structure of main business; continued to expand the on-line marketing channel, the sales volume of flagship stores on cooperation platform and of wechat official Accounts has been increasing rapidly. The company has also promoted the fine cost control, and the control effect of controllable cost is remarkable.

#### **(IV) Highlight service innovation and brand building, and service quality continues to enhance**

In the first half year, the overall score of passenger satisfaction survey has reached 95.85 points, an increase of 2.18 points on a year-on-year basis; effective customer complaint rate was 0.185 time / ten thousand person, a decrease of 0.025 time / ten thousand person on a year-on-year basis; abnormal rate of luggage transport was 0.586 time / thousand person, a decrease of 9% on a

year-on-year basis. Passenger complaint rate and quality of service has continued to rank top among the best media authorities. The company has won the “China 500 Most Valuable Brands”, its brand value has reached 28.528 billion Yuan, an increase of 5.313 billion Yuan over the previous year, ranking from number 105 to number 101. The company has vigorously carried out innovative services, so that passengers can have more abundant experiences; actively promoted the passenger self-service, the self-service probability at the base has increased dramatically; constantly expanded the influence of "Luyan flight crew", "Honest and Kind Shandong Airlines" brand image has been initially established.

#### **4. Matters relevant to financial report**

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

There is no particular about the changes in aspect of accounting policy, estimates or calculation method in Period.

##### **(2) Particulars about retroactive restatement on major correction for accounting errors in reporting period**

There is no particular about retroactive restatement on major correction for accounting errors in reporting period

##### **(3) Particulars about the change of consolidation range compared with the financial report of last year**

Consolidation range has no changed in the Period

##### **(4) Explanation from the Board and Supervisory Committee for “Qualified Opinion” from the CPA of this year’s**

Applicable    Not applicable