



Shandong Airlines Co., Ltd.

Summary of Semi-Annual Report 2018

I. 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.

Prompt of non-standard audit opinion

Applicable Not applicable

There is no plan of cash bonus, dividend distribution and capitalizing of common reserves carried out by the Company.

Profit distribution pre-plan of preferred stock deliberated and approved by the Board in the reporting period

Applicable Not applicable

II. Basic information of the company

1. Company profile

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	
Tel.	0531-82085939	0531-82085586	
E-mail	dongqt@sda.cn	fanp@sda.cn	

2. Main financial data and indexes

Whether it has retroactive adjustment or re-statement on previous accounting data or not

Yes No

	Current Period	Same period of last year	Increase/decrease over same period of last year
Operating revenue (RMB)	8,729,278,564.65	7,550,794,741.92	15.61%
Net profit attributable to shareholders of the listed company (RMB)	203,730,704.65	90,093,090.83	126.13%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	61,909,312.57	31,207,526.00	98.38%
Net cash flow arising from operating	858,898,162.88	649,153,844.96	32.31%



activities (RMB)			
Basic earnings per share (RMB/Share)	0.51	0.23	121.74%
Diluted earnings per share (RMB/Share)	0.51	0.23	121.74%
Weighted average ROE (%)	4.68%	2.32%	2.36 percentage points increase
	End of current Period	End of period of last year	Increase/decrease over same period-end of last year
Total assets (RMB)	14,942,758,296.05	13,351,422,839.91	11.92%
Net assets attributable to shareholder of listed company (RMB)	4,353,574,272.77	4,253,141,013.93	2.36%

3. Number of shares and share-holding

In Share

Total common stock shareholders in reporting period-end		15,428	Total preference shareholders with voting rights recovered at end of reporting period (if applicable)	0		
Particulars about shares held by top ten shareholders						
Shareholders	Nature of shareholder	Proportion of shares held	Total shares hold	Number of uncirculated shares	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		
NORGES BANK	Foreign legal person	0.87%	3,498,479	0		
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.74%	2,960,917	0		
WANXIANG INTERNATIONAL INVESTMENT CORPORATION	Foreign legal person	0.65%	2,609,500	0		
ISHARES CORE MSCI EMERGING MARKETS ETF	Foreign legal person	0.44%	1,763,224	0		
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Foreign legal person	0.43%	1,735,020	0		
Hou Chunhu	Domestic nature person	0.42%	1,693,945	0		
Chen Jingjian	Domestic nature person	0.39%	1,554,400	0		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.34%	1,354,378	0		



Explanation on related relationship or concerted action among the abovementioned shareholders	<p>1. Shandong Aviation Group(SDA) 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>
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4. Changes of controlling shareholders or actual controller

Controlling shareholders had no change in reporting period.

Actual controller had no change in reporting period.

5. Total preferred shareholders and top 10 shares held by preferred shareholders

The Company has no preferred shareholders

6. Corporate bond

The Company did not has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when semi-annual report approved for released or fail to cash in full on due

No

III. Discussion and analysis of operation

1. Operation status in the period

In the first half of 2018, the Company has basically completed the intended targets in various works of production and management.

- The security situation remained stable. Ensured security flight of total 210,600 hours and 99,700 vehicles, a respective increase of 10.07% and 9.39% on a year-on-year basis; no transporting aviation incidents and above insecurity incidents occurred due to the Company and aviation safety quality evaluation index was 10.68.

-Operation quality improved. The transportation main business totally organized and ensured the flights of 100334 flights, the flight punctuality rate was 78.88%, and an increase of 8.44% on a year-on-year basis; guaranteed 12 flights for important missions and dedicated class III or above, and the flight punctuality rate was 100%.

-Profitability continues to improve. The Company achieved operating income of 8.73 billion Yuan, the total profit of 261.10 million Yuan. The total turnover of transportation reached 1.712 billion ton-kilometers, passenger traffic volume reached 12,186,200 person-time, cargo and mail transport volume reached 84,400 tons, an increase of 14.64%, 13.87% and 9.29% on a year-on-year basis; passenger load factor of 83.82%, an increase of 1.54% on a year-on-year basis, cargo and mail load factor of 40.15%, an increase of 0.87% on a year-on-year basis.



-Continuous improvement of service quality. Passenger satisfaction achieved 93.46 scores, risen by 1.72 score on a year-on-year basis. The civil aviation media service ranked number four. The Company has been awarded as China Top 500 Most Valuable Brand for eleven consecutive years, ranking No. 99 with the brand value of 41.652 billion Yuan.

The Company mainly carried out the following work:

(i) Practice the concept of safety development and improve the safety management and control capabilities

The first is to firmly establish the concept of safe development, conscientiously implement the decision-making and industry requirements of the Party Central Committee and the State Council on safety production, continue to enhance the awareness of the red line and the bottom line, and strengthen the organizational leadership of safety production. The second is to continue to strengthen the construction of a safety management system and actively promote the transformation of safety management from after-management to pre-event management and process management. The third is to pay close attention to the construction of security teams and the skills training of professional team. The fourth is to carry out in-depth security management and rectification. The fifth is to actively carry out risk prevention and control, and strengthen the investigation and management of hidden dangers and the risk management and control.

(ii) Improve the operation management system and improve the flight operation efficiency

The first is to enhance the operational management coordination and strengthen the cooperation and linkage among production, operation, maintenance and marketing departments so as to improve the operational support efficiency. The second is to pay close attention to the normal quality of flights, and the coincidence rate of flight time, transit time and flight connection time has been significantly improved. The third is to improve the level of release control and the capability of emergency response.

(iii) Vigorously increase revenue and reduce expenditure, and improve profitability

The first is to actively acquire time resources, actively consolidate the advantages of the main base, and lay out in the hot potential markets. The second is to improve the level of production resources allocation and optimize the route network layout. The third is to improve the quality of revenue control and the online marketing control platform, and the adjustment of competition strategy is more precise. The fourth is to vigorously implement cost control, adhere to giving consideration to both large and small, formulate cost control measures, improve the quality of benefits through large cost monitoring, and increase the cost awareness of all employees through small cost reduction. The fifth is to actively mould the collaborative advantages and continue to promote the synergy of the Air China system.

(iv) Improve the service management and control efficiency, and continuously optimize the passenger experience

The first is to continuously improve the service management system. The second is to put forth efforts to improve the presentation of product services, sort out the high-end passenger service standard process, reflect the differentiated services, continue to improve the service weakness, and enhance the passenger experience. The third is to strengthen the construction of service team, focus on giving play to the demonstration and leading role of the brands, such as “Luyan Crew” of the cabin department, “Sunshine Team” of the ground service department, and “Luyin Service Team” of the marketing committee; continue to promote the construction of “Confucius School in the Air” project, highlight the “Honest and Kind” service culture characteristics, and continuously enhance the brand influence.

2. Matters relevant to financial report

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

The Company had no particulars about the changes in aspect of accounting policy, estimates or calculation method in the reporting period.



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

The company had no particulars about retroactive restatement on major correction for accounting errors in the reporting period.

(3) Particulars about the change of consolidation range compared with the accounting period of last year

No changes of consolidation range occurred in the period.

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Shandong Airlines Co., Ltd.
24 August 2018