

Shandong Airlines Co., Ltd.

Summary of Annual Report 2014

1. Important Notice

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.

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		Secretary of the Board
Name	Dong Qiantang	Fan Peng	
Tel.	0531—85698229	0531—85698678	
Fax.	0531—85698767 ext.8679	0531—85698767 ext.8679	
E-mail	dongqt@shandongair.com.cn	fanp@shandongair.com.cn	

2. Main financial data and changes of shareholders

(1) Main financial 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

	2014	2013		Changes over last year	2012	
		Before the adjustment	After the adjustment		After the adjustment	Before the adjustment
Operating income (RMB)	11,570,296,75 7.48	11,427,157,9 33.15	11,427,157,9 33.15	1.25%	10,993,024,9 14.41	10,993,024,9 14.41
Net profit attributable to shareholders of the listed company(RMB)	287,851,542.0 9	389,081,811. 72	390,121,811. 72	-26.21%	589,810,932. 47	589,810,932. 47
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	146,403,043.4 3	137,850,318. 37	138,890,318. 37	5.41%	490,146,637. 15	490,146,637. 15
Net cash flow arising from operating activities(RMB)	1,459,828,215 .31	1,411,186,52 2.15	1,411,186,52 2.15	3.45%	1,726,317,50 0.75	1,726,317,50 0.75
Basic earnings per share (RMB/Share)	0.72	0.97	0.98	-26.53%	1.47	1.47
Diluted earnings per share (RMB/Share)	0.72	0.97	0.98	-26.53%	1.47	1.47
Weighted average ROE	10.33%	15.08%	15.42%	5.09 percentage points down	26.36%	26.36%

	End of 2014	End of 2013		Changes over end of last year	End of 2012	
		Before the adjustment	After the adjustment	After the adjustment	Before the adjustment	After the adjustment
Total assets (RMB)	12,118,867,620.51	11,403,124,428.82	11,474,898,669.33	5.61%	11,261,341,430.03	11,298,444,116.84
Net assets attributable to shareholder of listed company (RMB)	2,878,120,380.35	2,708,137,664.00	2,692,517,344.38	6.89%	2,479,055,852.28	2,429,050,867.39

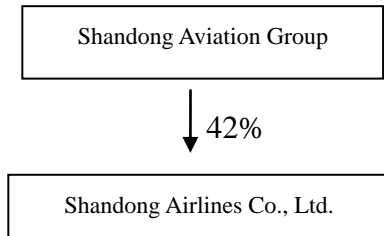
(2) Statement of shares held by top 10 common shareholders

Shareholders	Nature	Proportion of shares held	Amount of shares held	Amount of restricted shares held	Shares pledge or frozen		
Particular about shares held by top ten common shareholders							
		Total common shareholders in reporting period-end		Total common shareholders at end of the 5 th trading day before annual report disclosed			
		15,879		15,924			
		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			
Yao Ming	Domestic nature person	0.62%	2,486,308	0			
WANXIANG INTERNATIONAL INVESTMENT CORPORATION	Foreign legal person	0.56%	2,250,983	0			
BOCI SECURITIES LIMITED	Foreign legal person	0.38%	1,530,744	0			
Chen Jingjian	Domestic nature person	0.37%	1,481,800	0			
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.35%	1,410,678	0			
Xie Qingjun	Domestic nature person	0.28%	1,103,379	0			
NAV CANADA PENSION PLAN	Foreign legal person	0.26%	1,052,295	0			
CREDIT SUISSE (HONG KONG) LIMITED	Foreign legal person	0.25%	999,962	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>					

(3) Shares held by top ten shareholders with preferred stock held

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

(4) Property right and controlling relationships between the actual controllers of the Company and the Company is as follows



3. Discussion and analysis by the Management Team

Against the severe and complicated safety benefit situation since 2014, the Company adherence to stable operation, line with “innovative controlling, quality and efficiency achieved”; aggressively implemented structural adjustment of strategy resources; as a whole, the safety, operation, benefit and services achieved intended target; the Company maintains stable operation trends and gains a better operation results.

(1) Thorough going efforts to promote innovation upgrade of safety controlling system, maintains stable safety trends

In 2014, the Company’s transportation core business guaranteed a safety flight of 275,200 hours and 145,200 sorties, respectively increased by 6.83% and 5.23% year on year, and no safety incidents as transport and aviation accident proneness or above caused by the Company and sub-contractor occurred. The security quality evaluation index is 10.74 with a stable safety position owned. By end of 2014, the Company achieved a safety flight of 2,090,000 hours, won the civil aviation “Flight Safety-Two Star Award” and smoothly realized the 20 anniversary of safety flight. Continued to strengthen safety responsibility, breaking in safety supervision system, made the safety foundation firm and achieved fruitful specific governance in key link

(2) Optimize flight normal controlling mechanism, flight operating efficiency enhance continuously

The Company’s average flight punctuality rate was 80.92% at all year round, a 2.64 percentage points up y-o-y; guarantee 62 flights of important mission and expert III (included) or above; the postponed flight over 4 hours takes 0.83% in total flights, a 0.74 percentage points declined y-o-y; the rates of flight alternating and returning was 2.90%, a 1.18 percentage points down y-o-y. Vigorously focus on source management and process management, on time performance is rising steadily.

(3) Improve production organization efficiency, benefit standards largely in line with the expectation

In 2014, the Company completed total transport turnover volume of 1,940 million tons km, the passenger transport volume of 15,320,000 person-time, mail volume was 141,400 tons(including wet lease services), respectively increased by 10.38%, 9.14% and 8.03% year on year; achieved operating income of 11.57 billion Yuan, net profit of 398 million Yuan; affected by a slowdown in demand and faster growth of transport capacity, the passenger load factor turns to 77.21% with 0.55 percentage points down on a y-o-y basis, and the cargo and mail load factor turns to 42.67%, a 4.02 percentage points down year on year. Continued to improve acquire ability for resources and its use efficiency, the competitive advantage in market has been consolidated. Promoted innovation of marketing mode with great efforts and the e-Commerce stay ahead of the curve.

(4) Promote five-star obtained plans, service quality enhance continuously

The overall passenger satisfaction survey score reached 91.69, increased 2.16 scores year on year, media authority is fifth-rated on average; the valid customer complaint rate was 0.2028 per ten thousand person-times, lower than the index carried out at beginning of the year. Won the title of “China 500 Most Valuable Brands” for the seventh consecutive year, brand value achieving 18,272 million Yuan with 298,600 million Yuan added over last year in value, raised 9 places to 112th.

4. Relevant items involving financial report

(1) Comparing with last year’s financial report, explain changes in aspect of accounting policy, accounting estimates and calculation measures

The fourth extraordinary meeting 2014 of the 5th session of the Board was held on 23 October 2014, deliberated and passed the “proposal of accounting policy change”. A serial accounting rules were promulgated successively or revised in 2014 by Ministry of Finance, and part of the rules are come into effect dated 1 July 2014. Relevant accounting policies have been changed by the Company in line with requirements. Found more details in “Section III. Important Event” carried in 3Q Report of 2014 published on China Securities Journal, Securities Times, Hong Kong Commercial Daily and Juchao Website (<http://www.cninfo.com.cn>).

(2) Particular about major accounting errors correction that needs retroactive re-statement in reporting period

No major accounting errors correction that needs retroactive re-statement in reporting period.

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

No changes in scope of consolidation statement in this Period

(4) Explanation from the Board and Supervisory Committee for "Qualified Opinion" from the CPA

In reporting period, the Ruihua Certified Public Accountants (LLP) issued a standard unqualified auditors' report for the Company.