



CORPORATE SOCIAL RESPONSIBILITY REPORT 2016



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Report overview

About this report

This report is compiled in accordance with the <Opinions on Information Disclosure of the Supervision and Administration of State-owned Assets> and <Provisional Regulations on Public Notice of Corporate Information issued by the State-owned Asset Supervision and Administration Commission (SASAC) of the State Council>, in reference to the <Guide on the Compilation of CSR Reports in China (CASS-CSR2.0)> developed by the Research Center for Corporate Social Responsibility, Chinese Academy of Social Sciences (CASS-CSR), and in light of the actual situations of the Shanghai Airport Authority (SAA). This is the fourth consecutive year that the SAA has released the Corporate Social Responsibility Report (CSR report).

Scope of report

Taking into account stakeholders' expectations, this report describes the CSR performance by SAA and its main subsidiaries in the period from January 1 to December 31, 2016.

Form of report

This report is released in PDF form. Readers can download it from the CSR column at SAA's official website, www.shairport.com.

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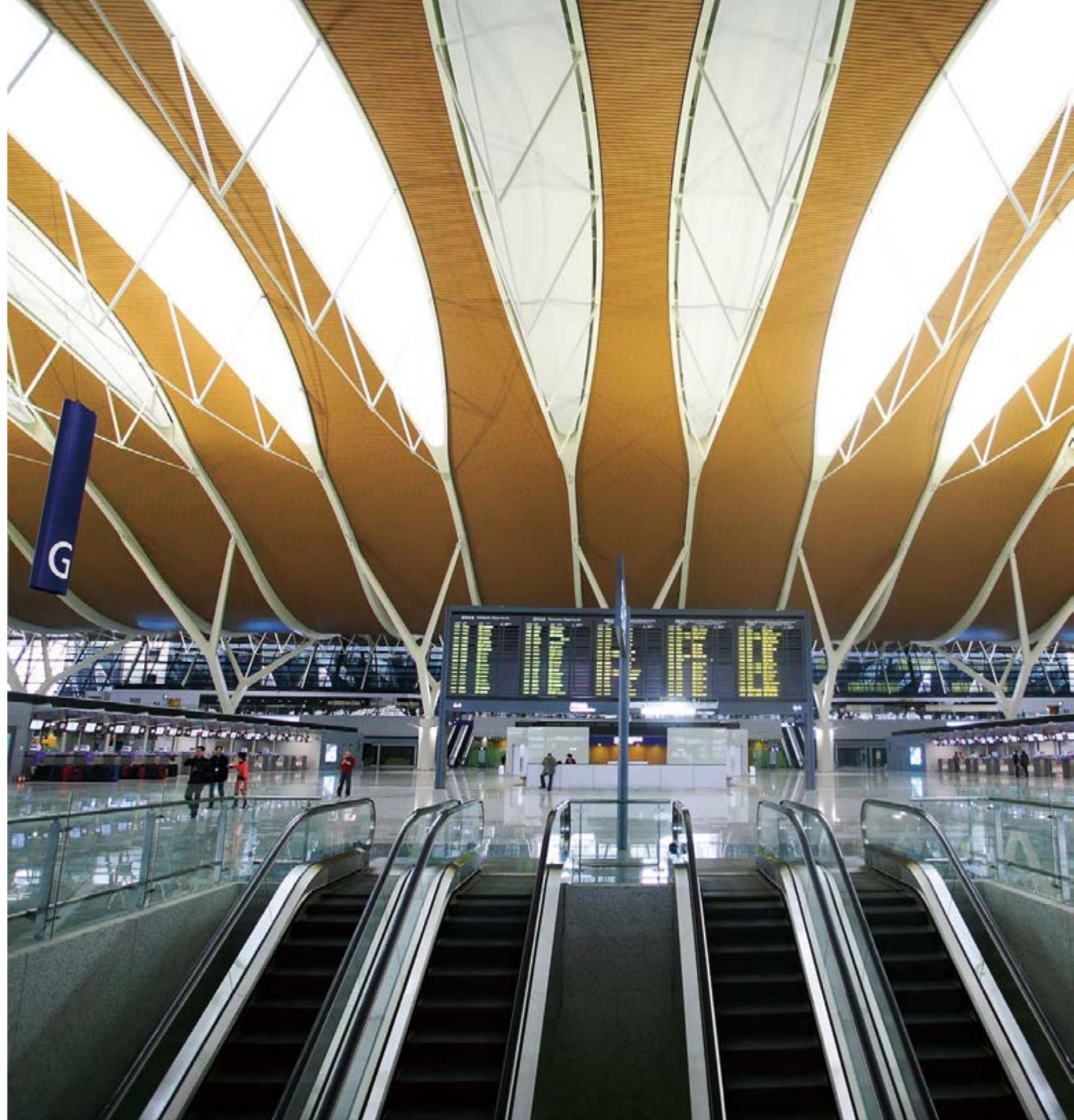
Message from the management

2016 marked an important milestone in SAA's development history. Construction of Shanghai into an aviation hub was advanced, with 742,000 flights departing and landing throughout the year, and a total passenger traffic of 106.463 million and cargo throughput of 3.869 million tons. Pudong International Airport made it to the top ten passenger airports in the world, ranking ninth, and its cargo throughput was third in the world for the ninth consecutive year.

On December 12, 2016, total passenger volume at the two airports in Shanghai exceeded 100 million, making Shanghai the fifth busiest aviation hub in the world with a passenger traffic exceeded only by those of London, New York, Tokyo and Atlanta. This service volume indicates tremendous progress in SAA's efforts to become a world-class aviation center.

In 2016, Hongqiao International Airport and Pudong International Airport entered construction peaks, with nine major simultaneous tasks under way. The southern apron and the international express delivery center in the western cargo zone of Pudong International Airport and the renovation of Building A in T1 of Hongqiao International Airport were completed, and the renovation of Hongqiao Airport's eastern zone was acclaimed by prominent leaders of Shanghai. With a strong focus on new technologies to facilitate air travel, SAA launched ten passenger services including luggage check-through on international transfer flights, fast security checks and self-service customs clearance. It also introduced mobile payment by Alipay and WeChat. Pudong International Airport's international ranking of passenger satisfaction rose by one spot to fifth position, and Hongqiao ranked 16th. In 2016, SAA's economic position improved remarkably with operating revenue of RMB12.34 billion and total profit of RMB4.98 billion.

From its new milestone of 100 million passengers, SAA will keep improving its operation and service quality, to further support the transformation and upgrading of Shanghai Aviation Hub and the construction of Shanghai as an Outstanding Global City.



COMPANY PROFILE

Brief introduction

Shanghai Airport Authority (SAA), committed to the city's positioning of "one city, two airports", is a solely State-owned enterprise founded by the Shanghai CPC Committee and Shanghai municipal government on May 28, 1998. With a registered capital of RMB14.5 billion, it is responsible for the operation of Pudong and Hongqiao international airports.

SAA's business scope includes, but is not limited to, the following: airport construction, operation and management, ground handling related to domestic and international air transport, some aspects of international and domestic trade, external technical cooperation and consulting services, supply chain management and third-party logistics (except transportation), real estate development, industrial investment (except equity investment and its management), and property management.

Management structure

Members of the Board of Directors

Li Derun	Chairman
Zhang Xuebing	Director
Jing Yiming	Director
Zhang Yongdong	Employee director
Chen Wei	Independent director
Lu Haihu	Independent director
Hu Honggao	Independent director
Yu Haoquan	Independent director

Members of the Board of Supervisors

Si Fumin	Chairman
Zhang Lixin	Supervisor
Sheng Guoming	Employee supervisor
Yu Guoqiang	Employee supervisor
Liu Shaojie	Employee supervisor

Senior management

Li Derun	Chairman, Deputy Secretary of Party Committee
Zhang Xuebing	Secretary of Party Committee, Director
Jing Yiming	President, Deputy Secretary of Party Committee, Director
Si Fumin	Chairman of the Board of Supervisors
Jia Ruijun	Vice President, Member of the Party Committee
Wang Jijie	Vice President, Member of the Party Committee
Dai Xiaojian	Vice President, Member of the Party Committee
Zhou Junlong	Secretary of the Discipline Inspection Committee, Member of the Party Committee
Liu Wujun	Chief Engineer, Member of the Party Committee
Zhang Yongdong	Chairman of Labor Union, Employee Director, Member of the Party Committee
Xin Shujun	CFO
Zhou Yifan	Director of the International Airport Branch of Shanghai Public Security Bureau, Member of the Party Committee

Organizational structure

SAA's organizational structure is as follows.



Subsidiaries in which SAA is a majority shareholder:

No.	Name	Equity ratio (%)	Registered capital (RMB10,000)	Main businesses
1	SAA Airport Industry Investment & Development Co., Ltd.	100%	100000	Investment and its management, real estate development, property management
2	SAA Assets Investment & Management Company	100%	20000	Asset operation and management
3	SAA VIP Service Co., Ltd.	70%	2000	VIP service
4	SAA City Terminal Management Co., Ltd.	70%	500	Ground Handling related with domestic and international air transport
5	Shanghai Civil Aviation Property Co., Ltd.	65%	14182.48	Real estate development, hotel operation and management, property management
6	SAA Aviation Fuel Co., Ltd.	51%	30000	Fuel storage and transport
7	Shanghai Hawker Pacific Business Aviation Service Center	51%	12000	Business aircraft FBO
8	Shanghai Hong Kong Airport Management (Shanghai) Co., Ltd.	51%	10000	Airport management
9	Shanghai Pudong Int'l Airport Cargo Terminal Co., Ltd. (PACTL)	51%	31161	Handling service of incoming and outgoing cargo and mail



Mission & vision

Mission

- ✈ Contributing to the construction of Shanghai International Shipping Center
- ✈ Providing the best aviation guarantee for Shanghai's and China's economic development

Vision

- ✈ Leading world air hub
- ✈ Paragon for excellent operation of super-large airports
- ✈ Airport authority with the greatest value-creating capability



Core values

- Pragmatism
- Exactitude
- Cooperation
- Responsibility

Annual key indicators

We build, operate and manage a super-large international air hub

Aircraft movement: **742,000** times, a year-on-year increase of **5.1%**
 Passenger traffic: **106.463 million** person-times, a year-on-year increase of **7.3%**
 Cargo traffic: **3.869 million** tons, a year-on-year increase of **4.3%**
107 operating airlines and **280** destination worldwide
 Consolidated assets of RMB **73.7 billion**, operating revenues of RMB **12.34 billion** and total
 Total profits of RMB **4.98 billion**.

Pudong International Airport

9th largest passenger throughput in the world
3rd busiest airport by cargo in the world for nine consecutive years
25th busiest airport by international passengers in the world
11.1% passenger transfer rate
5th position in the world by ACI passenger satisfaction survey
 World's **Best** Cargo Airport again at Asian Freight and Supply Chain Awards (AFSCA)
17th security year

Hongqiao Airport

16th position in the world by ACI passenger satisfaction survey
 2016 **Excellent** Airport Award by China Civil Airports Association; 2016 **Best** Airport in China award by skytrax
 2016 **Best** Aviation Award and 2016 **Best** Airport Business by Civil Aviation Resource Net of China (CARNOC)
64.5% express flights in Hongqiao Airport's total flights
29th security year

Honors & awards

- SAA was a 2016 excellent unit for secure website operation of Shanghai.
- SAA website named an Excellent Website of Shanghai.
- SAA official microblog was among "2016 Top Ten Official Microblog Accounts of Shanghai".
- SAA won first prize for innovation in corporate management modernization of Shanghai in 2016 (reform of practices in corporate management of large airport groups based on mobile platform).
- SIA won Shanghai Mayor Quality Award.
- SIA was honored as Quality Benchmark of Shanghai.
- SIA was honored as excellent enterprise for 20 years of customer satisfaction.
- SIA was honored as "100 Most Valuable Companies Listed on Main Board".
- Hongqiao Airport was honored as National Enterprise of Customer Satisfaction.
- Hongqiao Airport was conferred a Fast Travel Green Certificate by IATA.
- Hongqiao Airport won classical case award at the "2016 Labor Forum".

Enhancement of brand image

On March 18, SAA held the launch ceremony of its new logo at Terminal 2 of Hongqiao Airport. The new logo consists of the group's English abbreviation SAA, S meaning Shanghai and the two As meaning Pudong and Hongqiao airports, characterizing "one city, two airports". Reflecting the authority's historical achievements, the new logo also illustrates SAA's new brand image of internationalization, network orientation and diversification in strategic development.



Old



New

CLEAN OPERATION



Board of directors

Carefully implementing the work arrangements and requirements made by the Shanghai CPC Committee and municipal government and the Civil Aviation Administration of China (CAAC), the SAA Board of Directors accomplished all the tasks set at the beginning of the year, met the targets for value preservation and increase of State-owned assets set by SASAC Shanghai, and made new progress on all fronts, laying a solid foundation for SAA's development in the 13th five-year period.



Position of board members in special committees:

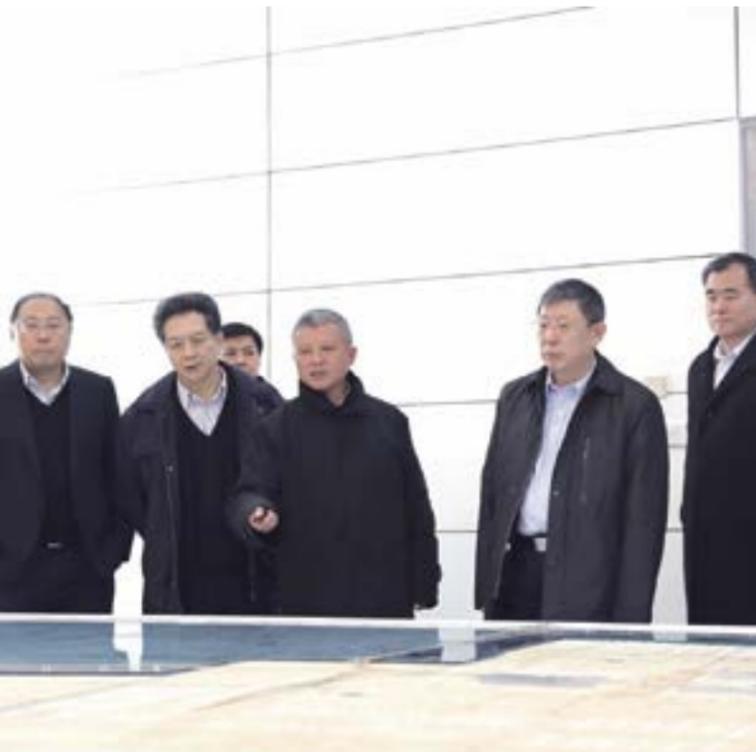
	Director	Strategic Investment Committee	Nomination Committee	Budget Committee	Remuneration and Appraisal Committee	Audit & Risk Control Committee
Chairman & Deputy Secretary of Party Committee	Li Derun	👤 Director				
Secretary of Party Committee & Director	Zhang Xuebing		👤 Director			
President, Deputy Secretary of Party Committee & Director	Jing Yiming			👤 Director		
Chairman of Labor Union, Employee Director & Member of Party Committee	Zhang Yongdong	👤				
External Director	Chen Wei		👤		👤	
External Director	Lu Haihu	👤		👤	👤	👤 Director
External Director	Hu Honggao	👤	👤			👤
External Director	Yu Haoquan	👤		👤	👤 Director	👤

Number of meetings held by Board of Directors and special committees, number of items discussed and debriefed.

	Board of Directors				Special committees		
	Regular meetings	Unscheduled meetings	Items discussed	Items debriefed	Meetings	Items discussed	Items debriefed
2016	4	6	32	11	10	13	1

Municipal government leaders inspect airport renovation and expansion

On December 12, 15 and 22, 2016, Han Zheng, member of the Political Bureau of CPC Central Committee and Secretary of the CPC Shanghai Committee, Yang Xiong, Deputy Secretary of the CPC Shanghai Committee and Mayor of Shanghai, and Ying Yong, Deputy Secretary of the CPC Shanghai Committee and Executive Deputy Mayor, inspected SAA in succession. They fully recognized SAA's work, emphasized the principle that "hardware is the foundation, software is the basis, safety is the precondition and service quality is the key", and made it clear that SAA should enhance its image by continuously guaranteeing safety, improving service quality and raising the flight punctuality rate.



Masterplan for Pudong International Airport revised

To achieve the goals of Shanghai's new research development plan and build a world-class air hub, SAA, under the leadership of the Board of Directors, completed a series of special plans in 2016, including an overall transport plan, a development plan for terminal areas, an environmental impact assessment, flight procedures, airport rail transit and port plan, and formulated the Revised General Plan for Shanghai Pudong International Airport (2016).

Corporate reform and transformation deepened

Promote the construction of three business platforms. Further clarify duties and managerial structure, and promote independent and substantive operations according to the new mechanism. In particular, SAA guided the Cargo Hub Department to improve cargo hub functions and optimize facility planning and industrial layout, promoted the corporate operation of the Airport Industry Department, and reviewed and approved the Articles of Association and candidates for the Board of Directors and Board of Supervisors of SAA Airport Industry Investment & Development Co., Ltd.

Accelerate the downsizing reform of the accounting unit. Guide directly affiliated units to implement the trial downsizing reform of the accounting unit, improve the internal all-income and all-cost accounting system, and enhance

the performance of units at all levels and their awareness of their responsibilities.

Develop guiding opinions on compensation management. Better the method of approving the gross payroll of directly affiliated units, link gross payroll with key performance indicators such as labor productivity, operating performance and specific tasks, and allocate more compensation to frontline positions on the principle of "limiting high salary, stabilizing medium salary and increasing low salary".



Perfect governance and operation mechanism

Correct problems identified during the inspection by municipal leaders. Revise the <Articles of Association> and the <Procedures of Board of Directors Meetings>, further regulate the decision-making system for major issues, appointment and dismissal of important officials, major projects and investment, and the use of large amount of capital, and incorporate the central and municipal government's requirement to intensify corporate Party building in the Articles of Association.



Board of Supervisors

In 2016, the SAA Board of Supervisors supervised and inspected the improvement of corporate systems and procedural standardization in accordance with the Study of Several Issues Concerning the Work of Board of Supervisors of State-owned Enterprises under the Management of Shanghai Municipal Government and in light of the SAA's development features and priorities.

Inspection and correction of problems

The Board of Supervisors conducted a special inspection regarding the correction of problems identified in auditing and the establishment of internal control systems, focusing on how well the systems are being implemented. By checking relevant systems and conducting study and field inspection of directly affiliated units, the Board of Supervisors understood the situation in those two aspects and called for their improved performance.

Consolidation & improvement of supervisory function

Following the requirement made by SASAC Shanghai, the SAA Board of Supervisors continued to exert its advantages as an "external organ inside the company" to explore approaches of fulfilling its duties. It took an active part in SAA's work, tightened communication with various business lines and departments, and strengthened coordination to continuously perfect its supervisory function.



Risk prevention & control

Primarily establish the internal control system

Improve internal control systems. In 2016, SAA completed the trial operation of internal control evaluation and cooperated with SASAC Shanghai in conducting an internal control audit to identify problems in internal control and risk management. It corrected identified problems and revised the relevant manual in a targeted manner, and guided various units in formulating the Internal Control Manual, establishing a group-wide internal control system.

Carry out internal control evaluation. After further specifying the focus of evaluation, improving the evaluation method and linking the evaluation with performance assessment, SAA carried out the internal control evaluation and assessment. According to the results, it formulated the 2016 Internal Control Evaluation Report and linked the evaluation results with each unit's performance assessment. A dynamic mechanism of self-checking, self-correction and self-improvement was put in place, enhancing SAA's awareness of risk prevention and control and perfecting its lean management.

Anti-corruption & integrity

Intensify institutional improvement and implement the Discipline Inspection Committee's supervisory responsibility

SAA distributed the Anti-corruption and Integrity Responsibility System - List of Supervisory Responsibilities of the Discipline Inspection Committee, and formed the list-based management model where discipline inspection committees at SAA and in its directly affiliated units bear supervisory responsibilities on two levels. SAA regularly inspected how the directly affiliated units implement the system and intensified supervision of key positions and links.

Intensify education and publicity & foster clean culture

Altogether 2,869 people participated in 159 lectures on integrity and work style improvement across the SAA; 1,379 people participated in 35 lectures on anti-corruption and integrity; and 2,479 people watched 105 screenings of educational documentaries.

Continue efficiency supervision & promote lean management

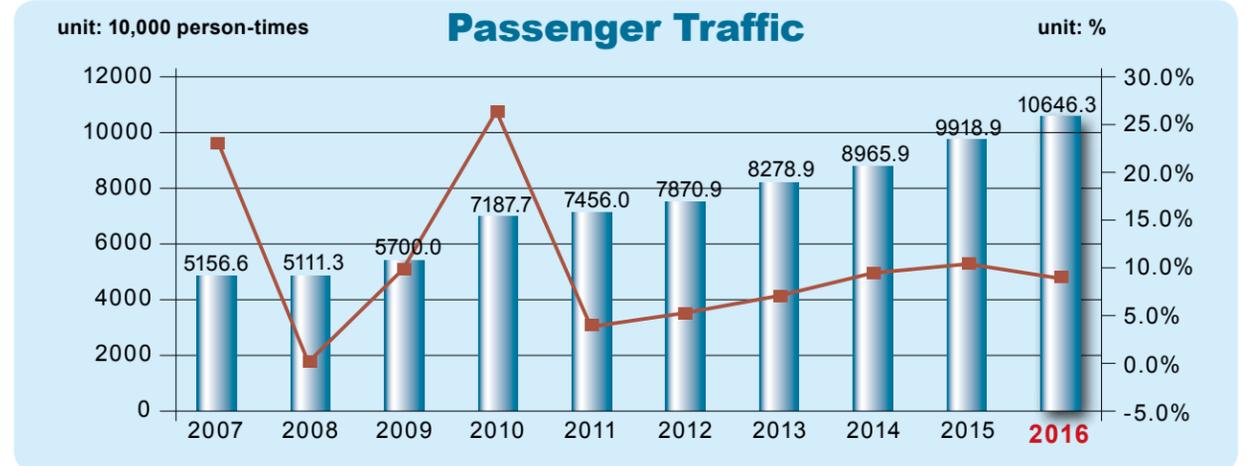
In response to efficiency and competence problems in operation and management, safety service, engineering construction and supervision, the SAA carried out efficacy supervision on 35 indicators, 12 being priorities.



AIR HUB CONSTRUCTION

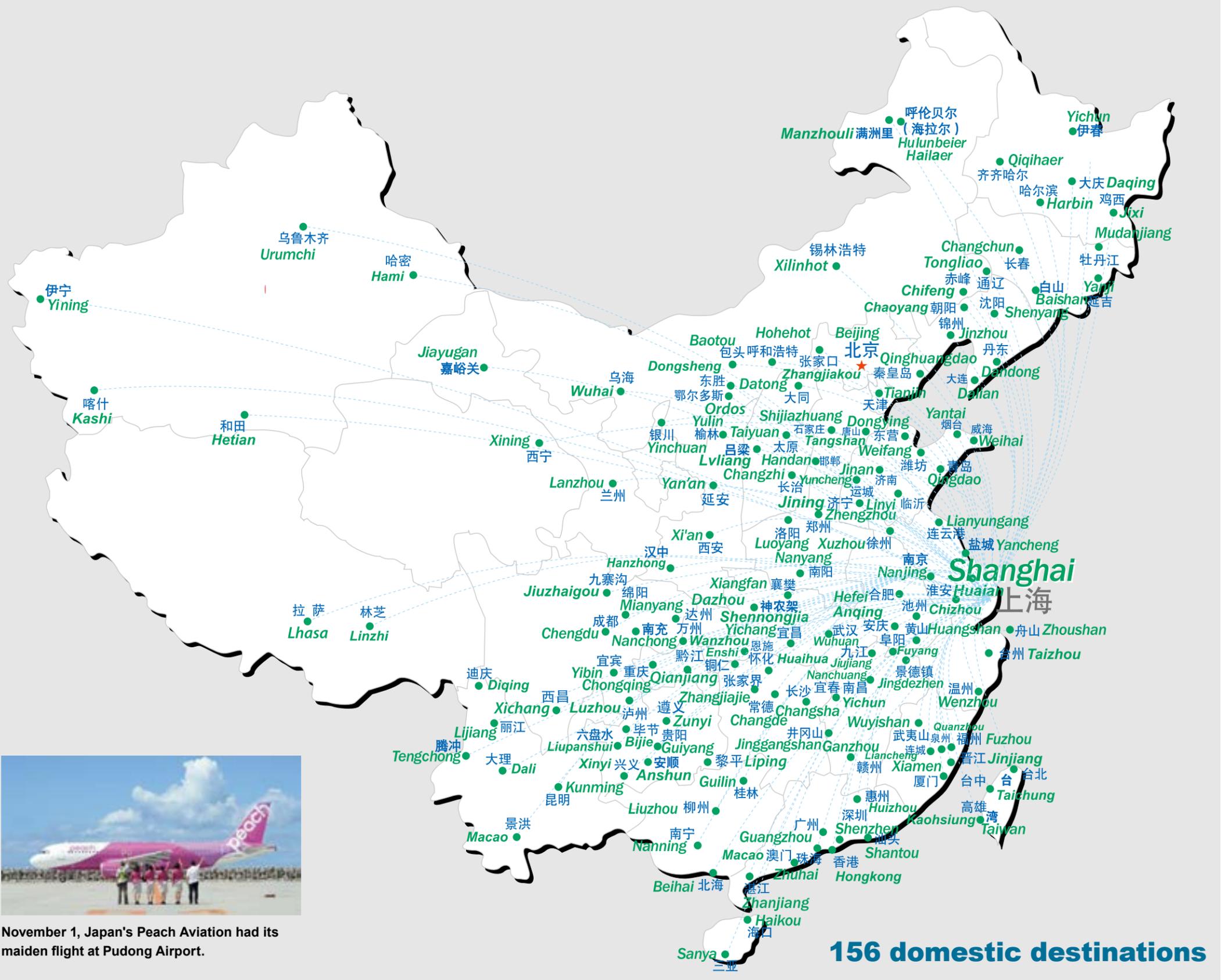


2016 was the first year of the 13th Five-year Plan. In this year, SAA's annual passenger volume exceeded 100 million for the first time and Shanghai became the fifth city to join the "100 million club" after London, New York, Tokyo and Atlanta, marking a new achievement in its efforts to become a world-leading air hub.



Route network

By the end of 2016, Pudong and Hongqiao international airports were operating scheduled flights to 280 points in 49 countries and regions across the world, including 156 within China (6 in Hong Kong, Macao and Taiwan) and 124 abroad. Thirty-seven domestic airlines (including nine based in Hong Kong, Macao and Taiwan) and 70 international ones opened flights to Shanghai. Pudong Airport newly opened 14 international flights, including Boston, Madrid and Prague, and two of them -- Miami and Edmund -- were freight points, while Hongqiao Airport added 5 new domestic destinations, including Korla, Turpan and Ulanhot.



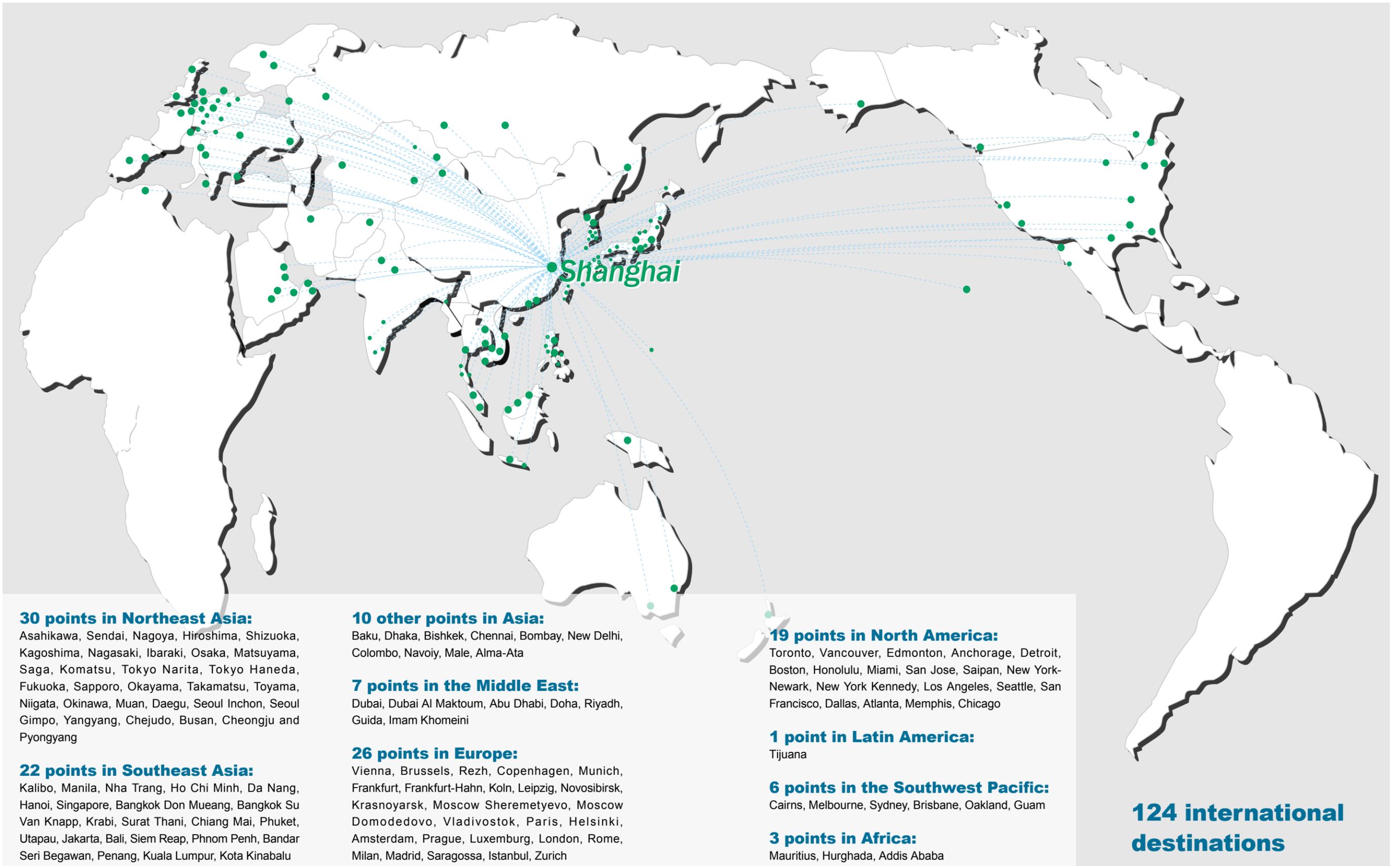
April 7, Austrian Airlines opened a flight from Shanghai to Vienna.



September 1, Air China opened a flight from Shanghai to San Jose.



November 1, Japan's Peach Aviation had its maiden flight at Pudong Airport.



Pudong International Airport (2016)

Passenger traffic: **66 million** person-times, a year-on-year increase of **9.8%**

Cargo traffic: **3.44 million** tons, a year-on-year increase of **5.0%**

Flight movements: **480,000** times, a year-on-year increase of **6.8%**

Transfer passengers: **7.3 million**, a year-on-year increase of **19.3%**



Transition Rate



Hongqiao International Airport (2016)

Passenger traffic: **40.46 million** person-times, a year-on-year increase of **3.5%**

Cargo traffic: **429,000** tons, a year-on-year decrease of **1.1%**

Flight movements: **262,000** times, a year-on-year increase of **2.1%**

Percentage of express flights: **64.5%**

Airlines Operating

Domestic airlines operating



Airlines operating (Hong Kong, Macao and Taiwan)



International airlines operating



144-hour TWOV

On January 30, with the approval of the State Council, Shanghai began to implement the TWOV (transit without visa) policy for passengers from 51 countries who have valid international travel documents and tickets to a third country (region) with definite date and seat leaving within 144 hours. Belarus and Monaco were added to the policy on November 1, increasing the number of TWOV countries to 53.



Country List

European Schengen Visa Agreement Countries (25)	Austria, Belgium, Czech, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Lithuania, Luxemburg, Malta, Holland, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, Monaco.
Other European Countries (14)	Russia, Britain, Ireland, Cyprus, Bulgaria, Romania, Ukraine, Serbia, Croatia, Bosnia and Herzegovina, Montenegro, Macedonia, Albania, Belarus.
America Countries (6)	The United States, Canada, Brazil, Mexico, Argentina, Chile.
Oceania Countries (2)	Australia, New Zealand.
Asian Countries (6)	South Korea, Japan, Singapore, Brunei, UAE, Qatar.

Stronger transfer capability

The transfer hall at Terminal 1 of Pudong Airport was put into operation at the end of 2016 and two new lines of international luggage check-through were opened at Terminal 2, boosting the proportion of annual passenger transfer to 11.1% and further enhancing the airport's transfer capability.

Business express

Hongqiao Airport built the Suzhou City Terminal based on multimodal transport like "air-bus connect" and "air-railway connect".

Hongqiao Airport's efforts to become a business airport have yielded notable results, and express flights now take up 64.5% of all flights at the airport.



Better capability to serve the Yangtze River Delta

SAA has opened six city terminals so far, located in different cities including Kunshan, Wuxi, Taicang, Haimen, Suzhou and Shanghai Jing'an District. They not only provide passengers with more convenient and comfortable door-to-door service, but also significantly enhance SAA's range and service capability for the Yangtze River Delta.

Better cargo hub function

Conduct research on cargo plans for both airports

SAA studied and worked out the master plan for cargo facilities at Pudong Airport, anticipated the total cargo volume and structure, and specified the functional positioning and facility layout at each cargo zone. In light of Hongqiao Airport's

master plan for cargo facilities, SAA also formed the Phase-2 extension plan for the western cargo zone.

Implement major projects

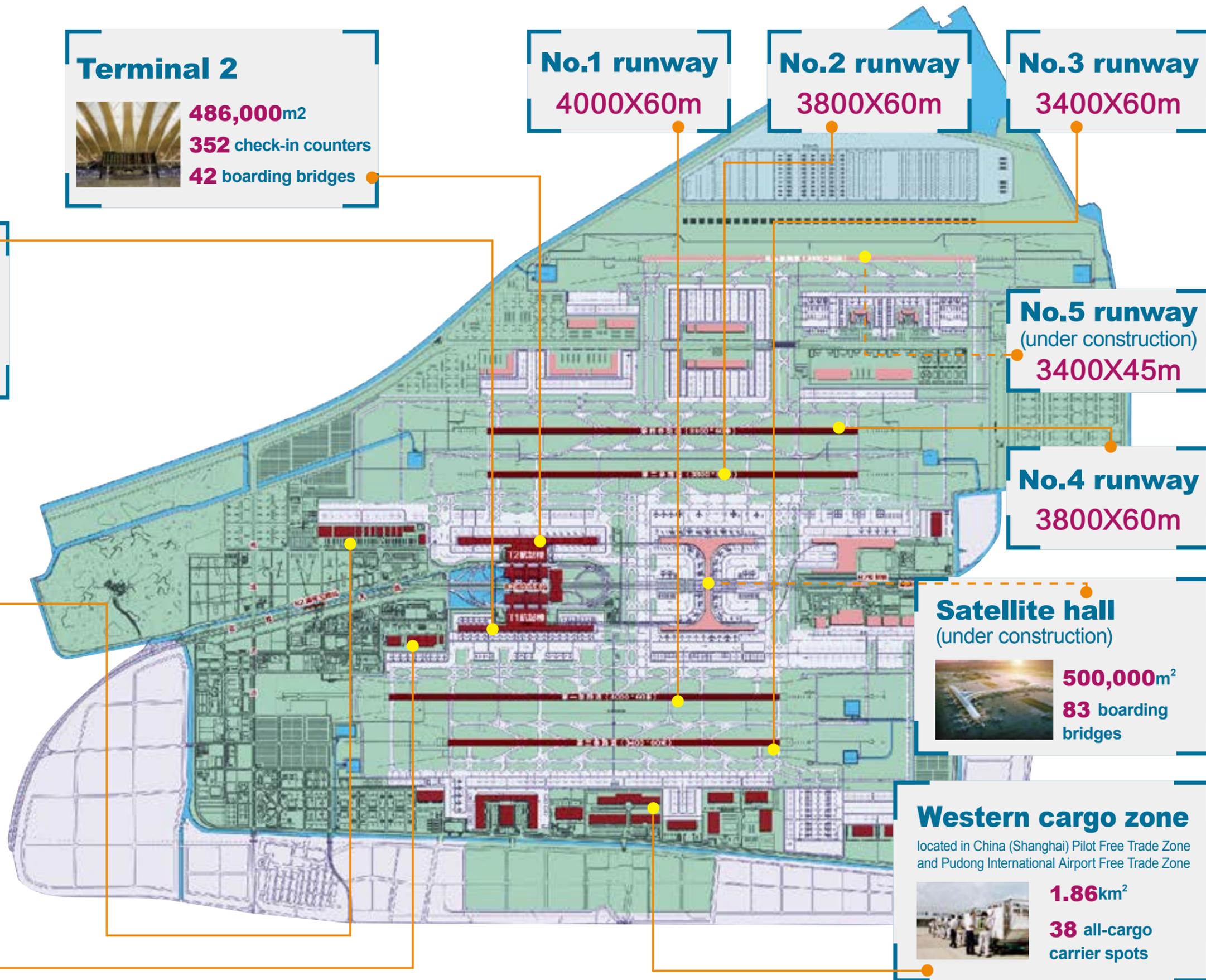
SAA coordinated relevant parties to promote a number of projects, including the SF delivery center, extension of the China Eastern' freight depot, the FedEx delivery project, and the forming of the PACTL-NTG with Nantong Airport.

Promote Shanghai air freight index

SAA Air Logistics Development, along with the Shanghai Shipping Exchange, the China Air Transport Association (CATA) and the Shanghai International Freight Forwarding Association, issued the Initiative to Jointly Promote Shanghai Air Freight Index. It also signed a cooperation agreement with Shanghai Shipping Exchange and CATA.

Airport facilities

Masterplan of Pudong International Airport



Terminal 2



486,000m²
352 check-in counters
42 boarding bridges

No.1 runway
4000X60m

No.2 runway
3800X60m

No.3 runway
3400X60m

Terminal 1



346,000m²
208 check-in counters
28 boarding bridges

No.5 runway
 (under construction)
3400X45m

No.4 runway
3800X60m

Eastern cargo zone



1.28km²
10 all-cargo carrier spots

Satellite hall
 (under construction)



500,000m²
83 boarding bridges

Phase-1 cargo zone



0.22km²
8 all-cargo carrier spots

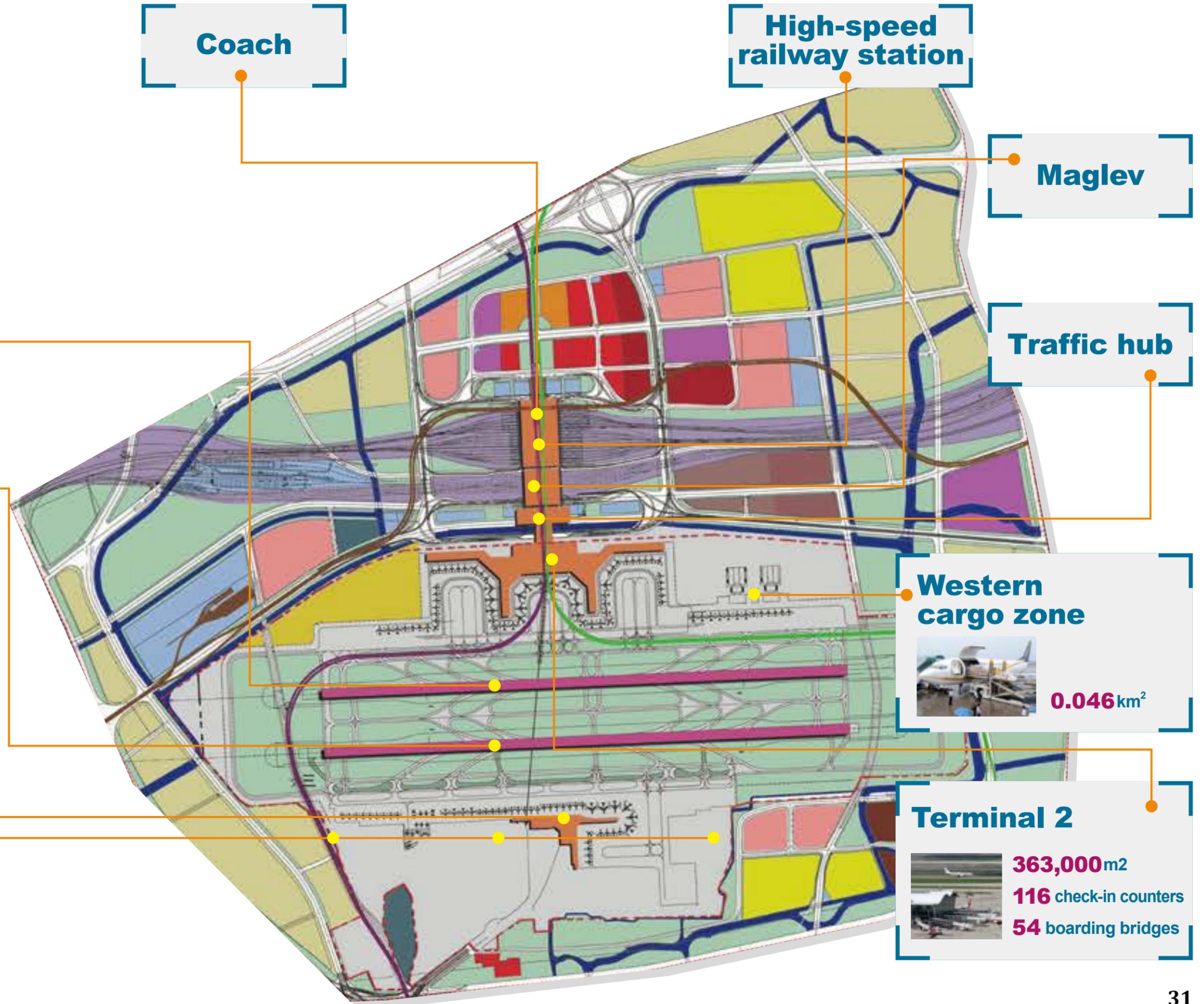
Western cargo zone
 located in China (Shanghai) Pilot Free Trade Zone and Pudong International Airport Free Trade Zone



1.86km²
38 all-cargo carrier spots

Airport facilities

Masterplan of Hongqiao International Airport



No.2 runway
3300X60m

No.1 runway
3400X45m

Terminal 1
(after renovation)
131,800m²
72 check-in counters
13 boarding bridges

Current cargo facilities

High-speed railway station

Maglev

Traffic hub

Western cargo zone
0.046km²

Terminal 2
363,000m²
116 check-in counters
54 boarding bridges

OPERATIONAL EXCELLENCE

Safety & Operation Management

In 2016, SAA strived to achieve its 17th year of good security and kept the security situation stable and under control, giving priority to such areas as flight safety, air defense, fire protection, information networks, construction, and emergency rescue and management.

Improve anti-terrorism capability of airports

In accordance with the Anti-Terrorism Law and the State Council's requirement of enhancing security and anti-terrorism work in civil aviation, SAA formulated Opinions on Implementing Anti-terrorism Security Check at Entry and Exit of Terminals (trial), which was implemented at the terminals of Pudong and Hongqiao international airports starting at 00:00, August 15.

Launch traffic safety overhaul

Taking advantage of the opportunity of the traffic overhaul in Shanghai, SAA launched a special campaign to address the current difficulties in airport traffic management, and traffic order was obviously improved after the following two

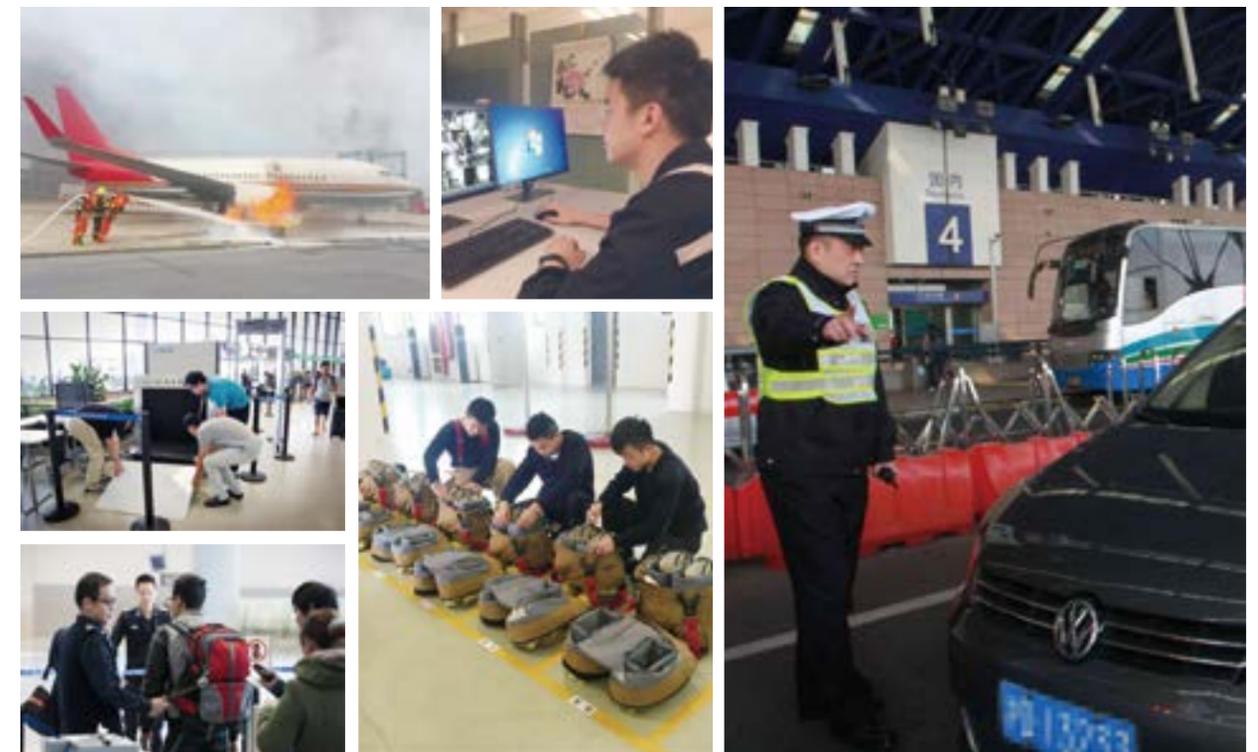
measures were implemented: "motorized vehicles without passengers shall not enter the departure level" and "vehicles taking passengers to the airport shall not stay for more than six minutes".

Integrate and optimize airport surveillance system

SAA integrated and optimized the airport surveillance systems, and formulated and distributed SAA Method of Surveillance Use and Management (draft), covering the applicable scope, division of duty, routine application and management process, establishment, maintenance and management of surveillance systems, and other contents.

Remove hidden hazards

On July 6, SAA distributed List of Key Security Measures in the Second Half of 2016, and all the 17 key works within 9 tasks were accomplished across the board. SAA also conducted security inspections and removed hidden hazards by using APP and holding various security events like SMS Office.



Flight Operation Quality

Flight takeoff normality rate is an overall reflection of an airport's flight guarantee and service. In 2016, SAA's flight takeoff normality rates, at 66.4% and 71.6% at Pudong and Hongqiao airports respectively, were better than those of 2015.

Optimize resource allocation

SAA and Hongqiao Airport actively communicated with CAAC East China Regional Administration and largely raised resource efficiency by accommodating 21 corporate aircraft in four aircraft parking stands.



Straighten up slots

To improve the takeoff normality rate of flights, Pudong Airport and Hongqiao Airport cleared out 24 slots that either occupied unnecessary time or had insufficient time for transfer on the platform of CAAC East China Regional Administration.

Align flight data

To raise the flight punctuality rate and continuously improve management level and operation quality, SAA aligned the CDM system of CAAC East China Regional Administration with its A-CDM system, and shared dynamic information such as estimated time of departure/arrival and actual time of sliding-in/sliding-out. This secured more flight information for SAA, and made it possible to better control the time for every link of flight operation. It effectively improved the efficiency and guarantee level of ground services.



Emergency Handling

In 2016, SAA improved its emergency management system, proactively intensified emergency drills to improve emergency handling capability, and established a complete three-level security supervision and inspection system covering air defense, operation, fire protection, and internal security.

SAA organized training for an XVR computer-simulated emergency rescue command system and carried out real-fire training 416 person-times. It passed the examination organized by the SAA Fire Safety Committee, and also performed well in the first firefighting skill contest for civilian airports and that of the Shanghai Fire Safety Cup.



Major Event Guarantee

Despite tight scheduling demands SAA successfully guaranteed a number of major international events, such as the G20 Summit, the Global Conference on Health Promotion, the World Internet Conference, the Spring Festival travel rush, the arrival and departure of deputies attending the Two Sessions, the Asian Business Aviation Conference & Exhibition, the World Figure Skating Championships, and the Formula 1 Chinese Grand Prix. Its efforts and excellent performance were affirmed by relevant departments.

Service Quality

Upholding the philosophy of "passengers first", SAA examined the advanced level in the industry, identified problems in its services, improved internal rules and employee quality, and took concrete steps to make up for service weaknesses in a bid to provide outstanding airport experiences for passengers.

Held China Airport Service Conference

From March 24 to 25, SAA, China Civil Airports Association, China Academy of Civil Aviation Science and Technology and CAAC News jointly held the 2016 China Airport Service Conference in Shanghai. At the conference, the results of the 2015 civilian airport service quality evaluation were released, and a comprehensive summary was made of the service quality of Chinese airports in the past three years. During the conference, 214 Chinese civilian airports jointly released the China Airport Service Declaration.



Service innovation

Pudong Airport

Pudong made 43 improvements in its service innovation campaign, including 10 items for which it made a commitment to the society and 9 key items set by the company. The self-services for departing passengers covering check-in, luggage check-in and boarding will complement its current passenger service model.



Nostalgia Station

SAA created a 414-sqm Nostalgia Station on the central route between T1 and T2, where about 100 artifacts of 13 intangible cultural heritage items from Suzhou's Xiangcheng are displayed with a theme of "Salute to Handicrafts".



Hongqiao Airport

Hongqiao Airport organized a series of interactive passenger activities, including a VR passenger experience, the "Rainbow · Spring Colors" concert, "A Mysterious Trip to Hongqiao with Lion King Alex" on Children's Day, and an event advocating smoking control, all of which received positive feedback from the passengers.

"Renhong" green track

Hongqiao Airport and Tong Ren Hospital actuated the "Renhong Green Track" many times for passengers having emergencies either at the airport or onboard flights passing through nearby airspace. The speedy readiness to receive patients, immediate transport to hospital for treatment, and "payment after treatment" model set an example for other airports in China.



Internet Plus

In 2016, SAA upgraded its passenger service APP three times, adding 13 functions such as cellphone check-in, VIP service reservation at both Pudong and Hongqiao airports, fast security check reservations at Pudong Airport, and real-time parking spot information at T2 of Hongqiao Airport. Other services added at both airports included flight information, Lost & Found and passenger guide.

SAA's mobile payment project came online. Hongqiao Airport joined hands with China Eastern and Shanghai Airline to provide the "e-card" service at T2 and launched the "online check-in + direct security check" service on a trial basis.

OPERATING PERFORMANCE

Economic Performance

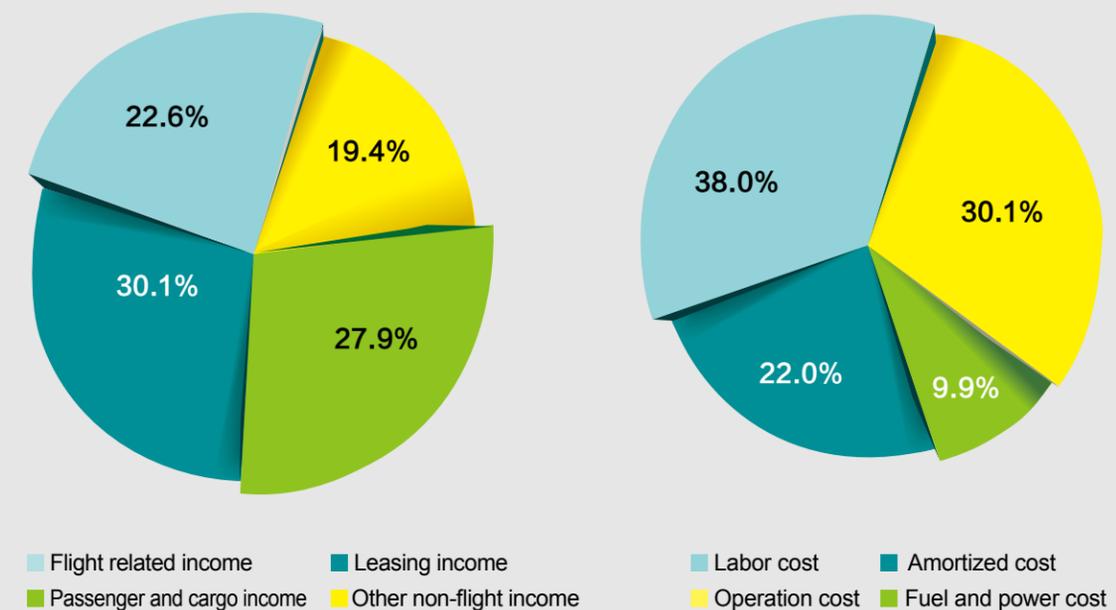
In 2016, SAA's consolidated total assets reached RMB73.7 billion, RMB5.84 billion more than the previous year; operating revenues reached RMB12.34 billion, RMB900 million or 7.9% more than the previous year; and total profits reached RMB4.98 billion, RMB610 million or 13.8% more than the previous year.



Operation

Shanghai International Airport Company., Ltd actively explored new space for development, made great efforts to raise the value of resources and seek new directions, and continuously improved economic performance. In 2016, it registered operating revenues of RMB6.95 billion and net profits of RMB2.97 billion, a year-on-year increase of 10.6% and 10.5% respectively.

SIA cost and income structure





Asian Business Aviation Conference & Exhibition

From April 12 to 14, the Asian Business Aviation Conference & Exhibition (ABACE 2016) was successfully held at the Shanghai Hawker Pacific Business Aviation Service Center of Hongqiao Airport. More than 160 exhibitors exhibited 30 corporate aircrafts at ABACE this year, and more than 7,000 people in the corporate aircraft business from 50 countries and regions around the world participated in the event.



Better business quality at terminal zone

Pudong Airport completed the renovation of T1 and created a 660-sq-m Oceania food court at the maglev area to upgrade business quality, intensified cooperation with Disney to develop passenger services between the airport and Disneyland, and launched the "same city, same quality, same price" program to benchmark against products in downtown stores.



Hongqiao Airport started the Phase-3 project of its top brand avenue, and a series of brands such as Pandora, Victoria's Secret and Tous opened stores in succession. A food corridor was created on F3-4 of the eastern traffic center, and well-known Hong Kong restaurant chain Tsui Wah Restaurant was the first to open. Online payment like Alipay, WeChat and ApplePay injected high-tech elements into the airport's services.



Airport Industry Investment & Development Co., Ltd.

On December 26, the unveiling ceremony for SAA Airport Industry Investment & Development Co., Ltd. was held. The new company will make systematic plans for the business development of Hongqiao and Pudong airports and continuously improve their airport industrial chain and value chain. Meanwhile, focused on land and airport industry resources, it will tighten communication and cooperation with local governments and resident businesses at the airport and push for project development and regional interaction in the airport industry in an endeavor to ensure rich associations and top-flight quality at both Hongqiao and Pudong aerotropolis.



Key Projects

Key projects at Pudong Airport

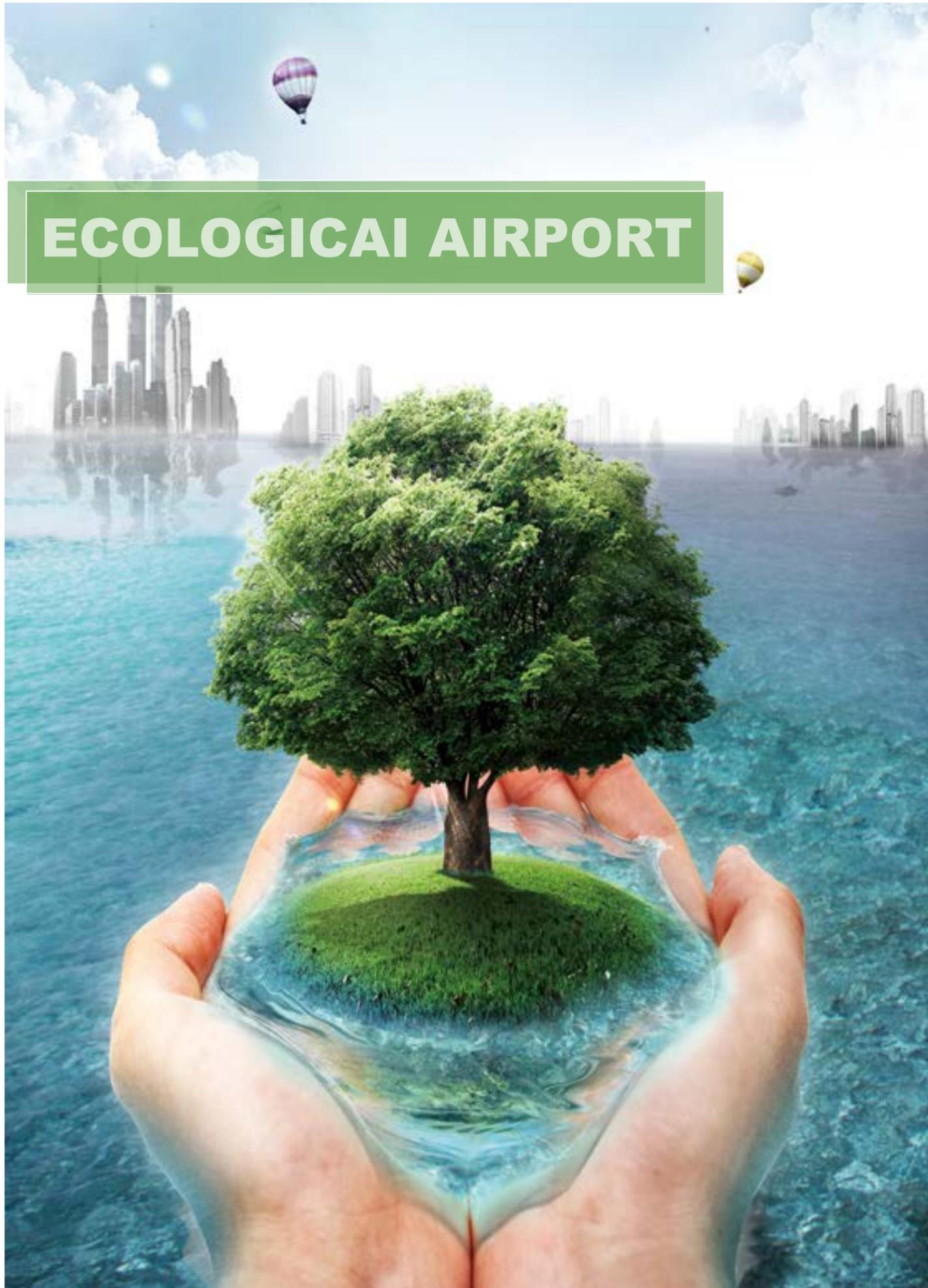
On December 29, 2015, the Phase-3 expansion project of Pudong International Airport started, and at the end of 2016, completion certification of the pile foundation for the satellite hall, underground enclosure and eastern apron was issued. Seventy percent of the main work on No.5 runway had also been completed.



Key projects at Hongqiao Airport

In 2016, Building A in the T1 renovation project of Hongqiao Airport was certified completed, the main structure and civil engineering, construction and installation of the transportation center in the T1 traffic center project were completed, and overall retrofitting of the eastern part of Hongqiao Business Area proceeded as planned.

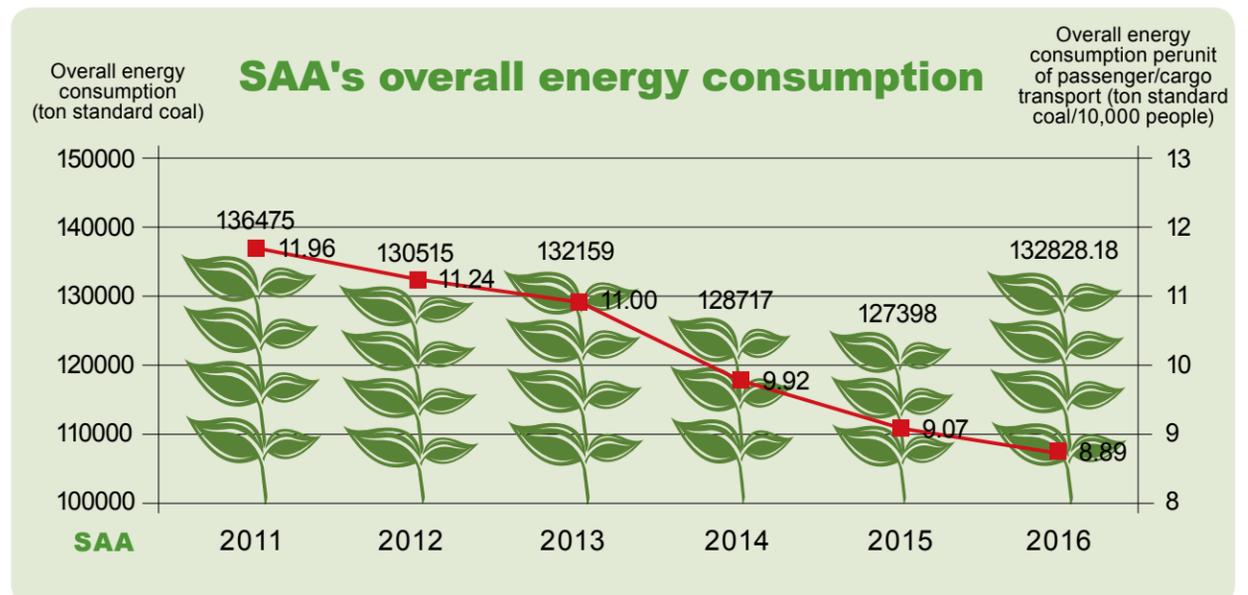
ECOLOGICAL AIRPORT



Upholding the concept of sustainability, SAA makes strenuous efforts to build green airports and implements green practices, energy conservation and environmental protection in its planning, design, construction and operation, with a view to promoting structural energy conservation and emission reduction, enhancing the airport's green capabilities and sustainable development, and fulfilling its CSR.

Overall Energy Consumption

As one of the first large transport companies to participate in the pilot carbon trade in Shanghai, SAA is committed to fulfilling its responsibilities for carbon emission control and continuously improving its energy management. In 2016, Pudong and Hongqiao airports' actual carbon emission was 4,604 tons less than allowed, and SAA's overall energy consumption per unit of passenger/cargo transport was reduced by 1.98% year-on-year, indicating SAA's solid progress toward its goal of sustainable development.





Green Transport

Introduce new-energy aircraft guide vehicle. SAA and SAIC AnJi signed a strategic cooperation agreement for introduction of the first group of 12 Roewe E550 new energy vehicles as aircraft guide vehicles at Pudong Airport. The use of NEVs is expected to save 130L or 30% fuel consumption per car per month.

Build NEVs charging poles. On May 12, Pudong Airport's first 20 NEV charging poles were put into use. Supporting smart services, the charging poles accept passenger reservation via a green charging APP and provide independent selection of the way of charging and payment. By the end of the year, 170 public charging poles had been installed at Pudong and Hongqiao airports.



Launch NEV time-of-use leasing. SAA worked with auto leasing companies to launch NEV time-of-use leasing outlets at Pudong and Hongqiao airports, allocated NEV spots in public parking areas, and provided NEV time-of-use leasing services for passengers to facilitate their green travel to and from the airport.

Open special NEV shuttle bus lines. Pudong Airport opened five NEV shuttle bus lines to downtown hotels. By making a reservation online passengers can receive "one-stop" service from the airport to star-rated hotels in downtown Shanghai on more than 20 NEV buses.

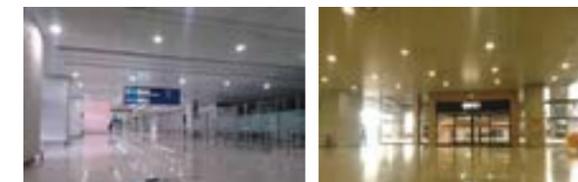
Energy Conservation & Emission Reduction

Management innovation

In 2016, SAA developed and put into use an overall energy management system, and installed 270 smart ammeters in place of old ones, basically realizing remote reading of all water and electricity meters from outside the terminals. The continuous perfection of the energy management and monitoring platform has steadily improved SAA's energy metering level.

Green lighting project

Pudong Airport replaced 62,976 sets of lights with LED lighting, saving about RMB3.82 million/year in electricity and RMB2 million/year in maintenance costs.



Comprehensive smoking control

According to the World Health Organization Framework Convention on Tobacco Control (WHO FCTC) and Shanghai Regulations on Smoking Control in Public Places, Pudong and Hongqiao airports prohibited smoking in terminals starting from October 30. All indoor smoking rooms were shut down and nine outdoor smoking spots were designated at all four terminals of the two airports (five at Pudong and four at Hongqiao), and signs and notices inside the terminals were changed accordingly.



Garden airport

SAA has been committed to creating eco-friendly garden-style airports since the beginning. Upholding the concept of "perennial flowers", it has created a beautiful and relaxing environment for passengers while turning the two airports into natural parts of the city.

At present, Pudong Airport has about 2.6 million square meters of public greening with an overall greening rate of 46.9%. In 2016, Pudong Airport got an overall score of 4.97 in the ACI Airport Environment assessment, with its single-item score ranking second in the world.



On April 29, the 400 square meter Europa Garden, Phase-2 of the cultural park near No.90 boarding gate of international departure in T2 of Pudong Airport, was inaugurated. It was the second cultural landscape launched by Pudong Airport after the Jiangnan-themed Yusong Park.



SAA organized about 200 people from the airport community to plant trees.



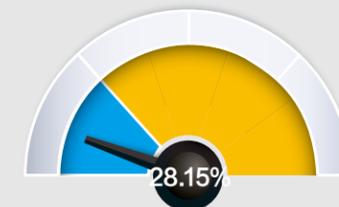
At the moment, SAA has more than 180 technical professionals with senior titles, more than 900 technicians with senior or higher qualifications, two experts receiving special allowances from the State Council, two state-level technical masters, two municipal-level technicians, three municipal-level experts on safe production, three experts and young technical leaders assigned by CAAC, and more than 10 civil aviation experts specializing in professional title assessment, transport service quality, security check policy consulting, and communication and navigation monitoring.

Total number of employees

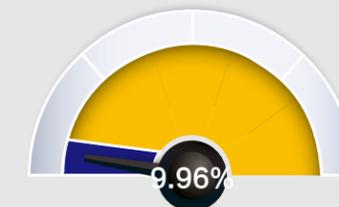
12,017

At the end of 2016, SAA's collective contract signing rate and employees' labor contract signing rate were both 100%, and 98.7% of the employees joined the Labor Union.

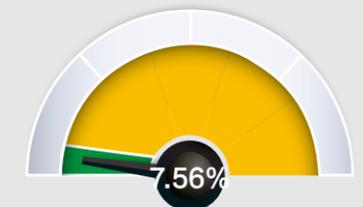
Structure of human resources



3,383 employees (28.15%) with college or higher degree

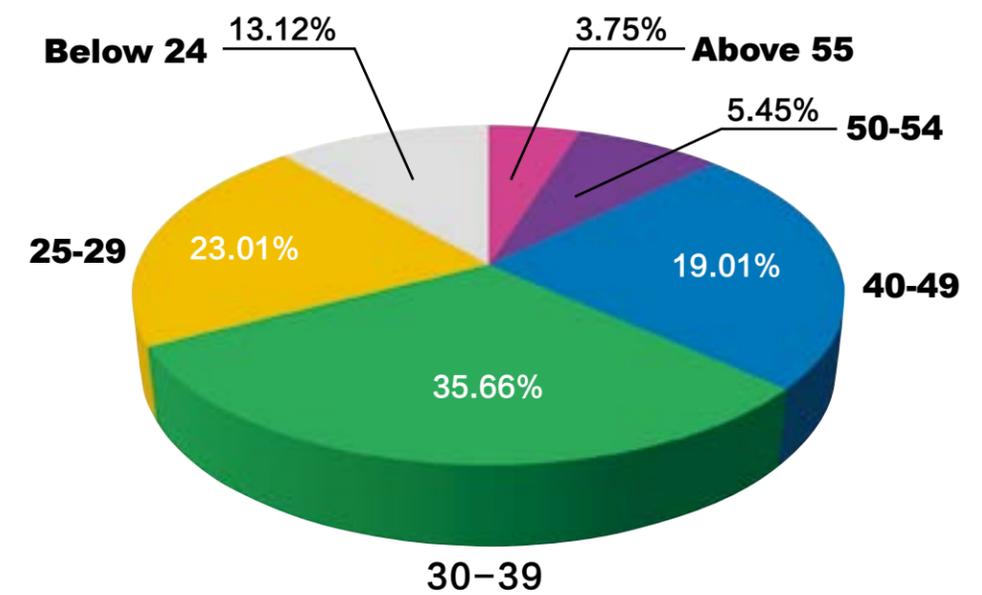


1,196 employees (9.96%) with middle or senior professional title



909 advanced technicians (7.56%)

Age structure



Competence Improvement

Training input: RMB **11.972 million**

Per capita training cost: RMB **1030**

Training penetration rate: **99.1%**



Open recruitment

To ensure HR sustainability SAA worked out its 2017 campus recruitment plan, gradually establishing a college graduate recruitment process consistent with market and social conditions, and hired people of higher qualifications.

On-the-job training

SAA organized exchange of secondees with Yunnan, Nantong and Jiaying airports to promote mutual learning. SAA assigned eight people to work as secondees in Yunnan and one in Nantong's Xingdong Airport, while on the other hand ten secondees came from Yunnan Airport and one from Jiaying Airport to work at Pudong and Hongqiao airports.

SAA also carried out overseas training of cadres. It assigned two cadres to the overseas airport training program organized by SASAC Shanghai and exchanged managers with Australia's Brisbane Airport for training.

Education and training

SAA developed 11 series of teaching materials on main airport businesses, and completed the first phase of its mobile study platform and the testing and trial operation of some grassroots training courses.



Cultivation of young talents

SAA continued the rotation training program for new employees to help young people mature and reserve back-up forces for its own development.

SAA continued to cultivate foreign language talents. By following dynamics on international civil aviation and applying their linguistic skills they edited 15 issues of Travel Information in their spare time and translated about 256,000 words, providing information for the company. The foreign language project team has become a new platform that fosters young talents and helps with their career development.

SAA also set up a young talent pool internally and in its subsidiaries, recommended young employees as translators for strategic cooperation negotiations and participants in overseas training, and recommended talents to undertake other important tasks and fill key positions.



Employee contributions

For 10 years SAA has held employee skill contests in 76 different competition areas. It has performed well in firefighter and cyber technician contests for civilian airports, with three employees being named "Golden Employee of Civil Aviation" and another three as "Excellent Contestants".

SAA actively boosted employee innovation, and created 19 innovation studios. Following the principle of "project orientation, team building, standard setting and enhanced publicity", it has continuously enriched the connotations of employee innovation. The "Pan Shuhua Innovation Studio" and "Wang Min Innovation Studio" were honored as exemplary innovation studios of Shanghai.

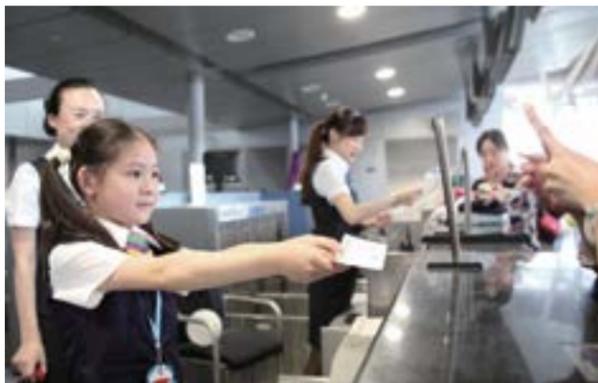
In 2016, one SAA employee was granted the National May 1 Labor Award, four were granted the Shanghai Municipal May 1 Labor Award, and three frontline units were named Shanghai Worker Pioneers.



Self-rectification

In 2016, SAA launched a campaign to institutionalize and standardize the rectification of unfavorable habits through the concerted efforts of grassroots Party, labor and Youth League units, solving problems at various levels and improving employee quality in general. In support, the Water Guarantee Department, the Luggage Service Center of the Ground Service Company and Shanghai Hong Kong Airport Management made cartoon posters for publicity and education.





Employee Care

The Counseling Studio of SAA's Labor Union consistently promoted the EAP (Employee Assistance Program), provided training courses for frontline units and employees to help them deal with pressure and manage emotions, and entrusted a third-party professional institution to open an EAP hotline for the employees.

To better protect the rights and interests of female employees, SAA perfected the Special Agreement

on Guaranteeing Rights and Interests of Female Employees, set up platforms to enhance their professional competence, encouraged them to be dedicated to their position, and organized a series of activities on the theme of "Happy Family", striving to build a harmonious company.

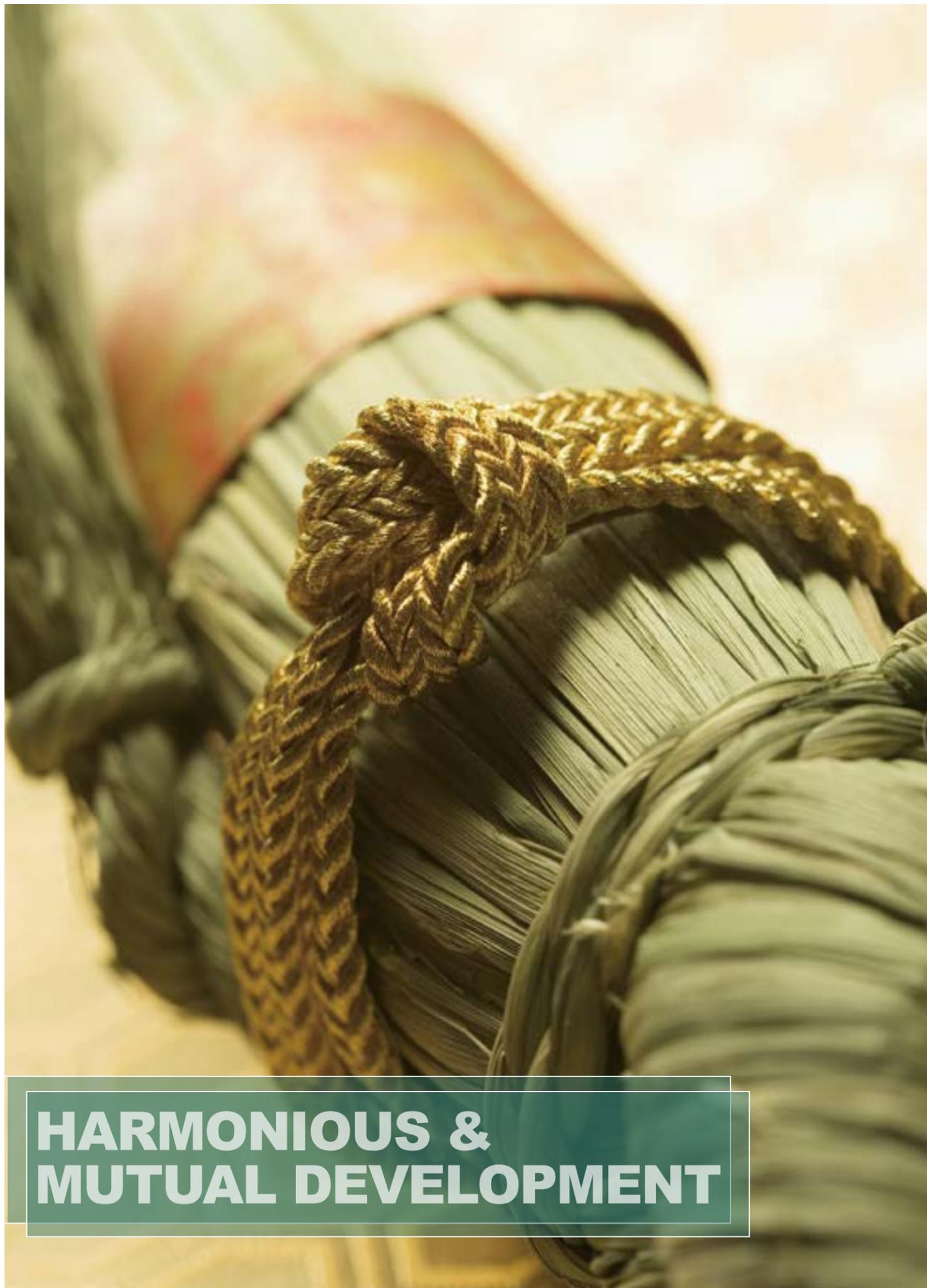
To meet the goal of targeted assistance, SAA's Labor Union disseminated the nature of the assistance provided and supplied information about the application deadlines and procedures through training or WeChat, focusing on assistance to frontline employees and those in difficulty.

Cultural and Sports Activities

In 2016, SAA's Labor Union made better use of internal and external resources and organized a series of activities and programs with extensive participation and high popularity among the employees, such as sports meets and performance and photography contests.

SAA's Youth League Committee launched a "youth center" at both airports. It took the initiative to actively tap external resources, planned and launched a "lunch break class" every Thursday, held nearly 40 activities popular with young people, fostered a team well-versed in traditional culture, and organized young employees to create a passenger interaction event during the Spring Festival travel rush. With these efforts, SAA established an interactive platform where the Youth League, young employees and passengers can "play and grow together".





HARMONIOUS & MUTUAL DEVELOPMENT



Joint Construction & Governance of Airport Community

In 2016, SAA, as the leading initiator of the Shanghai Airport Community Co-governance Committee, made extensive Party building and co-construction efforts on the business and service chains of such topics as flight operations and rule-based traffic and integrity enhancement in order to fully play its due role and create a harmonious airport community.



Thanks to the united efforts of special committees and member companies, SAA completed the 24 co-governance tasks in 2016 Plan for Party Building, Co-construction and Co-governance of Airport Communities, and sorted out 65 Party building tasks for 2016. It integrated resources across systems, industries and units through projects and lists and matched tasks with specific units, intensifying the social nature of community Party groups.



Meanwhile, SAA organized interesting cultural projects to fully mobilize employee initiative and creativity and boost coordination and communication with partnering units, thus promoting the harmonious and healthy development of the company.

Strategic Cooperation

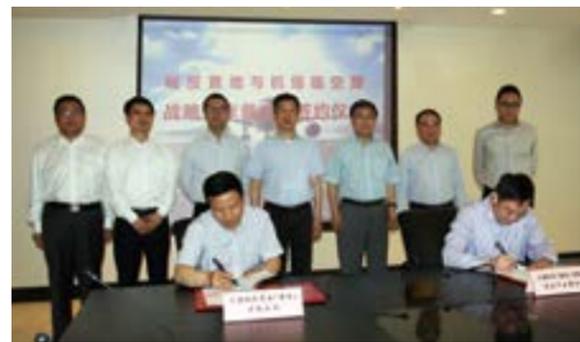
February 26: SAA and Airports of Thailand PLC signed a strategic agreement according to which their airports will cooperate in such areas as marketing, flight increases, improvements of airport operation, and connection of cold-chain transportation.



March 29: SAA and the Minhang district government signed a framework agreement on strategic cooperation which promotes integrated regional development and creates a favorable environment for the development of airport industries.



June 13: SAA and Yunnan Airport Group signed a strategic cooperation agreement on building double hubs and decided on an annual cooperation plan with a view to promoting mutual development in the 13th five-year period.



June 16: the SAA Airport Industry Department and Shanghai Municipal Investment (Group) Corporation signed a Memorandum of Strategic Cooperation according to which they will work together in talent cultivation, project collaboration and industrial cultivation, with a view to achieving win-win development through complementarities and resource sharing.



September 19: SAA and Xinjiang Airport Group signed a cooperation agreement in the context of the Belt and Road in which they agreed to seize strategic opportunity, promote air hub development and enhance their overall strength and international competitiveness.



November 10: at the 15th East Asia Airports Alliance (EAAA) Executive Meeting, SAA and Tokyo International Airport announced their intention of APP cooperation. In the coming year, they will realize interconnection and sharing of flight dynamics and service information in order to create a new model of international passenger service.



December 16: a signing ceremony was held designating ICBC and SPD Bank as the cooperative banks for the SAA Capital Settlement Center, which marked the beginning of the center's operations.



December 22: SAA Air Logistics Development, Shanghai Shipping Exchange and CATA signed a Framework Cooperation Agreement to Jointly Promote Air Freight Index, aiming to turn the Shanghai air freight index into a wind vane in the international air freight market and a voice of Shanghai in the world.

May 17: SAA President Jing Yiming met with a government delegation from Basel, Switzerland. The two sides exchanged views on establishing direct cargo flights, high-level mutual visits, and the training and exchange of managerial talents.



September 6: Liu Shaoyong and Ma Xulun, respectively President and Secretary of the Party Group of China Eastern, visited leaders of SAA for discussions on a wide range of topics, including optimizing Shanghai's route network structure, perfecting operation guarantee at the two airports, raising flight normality rates, and improving airport security and management.



Volunteer Service & Programs

To consolidate volunteers within the Labor Union, SAA formulated the Volunteer Regulations, recruited more volunteers, set up a volunteer database, and stepped up the input and incentive for volunteer team building. As a result, the Labor Union expanded the scope and influence of its work and provided better services both for employees and the airports.

In view of passengers' travel needs and the

requirement for civilized services, the SAA Youth League Committee and Youth League units of the 31 member companies of the airport community jointly launched volunteer services during the Spring Festival holiday, a traffic overhaul volunteer program, the theme event "Travel with the National Flag", and a smoking control activity. Young people from the airport community provided volunteer services of more than 2,500 person-times and over 15,000 hours. In 2016, the SAA Youth League Committee won a national award for excellent organization of young volunteers.



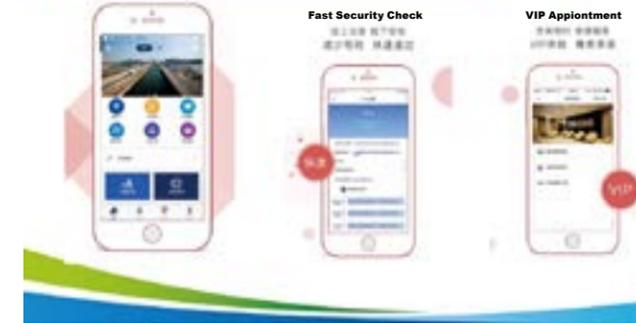
Shanghai Airport APP – Main Functions



Shanghai Airport APP – Main Functions



Shanghai Airport APP – Main Functions



Shanghai Airport APP – Future Development



Publicity through New Media

SAA continuously promoted the development of new media and actively resourced online public opinions to contribute to building services and deepening the benign interaction between government and the public. In 2016, SAA's official microblog Travel Express-SAA was honored as one of the top ten e-business microblog accounts in Shanghai, with more than 650,000 fans, and it remained one of the three most popular e-business microblog accounts throughout the year.

