



Company Code: 603288

Company Display Name: Hai Tian

Foshan Haitian Flavoring & Food Co., Ltd.

Stock code: 603288

Summary of 2019 Annual Report

March 2020

I. Important Information

- 1 **This summary is a part of the Annual Report. Investors may visit the website of Shanghai Stock Exchange and other media specified by China Securities Regulatory Commission for more details so that you can have a full understanding of the Company’s operating results, financial conditions and future development plan.**

- 2 **The Board of Directors, Board of Supervisors and all directors and supervisors and senior management of the Company guarantee that all information stated herein is true, correct and complete, containing no false representation, misleading statement or material omission, and they jointly and separately accept the legal liability for all contents provided herein.**

- 3 **All directors were present at the meeting of the Board of Directors.**

- 4 **KPMG China (special general partnership) has issued a standard unqualified auditors’ report for the Company.**

- 5 **Profit distribution proposal for the reporting period or proposal for conversion of capital surplus into share capital approved by the Board of Directors.**

Based on the Company’s total capital stock of 2,700,369,340 shares at the end of Year 2019, the Company proposes to distribute cash dividend to all shareholders at [10.8] yuan per 10 shares (including taxes), totaling [2,916,398,887.20] yuan cash dividend.

Based on the total capital stock of the company at the end of 2019 of 2,700,369,340 shares, it is proposed to transfer 2 shares for every 10 shares to all shareholders in the form of capital reserve transferring to capital stock, totaling [540,073,868.00] yuan.

This proposal must be submitted to 2019 annual general meeting of shareholders for deliberation.

II. Company Profile

1 Company profile

The Company’s stocks				
Stock class	Exchange where the stock is listed and traded	Stock name	Stock code	Stock name prior to change
A-share	Shanghai Stock	Hai Tian	603288	

	Exchange			
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2 Business conditions of the Company during the reporting period

(I) Major businesses of the Company

The major businesses of the Company stood the same during the reporting period, i.e. seasonings production and sales. At the same time, the Company settled down to increase product diversity, expanding its product line to soy sauce, oyster sauce, sauce, vinegar, chicken essence, MSG, cooking wine and other seasonings. It has recorded the first in this industry for years in terms of production and sales and sales income of seasonings, of which, soy sauce, flavored sauce and oyster sauce are three most important products of the Company currently. The production and sales of Hai Tian soy sauce remain the first in China for 22 consecutive years, and hold a safe lead from other providers. Its products are comprehensively directed at high-end, medium and bottom-end markets, covering all flavors and cooking methods, including those that have been popular with consumers for many years, a wide range of high-end soy sauces intended to lead consumption upgrades, and mass-market products affordable by ordinary consumers. The oyster sauce provided by the Company has a long historical standing, leading both in technique and sales in this country, especially the latter, which sees an absolute predominance. The gradual deepening market network and the unique flavor provided by Hai Tian oyster sauce have driven this product to show a rapid expansion trend, either from local to the whole nation or from catering industry to households.

Haitian flavoring sauce has secured a leading position with its many varieties of flavoring sauce, each unique and great value for money. It not only has a widely applicable national basic sauce, but also has unique local flavoring sauce. Over the years, Haitian has maintained a stable development and is very popular among consumers. Besides, the company has also been actively exploring condiment-related products, which is in line with the diversified corporate strategy in the condiment industry.

In the reporting period, the Company's major businesses remained steady and strong, and its product competitiveness and comprehensive profitability were displayed with further improvement.

(II) Business model and operation strategy

(1) Procurement model

The company has always had high standards for procurement. The procurement model has been continuously innovated in a strive to improve the quality and reduce the cost of procurement through the innovation of the procurement model. The company has a designated procurement department with professionals and implements a centralized procurement. The procurement model emphasizes both professional and centralized. In the management system, the procurement is managed through the ERP system, making the whole corporate supply chain system tight and efficient. The procurement department and the user department form the upstream and downstream of the supply chain with the same goal and make optimal procurement plans according to the production plans, thus effectively reducing the capital occupying. The procurement cost is reduced through a stable procurement volume and flexible pricing strategy. The procurement quality has been continuously improved through ongoing cooperation with brand suppliers. A good reputation has won the company many stable and high-quality suppliers.

(2) Production mode

The production cycle of the company's products is long with a complex technological process. To ensure a stable product quality and food safety, the company controls the whole production process through the use of big data such as intelligence, digitization, automation and informatization to ensure product quality. The production efficiency is greatly improved while ensuring food safety. Over the years, the company has basically realized the synchronization of production and sales, and the production is determined based on "sales volume + reasonable inventory", maintaining a pretty high capacity utilization.

(3) Sales model

The company adopts a distributor-based sales model and the settlement method of "payment before delivery" to effectively guarantee an abundant cash flow and prevent bad debts. By improving the quality of distributors, we can maximize the coverage of market terminals and fully achieve win-win in the cooperation with

distributors. The sales strategy has been continuously optimized each year and a sales model suitable for the company's development has been gradually established.

(4) Production process

The Company has always sought to produce soy sauce and soybean paste with traditional brewing technique and allowed the content to ferment naturally, and for this reason, its products require longer fermentation cycle and more complex production process. The Company selects raw materials with a strict standard, and only high-quality raw materials are allowed to be used in production. In order to provide consumers with healthy, well-flavored and safe food, the Company allows no content to access to the next production step unless they meet the strict inspection imposed for each step.

The production process of soy sauce:

Raw material test – raw material cooking – starter propagation – natural fermentation – physical squeezing – sterilization & clarification – production – inspection – packaging – inspection – packing and storage

The production process of oyster sauce:

Raw material test – raw material treatment – cooking of accessorial materials – inspection – packaging – inspection – packing and storage

The production process of soybean paste:

Raw material test – raw material cooking – starter propagation – natural fermentation – cooking of accessorial materials – production – inspection – packaging – inspection – packing and storage

(5) Brand strategy

Brand development is one of the company's strategies. Over the years, the company has been building and communicating its brand and has established a brand system with its products as the core. The main brand is used to guide the development of the whole product system, and the sub-brands are used to distinguish the product categories. The company has always placed brand development as an important strategy of the

company and has promoted brand awareness through regular investment in brand development every year. With many years of product reputation, brand communication and channel building, the company has established a healthy, safe, professional and trustworthy brand image, which has been widely recognized by the market and consumers.

(III) Present conditions of this industry

Cooking oil, salt, sauce, vinegar, etc in the Chinese condiment industry is the most basic and rigid demand in people's necessities of life. The development of the catering industry and the food processing industry, as well as the upgrading of consumption, have become the main factors to promote the development of this industry. With the technological upgrading and innovation of condiment enterprises, condiments are increasingly meeting the culinary needs of consumers, and condiments have become an indispensable part of people's daily meals. Statistics from the China Condiment Industrial Association shows the operating income of the condiment industry has exceeded 300 billion RMB. The condiment industry is rich in varieties and categories and there's a strong demand for it. The condiment industry is having a stable and prosperous development.

In the past ten years, big-brand enterprises in the condiment industry have become increasingly powerful with many entering the capital market. With the help of the capital market, those enterprises have been developing fast and further increased their market shares and the industrial concentration has seen some significant changes. The industry is in a growing stage of ongoing product segmentation and market concentration. With continuous investment in scientific research, technology, equipment and techniques, condiment enterprises have more stable product quality and increasing product technology. In the next few years, big-brand enterprises will develop more products to meet the increasing culinary needs of consumers. The industry will also maintain a stable and healthy development under the impacts of China's demographic dividend, economic development and other factors.

During the reporting period, with the continuous improvement of people's quality of life and strong domestic demand in the market, the condiment industry has maintained a stable development with various support such as the national tax reform bonus, and our company has also benefited from this background. Opportunities and challenges coexist in the condiment industry. People's improving living standard has increased the demand for condiments. The rapid development of various new types of sales also puts forward higher standards for the sales management of enterprises. However, condiment enterprises are facing the challenges

head on. Driven by innovation, they have continuously made breakthroughs in products, markets and channels, thus ensuring stable development of the entire condiment industry.

3 Major accounting data and financial indicators

3.1 Major accounting data and financial indicators for recent 3 years

Unit: Yuan Currency: CNY

	Year 2019	Year 2018	Increase/decrease of current year than prior year (%)	Year 2017
Total assets	24,753,888,098.68	20,143,788,853.33	22.89	16,336,012,255.77
Operating income	19,796,889,800.07	17,034,475,127.23	16.22	14,584,310,896.60
Net profit attributable to shareholders of the listed company	5,353,185,029.35	4,364,813,027.88	22.64	3,531,436,928.16
Net profit excluding non-recurring profit or loss attributable to shareholders of listed company	5,083,877,209.23	4,124,089,122.69	23.27	3,383,734,780.35
Net asset attributable to shareholders of listed company	16,581,955,058.64	13,875,131,982.49	19.51	11,753,339,999.07
Net cash flows from operating activities	6,567,569,488.52	5,996,242,501.64	9.53	4,720,977,581.77
Basic earnings per share (yuan/share)	1.98	1.62	22.22	1.31
Diluted earnings per share (yuan/share)	1.98	1.62	22.22	1.31
Weighted average return on net asset (%)	33.69	32.66	Increase by 1.03 pps	31.12

3.2 Major accounting data of the reporting period (By quarter)

Unit: Yuan Currency: CNY

	Q1 (Jan.-Mar.)	Q2 (Apr.-Jun.)	Q3 (Jul.-Sep.)	Q4 (Oct.-Dec.)
Operating income	5,490,145,323.69	4,669,819,076.27	4,664,484,673.57	4,972,440,726.54
Net profit attributable to shareholders of the listed company	1,477,138,223.72	1,273,033,810.03	1,084,963,896.37	1,518,049,099.23
Net profit excluding non-recurring profit	1,396,705,726.35	1,203,385,826.90	1,037,688,039.71	1,446,097,616.27

or loss attributable to shareholders of the listed company				
Net cash flows from operating activities	53,066,226.98	874,213,711.42	2,272,535,745.85	3,367,753,804.27

Explanation of the differences between quarterly data and data from the disclosed regular reports.

Applicable Not applicable

4 Equity and shareholders

4.1 Number of common shareholders and preferred shareholders with reinstated voting right and shareholdings of top 10 shareholders

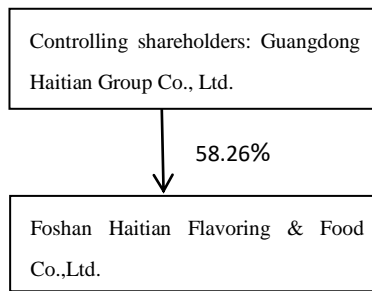
Unit: Share

Total number of common shareholders at the end of the reporting period (account)						31,382	
Total number of common shareholders at the end of the previous month before the disclosure date of the annual report (account)						31,944	
Total number of preference shareholders with voting rights restored as of the end of the reporting period (account)							
Total number of preference shareholders with voting rights restored by the end of the previous month before the disclosure date of the annual report (account)							
Shareholdings of top 10 shareholders							
Name of shareholder (Full name)	Increase /decrease during the reporting period	Shares held at the end of the period	Proportion (%)	Shares subject to restrictions on sale	Whether subject to pledge or freezing		Nature of Shareholder
					Share state	Quantity	
Guangdong Haitian Group Co., Ltd.	0	1,573,188,221	58.26	0	N/A		Domestic non-state corporation
Pang Kang	0	258,408,691	9.57	0	N/A		Domestic natural person
Hong Kong Securities Clearing Company	21,115,101	156,858,096	5.81	0	N/A		Overseas legal person

Limited							
Cheng Xue	0	85,647,571	3.17	0	N/A		Domestic natural person
Li Xuhui	-1,571,500	48,060,800	1.78	0	N/A		Domestic natural person
Pan Laican	0	42,293,898	1.57	0	N/A		Domestic natural person
Lai Jianping	-2,391,316	25,911,901	0.96	0	N/A		Domestic natural person
China Securities Finance Corporation Limited	0	25,514,826	0.94	0	N/A		Country
Wang Lizhan	-1,377,862	17,461,230	0.65	0	Pledge	5,050,000	Domestic natural person
Ye Yanqiao	-150,000	16,001,562	0.59	0	N/A		Domestic natural person
Notes on connected relations or concerted actions of the above shareholders.	1. Pang Kang, Cheng Xue, Ye Yanqiao and the other three natural person shareholders of the Company are persons acting in concert; 2. Pang Kang, Cheng Xue, Pan Laican, Lai Jianping, Wang Lizhan and Ye Yanqiao among the top ten shareholders are shareholders of Hai Tian Group, of which, Cheng Xue and Ye Yanqiao are directors of Hai Tian Group and Wang Lizhan is a supervisor of Hai Tian Group; 3. Save for the above, the Company is not aware of any other connected relation or concerted action between the other shareholders.						
Notes on preferred shareholders with reinstated voting right and their shareholdings.	N/A						

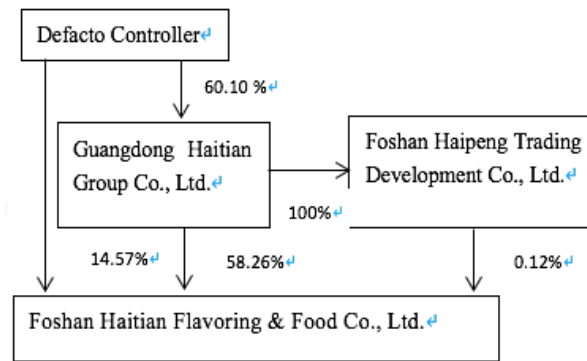
4.2 Chart of the shareholding structure and controlling relationship between the Company and its controlling shareholders

√ Applicable □ Not applicable



4.3 Chart of the shareholding structure and controlling relationship between the Company and its de facto controller

Applicable Not applicable



4.4 Total number of preferred shareholders and shareholdings of top 10 shareholders at the end of the period

Applicable Not applicable

5 Debt securities of the Company

Applicable Not applicable

III. Discussion and Analysis of the Company’s Operating Performance

1 Operating performance of major businesses of the Company during the reporting period

During the reporting period, the operating income reached 197.97 billion yuan, 16.22% higher than the previous year; the net profit attributable to shareholders of the listed company reached 53.53 billion yuan, up by 22.64 %; the net asset attributable to shareholders of the listed company reached 165.82 billion yuan, up by 19.51 %; the overall gross margin was 27.06% , which increased 1.42 percentage points compared with the previous year.

2 Causes for the suspension of listing

Applicable Not applicable

3 Termination of listing and causes

Applicable Not applicable

4 Explanation of the Company on reasons and impacts of changes of accounting policies and methods

Applicable Not applicable

5 Explanation of the Company on reasons and impacts of corrections of major errors

Applicable Not applicable

6 In case of any changes in the consolidation scope of the consolidated financial statements comparing with the annual report of the previous year, the Company is obliged to provide explanations specific to such situation.

Applicable Not applicable

During the reporting period, the company set up a new subsidiary. For more details, please refer to Appendix 9 - "1. Rights & Interests in Subsidiaries".