



Company Code: 603288

Company Abbreviation: Hai Tian

Foshan Haitian Flavouring & Food Co., Ltd.

Stock code: 603288

Summary of 2021 Annual Report



March 2022



Section I Important Information

- 1 This summary is sourced from the Annual Report. Investors may visit the website of www.sse.com.cn 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 share capital of 4,212,576,170 shares at the end of Year 2021, the Company proposes to distribute cash dividend to all shareholders at 7.60 yuan per 10 shares (including taxes) and one bonus share (including tax) per 10 shares, totaling 3,201,557,889.20 yuan cash dividend and 421,257,617 bonus shares.

After the completion of this distribution, the Company's remaining 3,495,890,281.58 yuan was retained as undistributed profit, and the total share capital increased to 4,633,833,787 shares.

This proposal must be submitted to 2021 annual general meeting of shareholders for deliberation.

Section 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 Exchange	Hai Tian	603288	

Contacts	Secretary to the Board of Directors	Representative of Securities Affairs
Name	Zhang Xin	Wu Weiming
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2 Business conditions of the Company during the Reporting Period

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. During the Reporting Period, the Company continued to maintain the leading position in the condiment industry, with production and sales of 4.3 million tons and 4.335 million tons, respectively. In particular, the production and sales of Haitian soy sauce ranked first in the industry for 25 consecutive years.

As more and more enterprises enter the capital market and develop fast with the help of the capital market, big-brand enterprises in the condiment industry have become increasingly stronger. Those enterprises 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 gained more stable product quality and improved product technology. In the next few years, big-brand enterprises will develop more new 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.

Opportunities and challenges coexist in the condiment industry. 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 supports such as the national tax reform bonus. 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.

(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 outranked this industry for years in terms of production and sales and sales income of seasonings, of which, soy sauce, flavoured sauce and oyster sauce, cooking wine and vinegar are the most important products of the Company currently.

The production and sales of Haitian soy sauce remain the first in China for 25 consecutive years, and hold a safe lead from other providers with the total output of 2.65 million tons. Its products are



comprehensively directed at high-end, medium and bottom-end markets, covering all flavours 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 affordable mass-market products for ordinary consumers. The Company has consistently and comprehensively promoted its high-quality strategy, effectively sharpened its product competition edge, and taken measures to focus on channel efficiency and quality development. Its soy sauce category shows stable and rapid development, and the product mix and profitability have further improved, further scaling up its comprehensive competitive strengths.

The oyster sauce provided by the Company has a long historical standing, leading both in technology and sales in China. It is the second largest product after soy sauce, with a total output of 960,000 tons. With the gradual penetration of the market network and the favorable and unique flavour of Haitian oyster sauce, the Company effectively seizes the development opportunity of national expansion of oyster sauce and mass consumption, resulting in further elevation of the leading edge of oyster sauce and qualitative improvement of the comprehensive competitiveness of the product. Haitian oyster sauce has gradually developed into a product sold across the whole country and become one of the essential condiments in the kitchen.

Haitian flavoured sauce has secured dominance in the market with a total output of 300,000 tons. The Company has continuously enhanced the research and development of flavoured sauces, and it has launched Signature Sauce for Rice and Signature Mushroom Sauce following Haitian Soybean Sauce, which have received constructive market feedback, having enriched the specifications of sauce product mix and consolidating the foundation for subsequent development. The unique feature of each flavoured sauce stands out, some being basic sauce catering to national preference for flavour and the rest being special local flavoured source. Over the years, Haitian has achieved steady advancement and is very popular among consumers.

After several years of development, cooking wine has initially built up its advantages and secured a prevailing position in the industry. Leveraging its own fermentation strengths, the Company has stepped up research and development of its cooking wine products, improved the overall quality of its cooking wine products, and unveiled versatile products with different functions to meet the needs of niche markets, which are well received by consumers. The steady and rapid development of cooking wine has led to its rapid growth as a high potential category for the Company.

(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 bid 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 Company emphasizes a both professional and centralized procurement model. 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 occupation. 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 information technology 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 abundant cash flow and prevent bad debts. By improving the quality of distributors, we can maximize the coverage of market terminals and fully achieve a win-win situation 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 strict standards, and only high-quality raw materials are allowed to be used in production. In order to provide consumers with healthy, well-flavoured and safe food, the Company allows no content to enter the next production step unless they meet the strict inspection imposed for each step. From raw materials – starter implantation - starter propagation – fermentation – squeezing - storage in tanks – blending - packaging - salt dissolving - finished products and other production links for production of Haitian soy sauce, the



Company has independently developed and introduced various advanced flexible automatic production lines, including fully automatic ultra-high temperature sterilization production line, fully automatic closed disc starter propagation production line, fully automatic continuous pressing production line, etc., achieving full process flexible production of products and meeting personalized needs in the market.

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 built up, 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.

3 Major accounting data and financial indicators

3.1 Major accounting data and financial indicators for recent 3 years

Unit: Yuan Currency: CNY

	Year 2021	Year 2020	Increase/decrease of current year compared with previous year (%)	Year 2019
Total assets	33,337,724,549.58	29,533,620,038.66	12.88	24,753,888,098.68
Net assets attributable to shareholders of the listed company	23,401,517,470.83	20,068,416,163.35	16.61	16,581,955,058.64



Operating income	25,004,031,043.49	22,791,873,936.49	9.71	19,796,889,800.07
Net profit attributable to shareholders of the listed company	6,670,757,811.72	6,402,859,991.91	4.18	5,353,185,029.35
Net profit excluding non-recurring profit or loss attributable to shareholders of listed company	6,429,852,856.56	6,177,209,312.74	4.09	5,083,877,209.23
Net cash flows from operating activities	6,323,508,784.06	6,950,432,014.98	-9.02	6,567,569,488.52
Weighted average return on net asset (%)	31.63	36.13	Decrease by 4.50 pps	33.69
Basic earnings per share (yuan/share)	1.58	1.52	3.95	1.27
Diluted earnings per share (yuan/share)	1.58	1.52	3.95	1.27

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	7,157,877,338.66	5,174,285,792.78	5,662,246,543.50	7,009,621,368.55
Net profit attributable to shareholders of the listed company	1,953,338,258.88	1,399,294,409.11	1,355,006,225.23	1,963,118,918.50
Net profit excluding non-recurring profit or loss attributable to shareholders of the listed company	1,895,452,546.39	1,354,666,370.72	1,330,665,344.04	1,849,068,595.41
Net cash flows from operating activities	-123,014,094.99	376,637,786.08	2,355,963,724.80	3,713,921,368.17

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

Applicable Not applicable

4 Shareholders

4.1 The total number of common shareholders, the total number of preferred shareholders with reinstated voting rights, the total number of shareholders holding special voting shares, and shareholdings of the top 10 shareholders as of the end of the Reporting Period and the end of the month before the disclosure of the annual report



Unit: Share

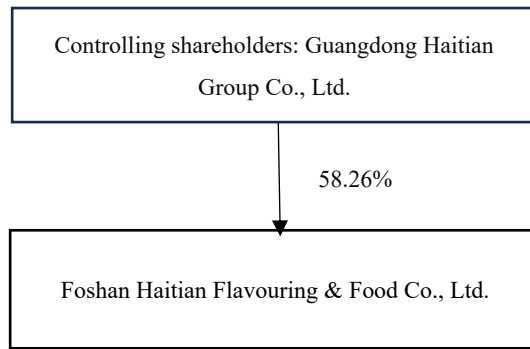
Total number of common shareholders as of the end of the Reporting Period (account)						174,861	
Total number of common shareholders at the end of the previous month before the disclosure date of the annual report (account)						170,044	
Total number of preferred shareholders with reinstated voting rights as of the end of the Reporting Period (account)							
Total number of preferred shareholders with reinstated voting rights at 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 (%)	Number of restricted shares held	Whether subject to pledge, marking or freezing		Nature of Shareholder
					Share state	Quantity	
Guangdong Haitian Group Co., Ltd.	566,347,759	2,454,173,624	58.26	0	N/A	0	Domestic non-state corporation
Pang Kang	93,027,129	403,117,558	9.57	0	N/A	0	Domestic natural person
Hong Kong Securities Clearing Company Limited	74,927,136	281,149,134	6.67	0	N/A	0	Overseas legal person
Cheng Xue	30,833,126	133,610,211	3.17	0	N/A	0	Domestic natural person
Li Xuhui	16,468,246	71,273,566	1.69	0	N/A	0	Domestic natural person
Pan Laican	14,656,974	65,026,121	1.54	0	N/A	0	Domestic natural person
China Securities Finance Corporation Limited	9,185,189	39,802,981	0.94	0	N/A	0	Country
Lai Jianping	7,531,500	34,781,500	0.83	0	N/A	0	Domestic natural person
Huang Wenbiao	4,625,000	21,958,274	0.52	0	N/A	0	Domestic natural person
Wu Zhenxing	4,550,875	20,377,257	0.48	0	N/A	0	Domestic natural person



							person
Notes on connected relations or concerted actions of the above shareholders.	<p>1. Pang Kang, Cheng Xue, Huang Wenbiao, Wu Zhenxing and the other one natural person shareholders of the Company are persons acting in concert;</p> <p>2. Pang Kang, Cheng Xue, Pan Laican, Lai Jianping, Huang Wenbiao, Wu Zhenxing among the top ten shareholders are shareholders of Hai Tian Group, of which, Pang Kang, Cheng Xue and Huang Wenbiao are directors 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.</p>						
Notes on preferred shareholders with reinstated voting rights and their shareholdings.							

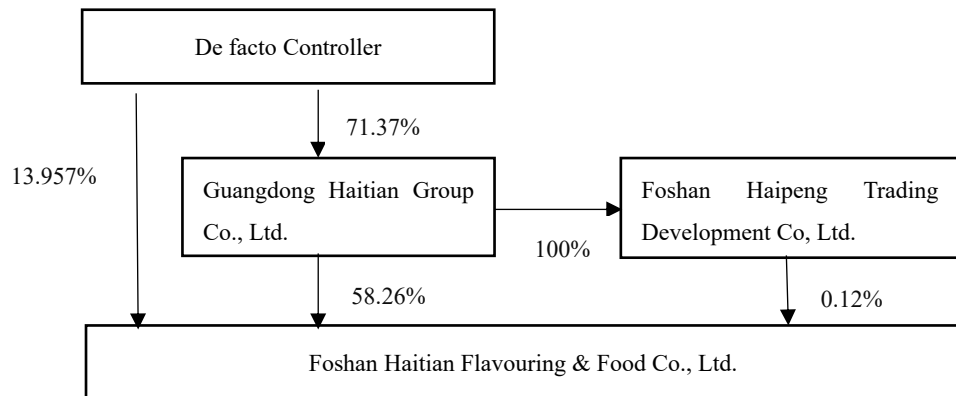
4.2 Chart of the shareholding structure and controlling relationship between the Company and its controlling shareholders

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

Section III Important Matters

1 The Company shall, based on the principle of materiality, disclose significant changes in the Company's operations during the Reporting Period, as well as events that have a significant impact on the Company's business during the Reporting Period and are expected to have a significant impact in the future.

During the Reporting Period, the operating income reached 25.004 billion yuan, 9.71% higher than the previous year; the net profit attributable to shareholders of the listed company reached 6.671 billion yuan, up by 4.18 % year on year; the net asset attributable to shareholders of the listed company reached 23.402 billion yuan, up by 16.61% year on year; the overall net profit margin was 26.68%, which decreased 1.44 percentage points compared with the same period of the previous year.

2 If there is a delisting risk warning or risk of termination of listing after the disclosure of the Company's annual report, the reasons for the delisting risk warning or termination of listing shall be disclosed.

Applicable Not applicable

Chairman: Pang Kang
Foshan Haitian Flavoursing & Food Co., Ltd.
March 24, 2022