



Company Code: 603288

Company Abbreviation: Hai Tian

Foshan Haitian Flavouring & Food Co., Ltd.

Stock code: 603288

Summary of 2023 Annual Report



April 2024



Section I Important Information

- 1 This summary is sourced from the Annual Report. Investors may visit the website www.sse.com.cn for the whole Annual Report 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 in the Annual Report 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 net of the shares repurchased by the special repurchase account on the equity registration date for the exercise of equity distribution, the Company proposes to distribute cash dividend to all shareholders at 6.60 yuan per 10 shares (including taxes), totalling 3,660,413,152.44 yuan of cash dividend (including taxes). After the distribution, the remaining 8,030,086,992.45 yuan of the Company will be reserved as undistributed profits.

Where there is any change in the total share capital of the Company during the period from the disclosure date of the Report to the equity registration date for the exercise of equity distribution, the Company intends to keep the total distribution amount unchanged but to adjust the distribution ratio per share accordingly.

This proposal must be submitted to 2023 annual general meeting of shareholders of the Company 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
Business address	No. 16, Wensha Road, Foshan City, Guangdong Province	No. 16, Wensha Road, Foshan City, Guangdong Province
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2 Business conditions of the Company during the Reporting Period

(I) Industry development

The condiment industry dates back a long history. As a significant part of the culinary culture of China, condiments have been integrated into the daily life of Chinese families. By virtue of the highly frequent consumption and somewhat inelastic demand of condiments, the whole condiment industry has maintained basically stable development so far. In the future, the diversified consumption demands, the nascent recovery of the catering trade and the development of correlative industries such as prefabricated dishes may unleash the potential for the development of the condiment industry.

As echoed by “Food is god for the people”, it is not feasible for condiment companies to speculate on the business or seek quick success and instant benefits. Only by constant adherence to the original aspiration and unwavering determination to improve the quality, use real materials and ensure food safety, can we jointly give impetus to the condiment industry for long-term development.

(II) Industry position of the Company

During the Reporting Period, the Company continued to dominate the condiment industry, with both production output and sales volume exceeding 4 million tons, ranking first in the industry.





The 2023 China Brand Power Index (C-BPI) shows that Haitian has been the first brand in the industry in terms of soy sauce (for 13 consecutive years), condiments (for 4 consecutive years), and oyster sauce (for 4 consecutive years).

(III) Major businesses of the Company

As the top player in the condiment industry, we focus on our major businesses, persevere in the expertise in the condiments field, and remain steadfast in the craftsmanship to deliver each product. We provide rich production lines and vast choices for consumers, such as soy sauce, oyster sauce, paste, vinegar, cooking wine and compound seasoning, as well as grain, oil, rice, noodle, fermented beverage.

During the Reporting Period, there were no changes in the major businesses of the Company.

<p>Haitian soy sauce</p>		<p>Haitian soy sauce has been accounting for the largest market share in China for a number of years. We insist on the use of high-quality soybeans, sunbathing and traditional fermentation technology. The “three-insistence” approach in the modern production, along with the unique Haitian strain breeding technology and fermentation technology, helps Haitian craft a plenty of high-quality soy sauce products that dominate the market and are well received by consumers. So far, the products of the Haitian soy sauce series include the Old Word series, organic series, classic series, fresh flavour series, preference series, salt-reduced series, and zero-additive series oriented towards different consumer markets, and cover different functions, flavours and specifications tailored for consumer demands.</p>
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<p>Haitian oyster sauce</p>		<p>Haitian oyster sauce has been accounting for the largest market share in China for a number of years. Haitian adheres to full-chain study for the oyster sauce category, and makes down-to-earth efforts along the chain covering oyster collection → oyster sauce cooking → oyster oil process. Years of accumulation leads to increasingly mature technologies of Haitian oyster sauce, building up the advantages of Haitian oyster sauce being “thick but not raw, adding sufficient freshness”. Years of development has made Haitian oyster sauce an indispensable condiment in the kitchens of most Chinese homes.</p>
<p>Haitian flavoured sauce</p>		<p>Thanks to the achievements in the core fermentation technologies built up in years, Haitian has successfully launched numerous original sauce products, forming a sauce product system with abundant categories each having its own feature. Haitian flavoured sauces have become “preferred sauce brand” of consumers. Haitian has consistently enriched the sauce product line in years, featuring common basic sauces including soybean paste and chili sauce, as well as characteristic sauces that adapt to different cooking methods, such as CHU-HAU paste, HOISIN sauce, signature sauce for rice. The Haitian sauce product line keeps steady development as a whole.</p>
<p>Haitian vinegar</p>		<p>Haitian insists on “real material and sufficient fermentation” for vinegar production, and only produces fermented vinegar. In order to meet the demands of consumers for different flavours and application scenarios of vinegar products, Haitian delves into the characteristics of various raw materials and processes, and has developed white rice vinegar, black rice vinegar and apple vinegar, as well as mature vinegar and aromatic vinegar with local characteristics, forming diverse product mix of “traditional vinegar + characteristic vinegar”.</p>
<p>Haitian cooking wine</p>		<p>Haitian cooking wine encompasses basic series, high-end series, zero-additive series, organic series, and the list goes on. The rich product line has a gradually increasing market share, and Haitian is a competitive brand in the cooking wine segment.</p>



Other products		<p>There are seasoning sauces, chicken powder seasoning, granulated chicken bouillon, tomato sauce and so on. Haitian is dedicated to satisfying the cooking needs of consumers. Fermented beverage, oil, rice and other new categories bring nutritional, healthy and delicious experience to consumers in more scenarios.</p>
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(IV) Business model and operation strategy

(1) Procurement model

The Company has been keeping abreast of the overall profit and risks of the supply chain and is committed to building capacity in food safety, material quality and secure supply. Furthermore, the Company holds fast to transparent cooperation, and has established long-term and stable cooperation with a great deal of remarkable partners. The digital procurement platform enables inventory making, flexible pricing and fair competition, ramping up both the efficiency and profit of the supply chain. Meanwhile, the Company proactively responds to the national strategy for rural revitalization by carrying out targeted procurement of raw materials and assisting farmers with income increase. On top of that, the Company puts the concept of sustainability into practice in terms of procurement.

(2) Production mode

The core purpose of the Company’s production is to craft high-quality, stable and excellent products. The Company has established production bases in Guangdong, Jiangsu, Guangxi and other places, and releases new production capacity according to market demands and production plans. By benchmarking against the “Lighthouse Network”, the Company has built intelligent factories, and controls the whole manufacturing process by capitalizing on automation, information technology and big data, ensuring stable product quality, improving production efficiency, and reasonable controlling inventory. In view of the market change trend, the Company hammers away at the development of flexible supply and agile response capacity, with a view to fulfilling the diverse demands of consumers.

(3) Sales model

The Company adopts a distributor-based sales model, and there are also other sales forms such as self-operated direct supply, etc. The Company puts a premium on the development of an online and offline high-caliber distributor team with outstanding ability and stable cooperation, thus working together to achieve common development. After years of efforts, the Company has developed a wide distribution network and various channels. Furthermore, the Company accelerates the construction of digital marketing. Based on the needs of different business scenarios such as dealers, wholesalers and terminal retail stores, we realize effective connection and interaction with our target users by digital technology solutions. While empowering the transformation and upgrading of offline sales, we also ensure the targeted investment in various channels.

(4) Production process

The Company has always sought to produce soy sauce and soybean paste with traditional brewing technique, complete soybean fermentation and sufficient sunbathing. Moreover, the Company constantly innovates



modern science and technology to ensure the healthiness and nutrition as well as the stable quality of its products, and has basically fulfilled automatic and digital production process integrated with information technology. Take Haitian soy sauce as an example, the Company has independently developed and introduced various advanced flexible automatic production lines from raw materials to finished products, inclusive of 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 demands 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

Haitian’s brand influence stays in step with the high quality of Haitian products and its leading market share. Through authoritative media platform publicity, inviting consumers and partners of all parties to come to visit Haitian Sunshine Factory, and innovatively carrying out creative promotional activities in offline temporary stores, the Company has continuously bridged the gap with consumers, creating a healthy, safe, professional, approachable and trustworthy brand image, and enhancing its brand reputation.

3 Major accounting data and financial indicators

3.1 Major accounting data and financial indicators for recent 3 years

Unit: Yuan Currency: CNY

	Year 2023	Year 2022	Increase/decrease of current year compared with previous year (%)	Year 2021
Total assets	38,423,518,405.62	34,059,175,850.30	12.81	33,337,724,549.58
Net assets attributable to shareholders of the listed company	28,530,612,036.85	26,397,676,525.41	8.08	23,401,517,470.83
Operating income	24,559,312,356.59	25,609,651,543.29	-4.10	25,004,031,043.49
Net profit attributable to shareholders of the	5,626,626,091.97	6,197,716,943.78	-9.21	6,670,757,811.72



listed company				
Net profit excluding non-recurring profit or loss attributable to shareholders of listed company	5,394,663,934.17	5,965,755,875.29	-9.57	6,429,852,856.56
Net cash flows from operating activities	7,355,650,997.74	3,830,314,321.72	92.04	6,323,508,784.06
Weighted average return on net asset (%)	20.72	25.52	Decrease by 4.80 pps	31.63
Basic earnings per share (yuan/share)	1.01	1.11	-9.01	1.20
Diluted earnings per share (yuan/share)	1.01	1.11	-9.01	1.20

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	6,980,985,131.27	5,984,561,741.10	5,684,618,624.73	5,909,146,859.49
Net profit attributable to shareholders of the listed company	1,715,567,769.87	1,380,650,003.76	1,232,462,364.72	1,297,945,953.62
Net profit excluding non-recurring profit or loss attributable to shareholders of the listed company	1,641,343,093.58	1,329,142,143.19	1,181,538,015.54	1,242,640,681.86
Net cash flows from operating activities	1,063,433,049.56	1,523,960,895.91	868,764,522.92	3,899,492,529.35

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

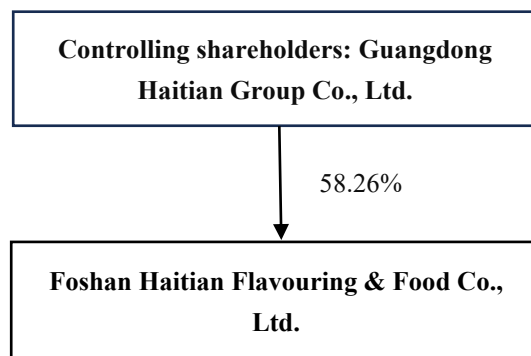
Total number of common shareholders as of the end of the Reporting Period (account)						228,164	
Total number of common shareholders at the end of the previous month before the disclosure date of the annual report (account)						208,755	
Total number of preferred shareholders with reinstated voting 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.	539,918,197	3,239,509,183	58.26	0	N/A	0	Domestic non-state corporation
Pang Kang	83,252,143	532,115,177	9.57	0	N/A	0	Domestic natural person
Hong Kong Securities Clearing Company Limited	-92,380,580	216,297,970	3.89	0	N/A	0	Overseas legal person
Cheng Xue	29,394,246	176,365,478	3.17	0	N/A	0	Domestic natural person
Li Xuhui	14,999,884	89,999,306	1.62	0	N/A	0	Domestic natural person
Pan Laican	14,212,095	85,487,168	1.54	0	N/A	0	Domestic natural person
China Securities Finance Corporation Limited	8,756,655	52,539,933	0.94	0	N/A	0	Country
Lai Jianping	6,825,960	44,465,759	0.80	0	N/A	0	Domestic natural person
Huang Wenbiao	4,830,820	28,984,921	0.52	0	N/A	0	Domestic natural person
Wu Zhenxing	4,482,997	26,897,980	0.48	0	N/A	0	Domestic natural person



Notes on connected relations or concerted actions of the above shareholders	1. Pang Kang, Cheng Xue, and the other four natural person shareholders of the Company (all of them are directors of the Company) are persons acting in concert; 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 and Cheng Xue 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.
Notes on preferred shareholders with reinstated voting rights and their shareholdings	Not involved

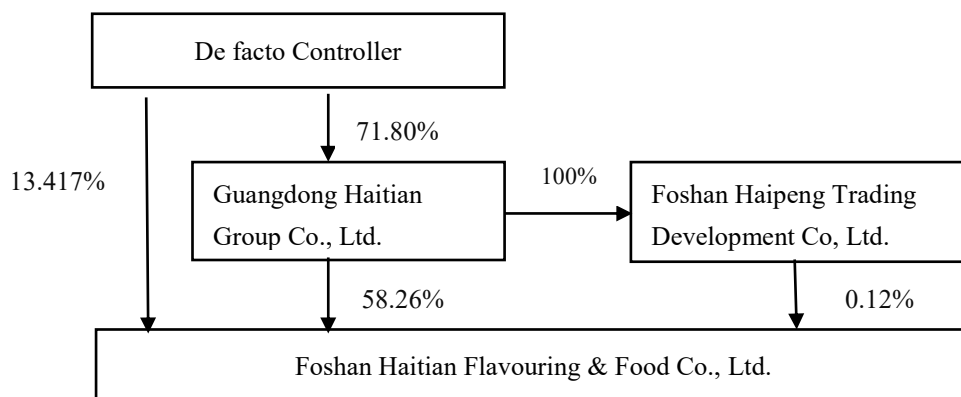
4.2 Chart of the shareholding structure and controlling relationship between the Company and its controlling shareholders

√ 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 24.559 billion yuan, 4.10% lower than the previous year; the net profit attributable to shareholders of the listed company reached 5.627 billion yuan, which decreased by 9.21% year on year; the net asset attributable to shareholders of the listed company reached 28.531 billion yuan, up by 8.08% year on year; the overall net profit margin was 22.97%, which decreased 1.25 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 Flavouring & Food Co., Ltd.

April 26, 2024