



Company Code: 603288

Abbreviation: Haitian Flavoring

Foshan Haitian Flavoring & Food Co., Ltd.

Stock code: 603288

Summary of 2017 Annual Report



March 2018



I Important Notices

- 1 **The Summary of the Annual Report is based on the Annual Report in full text. To understand the business performance, financial condition and future development planning of the Company, the investors shall carefully read the full text of the Annual Report published on the website of Shanghai Stock Exchange and other media designated by the China Securities Regulatory Commission.**
- 2 **The Board of Directors and Board of Supervisors, as well as directors, supervisors and senior executives of the Company guarantee that the present Annual Report is true, accurate and complete in contents without existence of false record, misleading statement or major omission, and undertake the individual and joint legal responsibilities therefore.**
- 3 **All the directors of the Company attended the board meeting.**
- 4 **KPMG (Special General Partnership) issued a standard and unqualified auditor's report.**
- 5 **Profit Distribution Plan or Capital Reserves Capitalization Plan during the reporting period reviewed by the Board of Directors**

Based on the Company's total capital stock of 2,701,206,700.00 shares at the end of 2017, the Company will distribute a cash dividend of RMB 8.50 (tax inclusive) per 10 shares to all shareholders, totally RMB 2,296,025,695.00.

The plan shall be submitted to the 2017 Annual General Meeting of Shareholders for review.

II Basic Information of the Company

1 Company profile

Corporate Stock				
Type of Stock	Stock Exchange	Stock Abbreviation	Stock Code	Stock Abbreviation before Change
A-share	Shanghai Stock Exchange (SSE)	Haitian Flavoring	603288	

Contact Information	Secretary of the Board of Directors	Representative of Securities Affairs
Name	Zhang Xin	Wu Weiming
Office Address	16 Wensha Road, Foshan, Guangdong	16 Wensha Road, Foshan, Guangdong



Tel.	0757-82836083	0757-82836083
E-mail	OBD@haday.cn	OBD@haday.cn

2 Introduction to main businesses engaged by the Company in the reporting period

(I) Main business

By the production and sales volume/revenue of flavorings, we have been the market leader for many years, and are the largest producer and seller of flavorings in the world. We have multiple product categories, including soy sauce, oyster sauce, sauce, vinegar, essence of chicken, monosodium glutamate and cooking wine, in which the soy sauce, seasoning sauce and oyster sauce are our main products. During the reporting period, the comprehensive competitiveness of our products was strengthened, and the stability and profitability of our main business kept improving.

(II) Main products

(1) Soy sauce

We have been in the No. 1 position by the production and sales volume/revenue of soy sauce for 20 consecutive years, far ahead of our competitors in the market. Our product categories cover high-to-low end with multiple tastes and purposes of cooking. There are mainstream products that are popular for decades, high-end soy sauces that lead the trend of consumption, as well as economic products that fit for ordinary consumers.

(2) Oyster sauce

The sales of oyster sauce have been far ahead of other players, bringing an absolute leading position to us in the market. Along with the deepening of our market network and because of the unique taste, the oyster sauce is going from regional to national and from restaurant to home kitchen.

(3) Seasoning sauce

With regard to seasoning sauces, we are also at a leading position in the market. We have a variety of them, and each has its own features. With genuine ingredients and good prices, they have been very popular among consumers.

(III) Operation model

(1) Purchase model

In our purchase strategy, we have different purchase departments dedicated for different business segments, and all purchase activities are monitored in the ERP system. Hence there has formed a stringent system. Between purchase and production departments, there formed an internal upstream-downstream supply chain so that purchase can be done at the optimal time based on the production plan, therefor reducing the occupation of capital effectively. Stable volume of purchase and flexible pricing strategy help us to lower the purchase cost, and cooperation with brand suppliers helps us to keep improving quality of purchase.

(2) Production model

We define our output mainly by “sales + reasonable inventory”. Non-human touch is allowed in the production process to ensure food safety and improve efficiency. Digital approaches are utilized along

the production process to guarantee product quality. For years, we have maintained a fairly synchronized pattern of production and sales, as well as a high level of capacity utilization.

(3) Sales model

By adopting a sales model focused on dealers, we maximize our coverage of market terminals and realize win-win situation. Using the settlement method featuring “payment before delivery”, we ensure that the Company enjoys sufficient cash flow, and prevent bad debt. Each year, we effectively modify our sales strategy and gradually build up a sales model that fits in with our own development.

(IV) Industry development status

As an industry closely related to people’s lives and closely linked with China’ food culture and eating habits, China’s condiment industry has become the most basic rigid demand for the Chinese people in terms of clothing, food, housing and transportation. Therefore, in China, the condiments are rich in variety and the condiment industry is stable and prosperous. With the continuous improvement of consumer demand, the industry is in a stage of high-speed growth with continuous product segmentation and market concentration, and the booming development of the catering industry has also driven the constant expansion of the demand market for condiments and the consumption has steadily increased. In the past 10 years, brand enterprises in the condiment industry have become increasingly powerful. The market share of branded products has further increased and the industrial concentration has also changed significantly. Brand enterprises with leading technology in the industry rely on science and technology to ensure the product quality through scientific research and new equipment, and adopt new processes and create new products to continuously satisfy consumers’ cooking needs. Therefore, brand enterprises increase the variety and also make the products reach large-scale production. Therefore, it is concluded that in the coming years, the industry will continue to maintain stable and healthy development under the influence of China’s demographic dividend and economic development dividend. With the upgrade of family and catering consumption, the emerging categories that guide consumption and consumer’s growing awareness of health, the industry sees steady increase in per capita expenditure on condiment that facilitating steady development of the condiment industry.

(V) Performance drivers in the reporting period

During the reporting period, the consumer market demand was gradually flourishing and the catering industry continued to develop, which promotes the overall development of the condiment industry. In addition, since 2016, the Company has put forward many targeted and effective measures such as “projects of excellence”, “channel intensive cultivation”, “single product communication” and “craftsmanship spirit” in many aspects such as production, sales, branding and human resources, which clarifies the work for the sustainable development of enterprises in the coming years and prompts the Company’s work during the reporting period to enter a sound development stage again. The higher pursuit of product quality has made the products more stable in terms of flavor and taste and has further enhanced the competitiveness of products. With targeted brand communication, the product’s awareness and reputation have continued to increase. Through another reform, the Company has taken a step forward, to consolidate the Company’s comprehensive strength and status in the industry, thus driving



growth in both size and profits of the Company.

3 Major accounting data and financial indicators of the Company

3.1 Major accounting data and financial indicators in the recent three years

	Monetary unit: Yuan		Currency: RMB	
	2017	2016	YoY change (%)	2015
Total assets	16,336,012,255.77	13,463,592,998.27	21.33	11,498,002,242.84
Operating revenue	14,584,310,896.60	12,458,558,940.81	17.06	11,294,380,030.09
Net profit attributable to shareholders of the listed company	3,531,436,928.16	2,843,133,968.17	24.21	2,509,632,367.33
Net profit attributable to shareholders of the listed company after deduction of non-recurring current profit or loss	3,383,734,780.35	2,768,077,430.02	22.24	2,439,404,808.55
Net assets attributable to shareholders of the listed company	11,753,339,999.07	10,013,769,433.03	17.37	8,751,125,601.73
Net cash flow from operating activities	4,720,977,581.77	4,074,050,747.76	15.88	2,194,831,656.35
Basic earnings per share (RMB/share)	1.31	1.05	24.76	0.93
Diluted earnings per share (RMB/share)	1.31	1.05	24.76	0.93
Weighted average return on equity (%)	31.12	31.65	Decreased by 0.53%	32.11

3.2 Major quarterly accounting data for the reporting period

	Monetary unit: Yuan			Currency: RMB
	Q1 (January - March)	Q2 (April - June)	Q3 (July - September)	Q4 (October - December)
Operating revenue	4,011,026,841.44	3,426,554,282.02	3,408,226,197.36	3,738,503,575.78
Net profit attributable to	976,954,484.75	846,233,371.32	715,747,329.63	992,501,742.46



shareholders of the listed company				
Net profit attributable to shareholders of the listed company after deduction of non-recurring current profit or loss	945,594,798.73	796,177,578.82	677,529,817.18	964,432,585.62
Net cash flow from operating activities	-92,958,672.85	1,102,625,341.97	1,100,091,550.43	2,611,219,362.22

Explanation on the discrepancy between quarterly data and data in the periodic report disclosed

Applicable Not applicable

4 Capital stock and shareholders

4.1 Number of ordinary shareholders and that of preferred shareholders with restored voting rights and shareholding structure of the top ten shareholders

Unit: Share

Total number (Nr.) of ordinary shareholders as of the end of the reporting period							19,346
Total number (Nr.) of ordinary shareholders at the end of the previous month before disclosure of the annual report							19,963
Shareholdings of the top ten shareholders							
Name of shareholder (full name)	Increase/decrease during the reporting period	Number of shares held at end of the period	Proportion (%)	Number of shares subject to trading restriction held	Pledged or frozen status		Type of shareholders
					Status of shares	Number	
Guangdong Haitian Group Co., Ltd.	0	1,573,188,221	58.24	0	None	0	Domestic non-state-owned legal person
Pang Kang	0	258,408,691	9.57	0	None	0	Domestic natural



Summary of 2017 Annual Report of Foshan Haitian Flavoring & Food Co., Ltd.

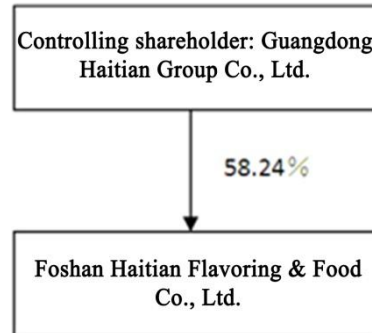
							person
Hong Kong Securities Clearing Company Limited	34,519,203	119,481,413	4.42	0	None	0	Overseas legal person
Cheng Xue	0	85,647,571	3.17	0	None	0	Domestic natural person
Li Xuhui	-303,200	51,636,689	1.91	0	None	0	Domestic natural person
Pan Laican	0	42,293,898	1.57	0	None	0	Domestic natural person
Lai Jianping	-5,865,331	34,941,717	1.29	0	None	0	Domestic natural person
China Securities Finance Corporation Limited	-5,799,380	31,947,125	1.18	0	None	0	State
Guotai Junan Securities - China Construction Bank - Hong Kong and Shanghai Banking Corporation Limited	-1,057,275	21,492,020	0.80	0	None	0	Overseas legal person
Wang Lizhan	-88,300	19,657,239	0.73	0	Pledged	9,570,000	Domestic natural person
Description of related relationship or acting in concert of the above shareholders	<p>1. Pang Kang, Cheng Xue and other 4 natural person shareholders are acting in concert. 2. Among the top ten shareholders, Pang Kang, Cheng Xue, Pan Laican, Lai Jianping and Wang Lizhan are shareholders of Haitian Group, Pang Kang and Cheng Xue are directors of Haitian Group and Wang Lizhan is the supervisor of Haitian Group. 3. Apart from the above, the Company has no knowledge about whether other shareholders have related relationship or act in concert.</p>						



Description of preferred shareholders with restored voting rights and shareholdings	None
---	------

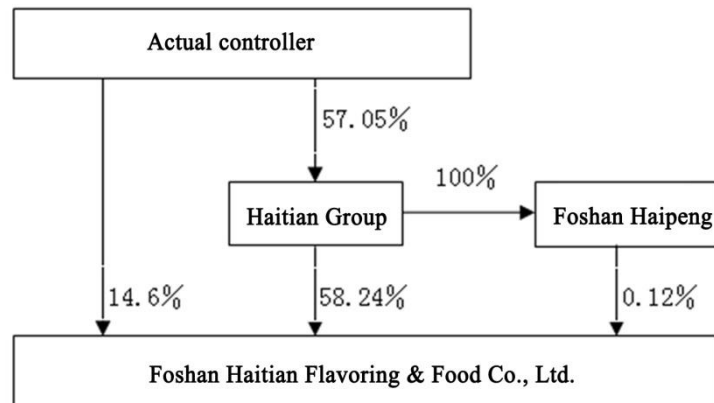
4.2 Block diagram of property right and control relationship between the Company and the controlling shareholder

Applicable Not applicable"



4.3 Block diagram of property right and control relationship between the Company and the actual controller

Applicable Not applicable"



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

Applicable Not applicable"

5 Information about corporate bonds

Applicable Not applicable"

III Discussion and Analysis of Operations

1 Main operation condition in the reporting period

During the reporting period, after the Company's reform with big strides of the market in 2016,



the effect of various reform measures gradually began to play a role in 2017. However, the rapid increase in the costs of raw materials, logistics and manpower, and the rapid development of new Internet modes have given higher requirements to the management level and response capacity of enterprises, and enterprises still need to face many challenges. Therefore, during the reporting period, the Company continued to insist on remaining innovation and reform unchanged and fully tapped potentials in production, manpower and technology, to make the Company's production, sales, brand, human resources, etc. enter a sound development stage again. The Company has also put forward the strategic positioning of "Setting up the enterprise with science and technology" for the next five years, which makes the product quality more competitive and further enhances the quality of employees. With the joint efforts of all employees, the Company realized stable growth in operating revenue, net profit and other core operation indicators to consolidate the Company's comprehensive strength and status in the industry, thus driving growth in both size and profits of the Company.

During the reporting period, the Company realized the operating revenue of RMB 14,584 million, with an increase of 17.06% on a year-on-year basis; the net profit attributable to shareholders of the listed company of RMB 3,531 million, with an increase of 24.21% on a year-on-year basis; the net assets attributable to shareholders of the listed company of RMB 11,753 million, with an increase of 17.37% on a year-on-year basis; the overall gross margin of 45.69%, with an increase of 1.74% on a year-on-year basis.

2 Reasons for suspension of listing

Applicable Not applicable"

3 Situation of and reasons for termination of listing

Applicable Not applicable"

4 Analytical descriptions of the Company on the causes and influence of the accounting policy and accounting estimate alterations

Applicable Not applicable"

5 Analytical descriptions of the Company on the causes and influence of major accounting error correction

Applicable Not applicable"

6 If the consolidation scope of the financial statements changes compared with that of the financial statements of the previous year, the Company shall give a specific description.

Applicable Not applicable"

During the reporting period, three new subsidiaries were established. See VI in the Notes to 2017 Annual Report for details.



Chairman: Pang Kang
Foshan Haitian Flavoring & Food Co., Ltd.
March 22, 2018