

For immediate release



Fufeng Group Limited

Fufeng Announces 2011 Annual Results

Turnover rose by 30.9% to approximately RMB 8,399.2 million

Fufeng reinforces its industry leadership and develops new high-end products

Financial Highlights

For the year ended 31 December	2011 (RMB million)	2010 (RMB million)	Changes
Turnover	8,399.2	6,416.4	+30.9%
Gross Profit	1,519.7	1,565.1	-2.9%
Gross Profit Margin	18.1%	24.4%	-6.3 pts.
Profit Attributable to the Shareholders	604.1	966.1	-37.5%
Return on Equity	17.7%	30.7%	-13.0 pts.
Earnings per Share (Basic) (HK cents)	43.36	68.87	-37.0%
Earnings per Share (Diluted) (HK cents)	41.38	63.08	-34.4%
Dividend per Share for the year (Included paid interim dividend and proposed final dividend) (HK cents)	13	26	-50.0%

【20 March 2012, Hong Kong】Fufeng Group Limited (“Fufeng” or “the Company”, together with its subsidiaries collectively known as “the Group”; stock code: 546), a leading biochemical products producer in China, today announces its audited annual results for the year ended 31 Dec 2011 (“Period under review”).

In the Period under review, the Group enhanced the advantages of its economies of scale and market leadership, and diversified into high-value added products for future growth drivers. The Group accelerated the MSG industry consolidation and significantly expanded the business scale. Turnover, production and sales volumes and market share reached record high. Turnover rose by about 30.9% to approximately RMB 8,399.2 million. Due to the rapid growth in the raw material costs and production cost, gross margin decreased by about 6.3 percentage points to about 18.1%. Profit attributable to the shareholders decreased by about 37.5% to approximately RMB 604.1 million. Basic earnings per share were HK43.36 cents. The board of directors proposed a final dividend of HK3 cents per share, which together with the interim dividend per share of HK10 cents, bring the total dividend per share to HK13 cents for 2011.

As the world's largest producer and supplier of MSG and xanthan gum, the Group took advantage of its economies of scale and actively implemented competitive pricing strategies to expand market share. Although the strategy has weighed on the gross margin in the short term, it has reinforced the Group's market leadership for its future development as the MSG market became even more concentrated in some major producers. It is expected that the Group's pricing power will become stronger, reversing the trend of declining product prices and decreasing profits when the industry consolidation finishes.

MSG segment

In 2011, the Group's sales volumes of MSG increased by about 25.0% to approximately 615,630 tonnes. Revenue of MSG rose by about 26.3% to approximately RMB4,915.4 million. The Group's market share expanded, reinforcing its status as a leading global MSG producer.

As the Hulunbeir Plant Phase 1 with an annual production capacity of 200,000 tonnes went on stream in the second half of 2011, the Group's annual MSG production capacity reached 750,000 tonnes by the end of 2011. It enhanced the economies of scale. On the other hand, the Group successfully established its own "U Fresh" brand series, through the extensive network of supermarkets and distribution networks in China. Besides, the Group diversified its MSG product range by launching compound seasoning products by the end of 2011. The Group's presence in the retail market became stronger.

In the Period under review, the MSG industry consolidation in China accelerated and the market became more concentrated. The Group strategically controlled the products' selling prices with an aim of speeding up the industry consolidation. As a result, the average selling price of MSG products did not rise. On the other hand, the rise in production cost depressed the gross margin. The Group expects that more inefficient production capacities will be supplanted as the industry consolidation is drawing to a close. Major industry players with competitive advantages will fill the void in the supply. Although the gross margin slid in the short term, the Group already strengthened its long-term leading market position to support its future development.

Xanthan gum segment

The Group's second largest business segment Xanthan Gum rapidly developed in the period under review. Sales volume increased by about 31.7% to approximately 45,867 tonnes, which exceeded the production and sales volume target of 40,000 tonnes for the year. Revenue rose by about 22.6% to approximately RMB 835.8 million. The xanthan gum export contributed to 88.5% of the total sales of the segment (2010: 86.4%).

The Group's production capacity and market share have been increasing since 2009. With the remarkably low-cost coal as its cost advantage, the production plant in Inner Mongolia was able to offset the impact of the decreasing average selling price to a certain extent. As the plant increased its production capacity, the Group's bargaining power in coal increased, helping lower the overall production cost.

As the global economy is recovering, the demand for xanthan gum from the oil and other industries grows. The Group expects that the demand for and sales volumes of xanthan gum will increase. The prices of the products have rebounded recently, reversing the trend of a price decline. The Group's competitive advantages and market leadership will become its growth drivers, boosting

profitability.

Amino acid segment

As a new growth driver of the Group, the amino acid segment achieved many breakthroughs during the year. In 2010, the production plant in Inner Mongolia started threonine production with an annual production capacity of 10,000 tonnes. By 2011, the annual threonine production capacity of the Hulunbeir Plant swiftly increased to 30,000 tonnes. As of the end of the Period under review, threonine became one of the key products of the Group, whose total annual threonine production capacity reached 40,000 tonnes. The revenue and sales volumes of threonine increased to approximately RMB 109.0 million and approximately 8,979 tonnes respectively.

According to Fufeng's co-operative agreement with Ajinomoto of Japan in 2010, the Group's threonine products will be distributed through the sales and distribution networks of Ajinomoto starting from 2011. The move will enable the Group to expand market for threonine products by leveraging the well established sales and distribution networks of its partners.

Apart from threonine which is being produced for sale, the Group will use its fermentation technology to develop and produce other new biochemical products, including other high value-added amino acid products. The diversified product portfolio will help the Group seize more market opportunities and expand the markets for products of high gross margin.

Development strategy

Increase production capacity; consolidate leading market position of main products

As the world's largest MSG and xanthan gum producer and supplier, the Group will continue to expand its production capacity, leverage its economies of scale and leading market position of its major business of MSG and xanthan gum, and enhance overall efficiency, making the industry competition become more rational.

The target of the Group is to increase the domestic and global MSG market shares to over 40% and over 30% respectively in 2013. The Group has formed its production capacity layout in places with cost advantage of raw materials with the management team's vision and capability for execution, and will expand production capacity. As the Hulunbeir Plant Phase 2 will go on stream by the first half of 2012, the Group's annual production capacity will reach 1 million tonnes, strengthening the Group's leading position in the industry and market. The Group also met its mid-term strategy target set in 2009. The Group plans to increase its annual xanthan gum production capacity to 50,000 tonnes by 2012 to capture the opportunities in the rapidly growing market.

Develop new products and high value-added amino acid products

While developing the mainstay businesses, Fufeng Group will also explore the markets of amino acid products with high gross margin and step up efforts to develop new products. On top of current threonine products, the Group will launch other related products of high gross margin as the future growth drivers.

The Group will set up a new plant in Xinjiang to produce some high-end amino acid products. This will enable it to tap the rich coal resources of the place in order to develop high value-added amino acid products with cost advantage. The short-term goal of the Group is to become one of the world's

top three producers and suppliers by market share in three to five such amino acid products. The development and production of these products will upgrade and diversify the Group's product mix, satisfying the various demands of the market. This is the Group's plan to extend its business scope from the production and sales of typical amino acid products for bulk trade to those of high value-added and high-end products.

The chairman of Fufeng Group, Mr. Li Xuechun said, "With the strengths and leading position built over a number of years, we will have a stronger advantage of economies of scale and pricing power after the MSG industry consolidation finishes, paving the way for its future development. The Group will continue to drive the growth of its mainstay businesses of MSG and xanthan gum with production capacity expansion, and at the same time, will develop high value-added and high profit-margin products to optimize its product mix and raise the overall efficiency. It will shift the focus of development from production capacity expansion to the enhancement of products quality and overall efficiency. It will enhance its economies of scale, continue to reinforce its leading position in the industry and diversify its product range to tap the huge demand generated by the improvement of the living standards and the rapid growth in the food industry. This would enable it to develop new markets, generating better returns for the shareholders."

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About Fufeng Group Limited

Fufeng Group, the world's largest MSG and xanthan gum producer and supplier, uses fermentation technology to produce biochemical products. Its major products include MSG and xanthan gum products. Fufeng also produces fertilisers, corn refined products, starch sweeteners and amino acid products. For further information, please visit the Company website: www.fufeng-group.com.

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