

[For Immediate Release]



Fufeng announces 2013 interim results

Revenue increased to RMB 5.74 billion

Gross profit margin improved to 16.1%

Xanthan gum segment became the largest source of profit

Financial Highlights

Six months ended June 30	2013 (RMB Million)	2012 (RMB Million)	Change
Revenue	5,741.6	5,539.9	+3.6%
Gross Profit	926.2	824.8	+12.3%
Gross Profit Margin	16.1%	14.9%	+1.2 ppts
Profit Attributable to Shareholders	206.3	274.3	-24.8%

[August 16, 2013 - Hong Kong] The world's largest monosodium glutamate ("MSG") and xanthan gum producer, Fufeng Group Limited ("Fufeng" or the "Company", together with its subsidiaries, the "Group"; stock code: 546) today announces its unaudited interim results for the six months ended 30 June 2013 ('Period under review').

In the first half of 2013 ("1H2013"), the Group faced a series of challenges including depressed macro-economic trends, weakening consumer confidence and a tough operating environment in the food and beverage ("F&B") sector. As a market leader, the Group continued to lead the industry consolidation amidst the adverse market conditions. In the period under review, the sales volume of MSG and xanthan gum reached record highs of approximately 508,382 tonnes and 28,432 tonnes, increasing 10.7% and 5.4% respectively. With the Xinjiang Plant Phase 2 commencing operation from July in 2013, the Group's annual production capacity of xanthan gum will reach 70,000 tonnes.

Benefiting from the increase of sales volume of MSG and xanthan gum, the Group's revenue increased 3.6% to approximately RMB 5,741.6 million. Gross profit grew by 12.3% to approximately RMB 926.2 million, mainly due to the growth of the xanthan gum segment. Gross profit margin improved to 16.1%, resulting from the significant increase in xanthan gum's gross profit margin (increased from approximately 39.2% in 1H2012 to approximately 58.7% in 1H2013) and the higher profitability of high-end amino acid products.

As a result of increased bank borrowing, expansion of sales distribution network and increased transportation costs, total administrative costs (including selling and marketing expenses, administrative expenses and finance costs) increased by 32.9%. Profit attributable to shareholders decreased 24.8% to approximately RMB 206.3 million. Basic earnings per share were HK13.96 cents. The Board of Directors recommended the payment of an interim dividend of HK 2 cents per share for the six months ended 30 June 2013.

MSG Segment

In the period under review, the sales volume of MSG increased 10.7% to about 508,382 tonnes as compared with the corresponding period in 2012. The Group further enhanced its market leadership position. Industry consolidation was more or less completed and the Group's objectives were for the most part achieved, including capacity expansion, increase of market share and changing the oversupply market condition.

The Group faced pricing pressure resulting from the poor performance of the domestic F&B sector and consumption market as well as market competition. The price of MSG tested a new low that has not been seen in recent years. The average selling price ("ASP") of MSG dropped from approximately RMB 7,382 per tonne in 1H2012 to approximately RMB 6,189 per tonne in 1H2013, a decrease of 16.2%. Nevertheless, the Group leveraged its cost advantages and adopted a competitive pricing strategy to expand market share and increase sales volume. Due to the drop of the ASP of MSG, revenue of the MSG segment recorded a slight decrease of 0.8% to approximately RMB 4,998.5 million. Gross profit and gross profit margin of the MSG segment also fell, but the impact was mitigated to a certain extent by the decrease in key raw material costs during the period. In the period under review, the Group's Xinjiang Plant commenced commercial-scale production of high-end amino acid products.

Amino Acid Products

The Group commenced production of high-end amino acid products at the new Xinjiang Plant at the end of 2012 with annual production capacity of 1,500 tonnes. The total sales amount of high-end amino acid products including valine, leucine, isoleucine and glutamine, increased to approximately RMB94.0 million in 1H2013. The Group will further develop the market of amino acid and launch a series of high-end amino acid products with an aim to be one of the key global suppliers in 3 to 5 kinds of amino acid product markets.

Xanthan Gum Segment

In the period under review, the xanthan gum market demand outpaced supply driven by strong global demand. Revenue of the xanthan gum segment reached approximately RMB 743.0 million, a significant increase of 48.9%, primarily due to the growth of market demand and ASP since 2012. Sales volume of xanthan gum increased approximately 5.4% to 28,432 tonnes, mainly from the capacity at Xinjiang Plant Phase 1.

Gross profit of the xanthan gum segment was approximately RMB 435.9 million, a significant improvement of 122.6%. Gross profit margin increased 19.5 percentage points to 58.7%, reflecting the Group's pricing power and competitive cost advantages of its Inner Mongolia Plant and the new Xinjiang Plant. The xanthan gum segment became the largest source of profit during the period.

Regarding future prospects and development strategies, **Mr. Li Xuechun, chairman of Fufeng** said, "It is anticipated that the F&B sector in China will gradually become stable in 2H13. The Group expects that the operating environment will be slightly better than that in 1H2013. After over two years of industry consolidation and price competition, the MSG industry has widely completed the elimination of excess production capacities, resulting in numerous uncompetitive medium-and-small-sized producers and capacity leaving the industry. The market is dominated by several leading enterprises, and it appears that the long-standing oversupply situation has been improved. The Group will seize market opportunities to strategically adjust product prices in order to improve profitability. As the market leader, the Group will strive to play its part in creating a sustainable competitive environment for the MSG industry."

"The annual production capacity of xanthan gum of the Group will reach 70,000 tonnes at the end of 2013. With market demand remaining strong, the Group expects the ASP of xanthan gum to remain high in the foreseeable future. Recently, the Group has received a notice from the United State Department of Commerce concerning the tax rate of arbitration of anti-dumping against xanthan gum. The Group is the only enterprise of all Chinese exporters to pay the lowest tax rate, giving us a significant competitive advantage. The Group will seize this opportunity and actively expand the U.S. market, increasing the proportion of high-end xanthan gum products in order to further increase our market share. We also expect this advantage to have a very positive influence on the expansion and extension of xanthan gum in other markets and the enhancement of the international reputation of the Group. In addition, the Group is stepping up its effort in developing the market for amino acid products. We have launched a series of high-end amino acid products such as valine, leucine, isoleucine and glutamine. Such amino acid products will increase

the product mix and diversity of the Group. This will enable us to provide more diversified biochemical products to satisfy market and customer demand.

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About Fufeng Group Limited

Fufeng, using fermentation technology to produce biochemical products, is the world's largest producer of MSG and xanthan gum. The main productions are MSG and xanthan gum products, as well as fertilisers, corn refined products and high-end amino acid products. For more information, please visit our website www.fufeng-group.com

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