

**[For Immediate Release]**



**Fufeng announces 2013 annual results  
Net profit increased by 18.7%**

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**Sales volume of MSG reached 1 million tonnes strengthening market leadership  
Xanthan gum business became the largest source of profit**

**Financial Highlights**

<b>Year ended December 31</b>	<b>2013 (RMB Million)</b>	<b>2012 (RMB Million)</b>	<b>Change</b>
<b>Revenue</b>	11,366.7	11,111.9	+2.3%
<b>Gross Profit</b>	2,099.4	1,637.5	+28.2%
<b>Gross Profit Margin</b>	18.5%	14.7%	+3.8 ppts.
<b>Profit Attributable to Shareholders</b>	506.1	426.6	+18.7%

[March 18, 2014 - 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 annual results for the year ended 31 December 2013 ("Period under review").

In terms of the macro-economic environment, growth in the PRC's domestic economy slowed down in 2013, and in particular traditional industry such as manufacturing faced difficulties in operation due to weak consumption as a result of low consumer confidence. In addition, unfavorable factors, such as the implementation of the "Eight-point Guidelines" issued by the Central Government and "Avian Flu", have worsened the situation, especially in the food and catering industry.

In terms of business operations, the Group was still able to achieve relatively satisfactory results under such unfavorable external conditions which validated its persistence and focus on the implementation of strategy to consolidate the MSG industry. On one hand, the Group adhered to its low price strategy and focused on sales volume to continue winning market share in the MSG industry. On the other hand, the Group increased its market share for xanthan gum products by expanding production capacity and raising the selling price to seize opportunities in the market, and has since built the xanthan gum business to be a key profit pillar and growth driver of the Group.

In 2013, the Group recorded an increase of approximately 2.3% in revenue to approximately RMB11,366.7 million. The revenue growth was primarily attributable to the increase in sales volume of MSG as well as the increase of sales volume and selling prices of xanthan gum and high-end amino acid products. Raw material costs of the Group, including the prices of corn kernels, coal and chemical products, decreased to some extent as compared with 2012. Gross profit increased by approximately 28.2% to approximately RMB2,099.4 million. The Group's overall gross profit margin increased from about 14.7% in 2012 to about 18.5% in 2013, primarily due to the increase in gross profit margin of its xanthan gum business from about 46.0% in 2012 to about 58.3% in 2013 and the relatively higher profitability level of its high-end amino acid products. Profit attributable to the Shareholders increased by about 18.7% to approximately RMB506.1 million. Basic earnings per share were RMB25.13 cents. The Board has recommended a final dividend of HK4 cents per share. The total dividend per share for the year 2013 is HK6 cents.

### **MSG Segment**

As the core business of the Group, the MSG business accounted for the largest proportion of its sales revenue. 2013 marked the first time the Group's MSG production and sales surpassed the 1 million tonnes mark. Despite sluggish demand from the downstream sector, the Group still achieved the sales target of 1 million tonnes of MSG, further establishing its position as the undisputed market leader in the domestic MSG market. With industry consolidation coming to a close, the Group believes that the MSG industry will soon be back on a steady and healthy development track.

During the year, the average selling price of the MSG products dropped by approximately 11.8% to approximately RMB6,295 per tonne (2012: RMB7,134 per tonne). To protect its margin, the Group took active steps to reduce procurement costs by taking advantage of lower raw material prices in 2013 and increasing production efficiency. Furthermore, in the second half of 2013, the Group leveraged on the supply gap created by industry peers who suspended production for equipment maintenance to increase the Group's selling price slightly. As a result, even under the extreme unfavorable external environment, the annual gross profit margin of MSG segment reached approximately 12.6%, representing an increase compared to 2012 (2012: 11.4%).

### **High-end Amino Acid Business**

High-end amino acid business in Xinjiang base began to show strong growth in 2013 with annual sales of amino acid products (such as valine, leucine, isoleucine and glutamine) of approximately 2,406 tonnes, realizing sales revenue of approximately RMB211.4 million.

Through strategic cooperation with Shenhua Pharmaceutical (another subsidiary of the Group), the Group's products have been sold to many domestic and foreign healthcare products companies and pharmaceutical enterprises. This basically achieved the Group's goal of "enriching the diversity of products portfolio, upgrading products class and enhancing products recognition" by tapping the high-end amino acid products market and has laid the foundation for the Group to become a comprehensive supplier of biochemical products.

### **Xanthan Gum Segment**

Xanthan gum business has become a pillar of the Group's growth in 2013, providing key support to the Group as a whole in the face of the unprecedented challenges in the MSG industry. Throughout the year under review, thanks to the growing demand in oil and gas exploitation industry, the demand and sales of xanthan gum boomed, with price reaching a high point not seen for years. Annual sales volume reached to approximately 58,000 tonnes, representing an increase of approximately 10.1% compared to 2012. The average selling price for the whole year was approximately RMB25,254 per tonne, up approximately 23.8% from 2012.

In addition, when confronted with the anti-dumping investigation by the U.S. Department of Commerce, the Group responded proactively and managed to turn around the unfavorable situation with the dedicated efforts from its team, resulting in a dumping rate much lower than other companies in the PRC, further consolidating its leading position in the industry. This result not only opened the door for the Group to further develop high-end markets, including the U.S., but also further confirmed the unparalleled cost advantage of the Group's xanthan gum products amongst its peers. Meanwhile, the anti-dumping investigation also turned out to be a boost to the Group's corporate image as a private enterprise in the international biochemical industry, which will give the Group a greater leverage when expanding other products into international markets.

Regarding future prospects and development strategies, Mr. Li Xuechun, chairman of Fufeng said, "Looking ahead to 2014, it is expected that the economic situation in the PRC will remain sluggish as a whole. The lack of consumer confidence and the slowdown in the growth of the economy will continue to affect the food and catering industry. However, as the short-term impact arising from negative factors including "Avian Flu" and restrictions of "3 Public Consumptions" policy gradually lessen, it is anticipated that the food and catering industry will gradually become stable in 2014. As a result, the Group expects the operating environment to be slightly better as compared to 2013."

Mr. Li added, "We must continue to preserve our core competencies to cope with the changing environment. In addition to relentless focus on controlling costs and improving

efficiencies, we will also actively introduce new products with higher profitability. The Group will continue to actively explore the development of amino acid products and new high-end polymer materials such as gellan gum and hyaluronic acid in order to improve product class, increase sales and penetration in healthcare products, pharmaceutical entities, and the skincare products field. Only by continuously upgrading our product quality and expanding our product range can we transform gradually from the traditional, bulk-trade enterprise towards a modern, high-tech and high value-added supplier of biochemical products.”

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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](http://www.fufeng-group.com)

### **Investors and media enquiries**

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