

[For Immediate Release]



Fufeng announces 2014 annual results
Revenue remained stable and net profit increased by 23.8%

Benefiting from the completion of MSG industry consolidation, profitability of MSG business further strengthened
High-end amino acid and specialty ingredients business became the new growth driver

Financial Highlights

Year ended December 31	2014 (RMB Million)	2013 (RMB Million)	Change
Revenue	11,297.7	11,366.7	-0.6%
Gross Profit	2,166.9	2,099.4	+3.2%
Gross Profit Margin	19.2%	18.5%	+0.7 ppts.
Profit Attributable to Shareholders	626.4	506.1	+23.8%

[March 24, 2015 - 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 audited annual results for the year ended 31 December 2014 ("Period under review").

In 2014, China's macro-economy was still filled with challenges. However, it was encouraging to see the consolidation of the MSG industry coming to an effective completion in the second half of 2014. As the leader in the industry, the Group further consolidated its leading position in the market and enhanced its pricing power. With such a backdrop, MSG business, as the major business of the Group, demonstrated its comparatively robust momentum with its price on the rise steadily, while the high-end amino acid business and other new products further enhanced the profitability of the Group. Benefiting from the complementation of the new products, the Group successfully developed diversified and sustainable sources of revenue, laying a solid foundation for profitability in future. Furthermore, the Group imposed stringent controls on various costs to further strengthen its profitability.

In 2014, revenue of the Group reached approximately RMB11,297,700,000, which was relatively stable as compared with 2013. Gross profit increased 3.2% to approximately RMB2,166,900,000, which was mainly attributable to the increases of gross profit and gross

profit margin of the MSG segment. Overall gross profit margin increased from about 18.5% in 2013 to about 19.2% in 2014. Profit attributable to shareholders reached RMB626,400,000, an increase of 23.8%. Basic earnings per share were HK38cents. The Board of Directors has recommended a final dividend of HK4.4cents. The dividend for the full year is HK7.4cents.

MSG Segment

After years of MSG industry consolidation, the Group has come to the fruits of it in 2014. This round of consolidation not only eliminated numerous small and medium sized competitors but also brought the integration of leading enterprises in the industry. Obviously, this round of consolidation has had a profound impact on the industry.

After this round of industry consolidation, the Group has taken the lead to further consolidate its leading position in the market and reinforce its pricing power. During the year, the Group successfully raised the MSG prices six times in order to maintain the gross profit margin at a more reasonable and sustainable level.

Starting from the second quarter in 2014, the average selling price (“ASP”) of MSG went up from approximately RMB6,115 per tonne to approximately RMB6,907 in the fourth quarter. ASP in 2014 reached approximately RMB6,482 per tonne, an increase of about 3.0% over 2013. The sales volume of MSG decreased 7.7% to approximately 925,620 tonnes, mainly affected by the relocation of Baoji Plant. The gross profit margin of MSG segment increased 2.0 percentage points to 14.6%. The revenue of MSG segment comprised 88.1% of the total revenue.

High-end Amino Acid and Specialty Ingredients Business

The Group successfully developed and produced the products such as valine, leucine, isoleucine, hyaluronic acid (hyaluronan), tryptophan, glutamine, gellan gum and other specialty ingredients in its Xinjiang base.

To Fufeng, these new products enjoy the characteristic of “low investment, high return”. By leveraging on the development plan and the advantage of raw materials resources in Xinjiang base, these products enjoy production cost advantage and strong profitability. These new products have excellent and long-term growth potential as well as broad end-user markets including promising markets such as beauty, medical and healthcare.

One of its key products, hyaluronic acid, recorded significant sales achievement in the domestic and overseas markets. The product quality is well recognised by the end customers, which further proves its leading position in the global market.

During the year, the revenue of high-end amino acid products and specialty ingredients reached approximately RMB341.2 million, representing a significant increase of about 61.4%. Although the new products only accounted for 3.0% of total revenue, they have significant contribution to the overall profit.

Xanthan Gum Segment

Following the launch of new xanthan gum production lines in the Xinjiang base, the Group's xanthan gum business scale further expanded, enhancing Fufeng's global market share. In 2014, the annual production capacity reached 82,000 tonnes, an increase of about 25.7% over 2013. Its output reached about 83,095 tonnes at a growth rate of about 27.4%. Its sales volume increased about 12.7% to approximately 64,864 tonnes.

Despite the new competitors, the Group managed to secure the clients' trust by virtue of good product quality and services and maintained the gross profit margin at an attractive and a sustainable level.

During the year, although the ASP of xanthan gum dropped to approximately RMB20,613 per tonne, its sales volume experienced substantial increase, resulting in a gross profit margin of 52.7%. Xanthan gum accounted for 11.9% of the total revenue.

Regarding the achievements in 2014, Mr. Li Xuechun, Chairman of Fufeng said, "The Group continued to be the largest manufacturer and supplier of MSG in the world and successfully led and completed the MSG industry consolidation in China. We increased the MSG price several times during the year. With the further strengthening of MSG business, the Group recorded strong gross profit and cash flow. The Group maintained its leading position in the xanthan gum industry as the largest manufacturer and supplier of xanthan gum in the world. During the year, the Group further expanded the scale of xanthan gum business and increased its global market share. The threonine business demonstrated a favourable development trend. Our alliance with Ajinomoto in threonine production and sales in the global market achieved remarkable success. In addition, the Group achieved breakthroughs in the research and development of new products. High-end amino acid products and specialty ingredients became the new growth driver of the Group."

Regarding future prospects and development strategies, Mr. Li added, "Looking ahead, further strengthening of the MSG business will bring about better returns and strong cash flow, which in turn will support the development of the new growth strategy. Meanwhile, the Group will commit itself to enhancing the sales capabilities of various business segments, with an aim to fully release the production costs advantage and scale of production capacity of xanthan gum, high-end amino acid and specialty ingredients, as well as to improve the

profitability of our fertiliser business. The Group will seize the strong momentum jointly created with Ajinomoto in the threonine sector. We will further enhance and expand this alliance in production and sales in order to increase our market share. The business of Shenhua Pharmaceutical has improved significantly and we have achieved breakthroughs in product development of high-end amino acid products and specialty ingredients. Our grand health and wellness business development strategy demonstrates a favourable development trend and will be the new growth driver of the Group.”

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About Fufeng Group Limited

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

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