

**[For Immediate Release]**



**Fufeng announces 2015 annual results**  
**Revenue remained stable and net profit dropped by 17.6%**

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**The Group continued to consolidate its leading position in the market and adopt a competitive pricing strategy**

**Newly enhanced production technology of MSG  
increases production yield and reduces cost**

**Financial Highlights**

<b>Year ended December 31</b>	<b>2015 (RMB Million)</b>	<b>2014 (RMB Million)</b>	<b>Change</b>
<b>Revenue</b>	11,225.7	11,297.7	-0.6%
<b>Operating Profit</b>	1,033.5	1,107.8	-6.7%
<b>Profit Attributable to Shareholders</b>	516.3	626.4	-17.6%

[March 15, 2016 - 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 2015 ("Period under review").

The PRC and global economies continued to face difficulties and challenges in 2015. Despite this, 2015 saw stable development for the Group's core businesses. As the industry leader, the Group continued to consolidate its leading position in the market and adopt a competitive pricing strategy. In addition, the Group made considerable effort in developing high value-added fermentation products in order to diversify its revenue stream, enhance profitability and provide impetus for the long-term sustainable growth of the Group.

Overall revenue remained relatively stable at approximately RMB11,225.7 million (2014: RMB11,297.7 million). The slight decrease in revenue was primarily caused by the decrease in the average selling price ("ASP") of xanthan gum, which was only partially offset by the slight increase in the ASP of MSG and the increase of the revenue from high-end amino acid products.

Gross profit decreased from approximately RMB2,166.9 million in 2014 to approximately RMB1,802.50 million in 2015. Gross profit margin of the Group decreased to about 16.1%

(2014: 19.2%), primarily due to the increase in gross profit contribution of the sales of threonine, MSG and high-end amino acid products, which were offset by the decrease in gross profit margin of xanthan gum.

Profit attributable to the Shareholders decreased by about 17.6% to approximately RMB516.3 million (2014: RMB626.4 million). Earnings per share (Basic) was RMB24.36 cents (2014: RMB29.98 cents). Final dividend of HK1.3 cents (2014: HK4.4 cents) per share has been recommended by the Board. The sum of paid interim dividend and proposed final dividend is HK5.8 cents per share (2014: HK7.4 cents).

The Group's products are organised into two business segments, namely Amino acid segment and Xanthan gum segment. Amino acid segment includes MSG, fertilisers, starch sweeteners, threonine, high-end amino acid products and other related products while Xanthan gum segment represents the production and sale of xanthan gum.

### **Amino acid segment**

Revenue generated from the sales of the Amino acid segment products increased to approximately RMB10,256.4 million in 2015, representing an increase of RMB306.5 million or 3.1%, as compared with that in 2014, which was mainly attributed to the increase in the ASP of MSG and the increase in revenue contribution from sales of high-end amino acid products.

The Group was able to maintain its leading position in the MSG business through utilising its strong production capacity, stepping up marketing efforts and maintaining competitive pricing. While the ASP of MSG increased by 4.0%, from approximately RMB6,482 per tonne in 2014 to approximately RMB6,744 per tonne in 2015, sales volume increased slightly by 2.4% to about 947,435 tonnes as compared with 2014. With a pricing strategy to strengthen the market share and leadership, the ASP of MSG in the fourth quarter of 2015 fell to approximately RMB6,187 per tonne. As a result, the overall ASP of MSG for 2015 only increased by 4.0% compared to 2014, resulting in the turnover of MSG in 2015 increasing by only 6.7%.

2015 was a notable year for our production technology enhancement and product development. Our newly enhanced production technology of MSG leads to further strengthened competitive cost advantages, which will reduce production costs and expect to increase the yield. Tests for new production technology of MSG were conducted in Baoji Plant in the past few years. The consumption of sugar and liquid ammonia required during the production of glutamic acid substantially decreased when adopting the new production technology, which led to an obvious decrease in the cost per tonne.

On the other hand, annual production capacity of threonine increased to 136,000 tonnes at the end of 2015 and the high-end amino acid products successfully expanded in terms of product development and market share. During the year, the total sales amount of threonine reached RMB594.8 million, representing an increase of 5.1% compared to 2014. In 2015, the Group sold approximately 53,605 tonnes of threonine as compared to approximately 54,992 tonnes in 2014. During the year, the total sales amount of high-end amino acid products reached RMB490.7 million, representing an increase of 43.8% compared to 2014. Our high-end amino acid products generally enjoy higher profitability and focus on healthcare and pharmaceutical materials industries.

Gross profit of the Amino acid segment decreased to RMB1,447.5 million and gross profit margin decreased by 0.5 percentage points to 14.1%. The Group managed to reduce the ASP of MSG to a relative low level in the fourth quarter of 2015, which affected the overall gross profit margin of Amino acid segment. On the other hand, an increase in the sales volume and the higher ASP for higher profit margin products such as threonine and high-end amino acids products had a positive contribution of the gross profit, whilst major raw material costs remained at a relatively stable level.

### **Xanthan Gum Segment**

Revenue generated from xanthan gum decreased by about 28.1% to approximately RMB969.3 million in 2015, from approximately RMB1,347.8 million in 2014. The decrease in revenue was due to the decrease in ASP, while sales volume kept stable during 2015, representing the Group's ability to maintain fully utilisation of production capacity to meet market demand. The significant decrease in the ASP of xanthan gum is due to intense competition and weak market conditions in the global oil industry in 2015.

Gross profit of the Xanthan gum segment decreased by about 50.0%, from approximately RMB710.4 million in 2014 to approximately RMB355.0 million in 2015. Gross profit margin decreased as well, by 16.1 percentage points to 36.6% in 2015, as a result of our pricing strategy and our competitive cost advantages at the Inner Mongolia ("IM") Plant and new Xinjiang Plant.

Regarding the future prospects and development strategies, Mr. Li Xuechun, Chairman of Fufeng said, "In the first half of 2016, we plan to proceed with the same technological transformation in the IM Plant. It is anticipated that the positive result in this regard will occur in the second half of 2016 and we are excited about the prospects of the MSG sector. With benefits from the new technology, such as further improvement in output and cost reduction, the cost advantage between us and our competitors will be further expanded. We will further

strengthen our market leadership due to such advantage and we believe that our emphasis on profit improvement of the MSG business will be realised in near future.”

Mr. Li added, “The Group will consider to further enlarge the production capacity of threonine, with the objective of becoming the largest producer of threonine in the world, after our leading position in MSG and xanthan gum. In addition, we will put more investment in our xanthan gum sales team with the aim of optimising customer development and customer portfolio on an ongoing basis.”

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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, xanthan gum, threonine, high-end amino acids products and specialty gum products as well as other corn refined products. For more information, please visit our website [www.fufeng-group.com](http://www.fufeng-group.com)

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