

[For Immediate Release]



Fufeng announces 2016 interim results

Turnover remained stable and reached RMB 5.5 billion

**Profit attributable to shareholders (exclude one-off gains) increased by 26.5%
to RMB 350 million**

**Production technology enhancement of MSG
further strengthens competitive advantages**

Financial Highlights

Six months ended June 30	2016 (RMB Million)	2015 (RMB Million)	Change
Turnover	5,512.5	5,631.5	-2.1%
Gross Profit	1,064.1	1,036.8	+2.6%
Profit Attributable to Shareholders	350.4	413.5	-15.2%
Profit Attributable to Shareholders (exclude one-off gains)	350.4	276.9	+26.5%

[August 16, 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 unaudited interim results for the six months ended 30 June 2016 ("Period under review").

The PRC and global economies continued to face difficulties and challenges during the period. As the leader in the industry, the Group achieved stable development for its core business and further consolidated its leadership position in the market.

For the period under review, the Group's revenue remained relatively stable at approximately RMB5,512.5 million as compared to approximately RMB5,631.5 million for the corresponding period of 2015. The slight decrease in revenue was primarily caused by the significant decrease in the average selling price ("ASP") of xanthan gum, which was offset by the increase in the revenue contribution of MSG, high-end amino acid products and threonine. As the cost of major raw material, corn kernels, decreased in the first half of 2016, the ASP of MSG was adjusted accordingly. However, the gross profit of MSG maintained at a satisfactory level. Although the ASP of xanthan gum decreased significantly as the global oil industry market condition was weak, the Group was able to maintain the market leading position of xanthan gum during the period.

The Group's overall gross profit slightly increased from approximately RMB1,036.8 million in the first half of 2015 to approximately RMB1,064.1 million in the first half of 2016. This represents an increase of 2.6%, primarily due to the increase in gross profit contribution of the sales of MSG, high-end amino acids products and threonine, which were partially offset by the decrease in gross profit margin of sales of xanthan gum.

Profit attributable to the shareholders decreased by 15.2% in the six months ended 30 June 2016 as compared to the same period in 2015. As the effect of one-off compensation income after taxation from sales of a subsidiary amounting to RMB136.6 million for the corresponding period in 2015 was excluded, profit attributable to the shareholders increased by 26.5% to RMB350.4 million in the six months ended 30 June 2016. Basic and diluted earnings per share ("EPS") for the first half of 2016 were HK19.28 cents and HK18.43 cents, respectively (1H2015: HK24.84 cents and HK23.52 cents). The Board of Directors has recommended an interim dividend of HK3.8 cents per share (1H2015: HK4.5 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 RMB5,213.2 million in the first half of 2016, representing an increase of RMB140.7 million, or 2.8%, as compared with the corresponding period of 2015, mainly due to the increase in the revenue of high-end amino acid products and threonine. The revenue of MSG was stable primarily due to the effect of an increase in the sales volume of MSG offset by the effect from a decrease in ASP during the period. The sales volume of MSG was about 508,477 tonnes in the first half of 2016, representing an increase of 15.5% as compared with the corresponding period of 2015, mainly due to the production yield increase driven by the production technology enhancement.

The Group maintained its market leadership in the MSG business through increased marketing efforts and competitive pricing. While the ASP decreased about 12.9%, from approximately RMB6,919 per tonne in the first half of 2015 to approximately RMB6,025 per tonne in the first half of 2016, mainly due to the drop of cost of major raw material during the period. Turnover of MSG in the first half of 2016 increased by 0.3%, mainly due to sales volume increasing by 15.5% to approximately 508,477 tonnes compared to the corresponding period of 2015.

The new high-end amino acid products business is the new growth driver of the Group. The total sales amount of high-end amino acid products including valine, leucine, isoleucine, glutamine and hyaluronic acid, increased to approximately RMB314.9 million in the first half of 2016 as compared to approximately RMB235.9 million in the first half of 2015. The high-end amino acid products market is one of the key markets that the Group remains focused on developing and strengthening.

The total revenue of threonine increased by about 27.7% in the first half of 2016 as compared to the same period in 2015, primarily as a result of increased sales volume of threonine from approximately 27,955 tonnes in the first half of 2015 to approximately 47,021 tonnes in first half of 2016, which was offset by the decrease in ASP of threonine by 23.8% from approximately RMB11,665 per tonne in the first half of 2015 to approximately RMB8,885 per tonne in the first half of 2016.

For the period under review, gross profit and gross profit margin of MSG increased with the implementation of production technology enhancement. In addition, increasing gross profit contribution from high-end amino acids products and threonine, which have higher gross margins, resulted in an increase in the overall gross profit margin of the Amino acids segment. Gross profit of the segment increased to approximately RMB1,017.5 million and gross profit margin increased by 3.8 percentage points to 19.5%.

Xanthan Gum Segment

The global market demand for xanthan gum has been weak in recent years with weakness in the global economy and oil industry in particular, which has significantly impacted the contribution of xanthan gum business in the Group. Revenue generated from xanthan gum decreased by 46.5% from approximately RMB559.0 million in the first half of 2015 to approximately RMB299.3 million in the first half of 2016. The decrease in revenue was due to the decrease in ASP and sales volume during the period.

Gross profit of the Xanthan gum segment decreased by about 80.6% from approximately RMB240.3 million in the first half of 2015 to approximately RMB46.6 million in the first half of 2016. Gross profit margin decreased as well, by 27.4 percentage points in the first half of 2016, reflecting the general pricing weakness of xanthan gum in the oil industry.

Regarding the future prospects and development strategies, Mr. Li Xuechun, Chairman of Fufeng said, "The Group will continuously strengthen our MSG business through production technology enhancement and explore the development of high-end amino acid products and specialty ingredients, including specialty gum products, in order to improve our product portfolio and to increase sales and penetration in health and wellness products,

pharmaceutical entities and the skin care segments, becoming a critical player in such value chains."

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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

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