

[For Immediate Release]



**Fufeng announces 2016 annual results
Profitability of core business significantly improved
with net profit doubled to RMB1.09 billion**

China corn market reform, benefits of strategic location of production bases and production technology enhancement created sustainable profit growth for the Group

Financial Highlights

Years ended December 31	2016 (RMB Million)	2015 (RMB Million)	Change
Revenue	11,803.1	11,225.7	+5.1%
Gross Profit	2,406.4	1,802.5	+33.5%
Net Profit	1,092.5	516.3	+111.6%

[March 21, 2017 - 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 2016 ("Period under review").

In the last quarter of 2016, the Group started to see the significant impact of the implementation of the corn market reform in China. The Northeast China and Inner Mongolia Autonomous Region altered the corn temporary storage policy to a market oriented pricing mechanism of "market pricing" supplemented by "direct subsidy to farmers". The liberalisation and marketisation of the corn policy allowed Fufeng to fully capitalise on its advantage in strategic location of production bases. During the second half of year in particular, the Group greatly benefited from a substantial reduction in the purchase price of corn, that the Group believes has helped improved its competitive position versus competitors both in China and in overseas markets

The industry consolidation in recent years has brought about further market concentration, a more consolidated position of the Group in the industry, an improving business environment, and the emerging results after consolidation.

In 2016, all of the Group's MSG production bases completed the first phase of production technology enhancement. This initiative has significantly improved the cost structure of the

MSG production and accelerate the pace that the Group reaps benefits from its leading position in a highly consolidated industry. This is a solid demonstration of the meticulous management projects launched in recent years. In particular, it provides management with additional confidence for realizing additional economic enhancements from the implementation of the second phase of technology enhancement for MSG production in 2017.

As at 31 December 2016, the audited turnover of the Group amounted to approximately RMB11,803.1 million, representing an increase of about 5.1% compared to 2015. Net profit was approximately RMB1,092.5 million, representing an increase of about 111.6% compared to 2015.

The Board of Directors recommends the payment of a final dividend of HK 7.8 cents per share (2015: HK 1.3 cents), with the paid interim dividend and the final dividend to be paid totaling HK 11.6 cents per share (2015: HK 5.8 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 sale of the amino acid segment products increased to approximately RMB11,240.7 million in 2016, representing an increase of 9.6%, as compared with 2015, mainly attributed to the increase in the revenue of threonine and high-end amino acid products. 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 year.

In respect to the MSG business, the Group completed the first phase of the production technology enhancement during the year. Meanwhile, by fully leveraging its cost advantages, the extra output unleashed by production technology enhancement also successfully secured a greater market share as well as increased the Group's revenue. During the period, the Group has successfully gained larger access to the favourable export market. In addition, benefiting from a significant decrease in corn costs, the profit margin of the MSG business witnessed a remarkable increase, providing a golden development opportunity for the major line of business. The annual ASP of MSG was approximately RMB 5,910 per tonne, representing a decrease of about 12.4% as compared with the ASP in 2015. The sales volume of MSG reached approximately 1,084,308 tonnes, representing an increase of about 14.4% as compared with 2015.

The Group has achieved great success in the production expansion in respect to threonine, which was attributable to the successful layout of production bases and closer cooperation with Ajinomoto. Amidst considerable earnings of the threonine business, the Group managed to expand the production capacity of threonine. During the year, the production capacity of threonine successfully increased from 58,083 tonnes to 136,000 tonnes, with sales volume amounting to about 119,145 tonnes. During the year, the revenue of threonine amounted to approximately RMB 1,012.8 million.

For the high-end amino acid business, after years of cultivation, the Group experienced a remarkable breakthrough in production process and market sentiment, achieving an increase in both sales volume and price. In addition, with the successful launch of two new products, pectin and polyglutamic acid, profit of the high-end amino acid product portfolio further increased. During the year, the revenue of high-end amino acid amounted to approximately RMB 663.7 million.

For other by-products, based on sound management and full utilization of advantages in raw materials, earnings from fertilisers and other by-products witnessed noticeable improvement. During the year, the revenues of fertilisers and other by-products were approximately RMB 615.0 million and approximately RMB 1,473.8 million respectively.

Xanthan Gum Segment

Revenue generated from xanthan gum decreased by 42.0% to approximately RMB562.5 million in 2016, from approximately RMB969.3 million in 2015. The decrease in revenue was due to the decrease in ASP and sales volume resulting from weak market demand.

Though market conditions were still sluggish due to a price war triggered by competitors and the slow recovery of the oil industry, it is pleasing to note that the Group had proactively sorted out the customers with better profit margins and terminated the relationships with the loss-making customers. The strategy launched by the Group helped it reverse the unfavorable situation and realize its objective of a moderate profit, which is better than the goal that the Group set in mid-2016.

In the second half of 2016, the Group witnessed a healthier trend in xanthan gum prices. Though a significant price recovery requires more time, the Group believes that the market conditions are under control within the short term and the tough situation of xanthan gum behind it. It's expected that the xanthan gum business will be profitable soon.

The annual ASP of xanthan gum was approximately RMB 10,738 per tonne, representing a decrease of about 28.5% as compared with the ASP in 2015. Gross profit margin was about

15.9%, dropped by 20.7 percentage points. The sales volume of xanthan gum achieved approximately 50,762 tonnes, representing a decrease of about 20.1% as compared with 2015.

Regarding the future prospects and development strategies, Mr. Li Xuechun, Chairman of Fufeng said, “2017 ushers in a great trend for Fufeng. We will proactively capitalize on the business opportunities offered by the corn market reform, launch our second phase of production technology enhancement, and materialise the reorganisation and integration of our sales system. Hence, I believe that Fufeng will embrace tremendous business opportunities in the next one or two years.”

Mr. Li added, “Leveraging on the market opportunities, we will replicate Fufeng’s global leadership in MSG and xanthan gum to other key bio-fermentation products’ markets. We will further explore more production technology enhancement and management efficiency enhancement projects. We will extend our market leadership of MSG from the manufacturing to other parts of the industry value chain, through integrating our distributor resources and improve direct sales capability in 2017. In order to enhance our profitability and market leadership, we will further expand the product portfolio and synergy of products among the four segments of seasoning, animal nutrition, high-end amino acid and colloid.”

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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 colloid as well as other corn refined products. For more information, please visit www.fufeng-group.com

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