Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Fufeng Group Limited
阜豐集團有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock code: 546)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

HIGHLIGHTS OF GROUP RESULTS

– Strong growth of the Group's results in 2008 after the glutamic acid and MSG industry consolidation in 2007 and the fast development of xanthan gum business

– Revenue increased by about 46.6% to about RMB3,585.3 million (2007: RMB2,445.7 million)

– Gross profit increased by about 158.1% to about RMB644.3 million (2007: RMB249.7 million) and gross profit margin for the Group increased to about 18.0% (2007: 10.2%). Such increase is due to gross profit margin of MSG segment and Xanthan gum segment increased to about 15.6% and 34.4% (2007: 8.9% and 30.9%) respectively for 2008

– Profit attributable to Shareholders increased by about 553.9% to about RMB294.7 million (2007: RMB45.1 million)

– Earnings per share were RMB17.75 cents (2007: RMB 2.8 cents)

– Return on Equity increased to 16.9% (2007: 3.1%)

– Final dividend of HK10 cents (2007: HK0.91 cent) per share recommended by the Board

ANNUAL RESULTS

The Board is pleased to announce the consolidated results of the Group prepared under HKFRS for the year ended 31 December 2008, together with the comparative figures for the year ended 31 December 2007, as follows:

Consolidated Income Statement

		Year ended 31 December	
		2008	2007
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**3,585,343**	2,445,652
Cost of sales		**(2,941,011)**	(2,195,986)
Gross profit		**644,332**	249,666
Other income		**44,300**	32,795
Selling and marketing expenses		**(166,407)**	(104,156)
Administrative expenses		**(141,961)**	(113,709)
Other operating expenses		**(12,222)**	(16,746)
Interest Income from IPO subscription deposits		**–**	42,837
Finance costs		**(42,662)**	(45,202)
Profit before income tax		**325,380**	45,485
Income tax expense	*3*	**(30,674)**	(416)
Profit for the year attributable to the Shareholders		**294,706**	45,069
Earnings per share for profit attributable to the Shareholders during the year (expressed in RMB cent per share)			
– basic and diluted	*4*	**17.75**	2.80
Dividends	*5*	**146,293**	13,529

Consolidated Balance Sheet

	Note	As at 31 December 2008 *RMB'000*	 2007 *RMB'000*
ASSETS			
Non-current assets			
Leasehold land payments		**132,334**	63,070
Property, plant and equipment		**1,954,845**	1,674,021
Deferred income tax assets		**423**	6,390
		2,087,602	1,743,481
Current assets			
Inventories		**356,288**	326,351
Trade and other receivables	*6*	**548,355**	540,984
Current income tax recoverable		**2,654**	–
Short-term bank deposits		**42,860**	42,170
Cash and cash equivalents		**224,706**	228,849
		1,174,863	1,138,354
Total assets		**3,262,465**	2,881,835
EQUITY			
Capital and reserves attributable to the Shareholders			
Share capital		**169,034**	169,034
Share premium			
– Proposed final dividend		**146,293**	13,529
– Others		**931,851**	1,078,144
Other reserves		**(247,904)**	(276,084)
Retained earnings		**742,240**	464,193
Total equity		**1,741,514**	1,448,816
LIABILITIES			
Non-current liabilities			
Deferred income		**27,798**	24,951
Borrowings		**312,000**	312,000
Deferred income tax liabilities		**10,928**	898
		350,726	337,849
Current liabilities			
Trade, other payables and accruals	*7*	**887,533**	770,810
Current income tax liabilities		**–**	875
Current portion of deferred income		**6,692**	5,485
Borrowings		**276,000**	318,000
		1,170,225	1,095,170
Total liabilities		**1,520,951**	1,433,019
Total equity and liabilities		**3,262,465**	2,881,835
Net current assets		**4,638**	43,184
Total assets less current liabilities		**2,092,240**	1,786,665

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with HKFRS. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group.

During the year, the Group has adopted the following new standards, amendments and interpretations.

(a) Interpretations effective in 2008

- HK(IFRIC) – Int 11, "HKFRS 2 – Group and treasury share transactions", provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

(b) Amendments and interpretations effective in 2008 but not relevant

The following amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Group's operations:

- The HKAS 39, "Financial instruments: Recognition and measurement".

- HK(IFRIC) – Int 12, "Service Concession arrangements".

- HK(IFRIC) – Int 14, "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction".

2. Segment information

The Group is principally engaged in the manufacture and sales of corn-based biochemical products, including glutamic acid, MSG, fertilisers, xanthan gum, starch sweeteners and corn refined products. Revenue for the years ended 31 December 2008 and 2007 are analysed as follows:

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Glutamic acid	**1,053,298**	1,049,470
MSG	**1,004,381**	550,825
Corn refined products	**509,849**	381,186
Xanthan gum	**451,739**	149,486
Fertilisers	**380,097**	236,492
Starch sweeteners	**163,002**	78,193
Others	**22,977**	–
	3,585,343	2,445,652

As at 31 December 2008, the Group is organised into two main business segments: MSG (which includes the sales of glutamic acid, MSG, corn refined products, fertilisers, starch sweeteners, corn oil, pharmaceuticals and bricks) and xanthan gum. There are no significant sales or other transactions between the business segments.

The segment results for the year ended 31 December 2008 are as follows:

	MSG	**Xanthan gum**	**Unallocated**	**Group**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue	**3,133,604**	**451,739**	**–**	**3,585,343**
Segment results	**273,363**	**130,574**	**(49,499)**	**354,438**
Negative goodwill gained from acquisition				**9,657**
Waiver of payables due to debt restructuring for a newly acquired subsidiary				**3,947**
Finance costs				**(42,662)**
Profit before income tax				**325,380**
Income tax expense *(Note 3)*				**(30,674)**
Profit for the year				**294,706**

The segment results for the year ended 31 December 2007 are as follows:

	MSG	Xanthan gum	Unallocated	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total segment revenue	2,296,166	150,152	–	2,446,318
Inter-segment revenue	–	(666)	–	(666)
Revenue	2,296,166	149,486	–	2,445,652
Segment results	41,574	39,446	(33,170)	47,850
Interest Income from IPO subscription deposits				42,837
Finance costs				(45,202)
Profit before income tax				45,485
Income tax expense *(Note 3)*				(416)
Profit for the year				45,069

Other segment items included in the income statement are as follows:

	MSG *RMB'000*	**Xanthan gum** *RMB'000*	**Unallocated** *RMB'000*	**Group** *RMB'000*
Year ended 31 December 2008				
Depreciation	**124,702**	**27,277**	**562**	**152,541**
Amortisation of leasehold land payments	**2,004**	**228**	**–**	**2,232**
Write-down of inventories	**1,338**	**–**	**–**	**1,338**
Impairment provision for property, plant and equipment	**2,008**	**–**	**–**	**2,008**
Loss on disposals of property, plant and equipment	**456**	**–**	**–**	**456**
Year ended 31 December 2007				
Depreciation	101,939	14,646	362	116,947
Amortisation of leasehold land payments	1,620	228	–	1,848
Reversal of write-down of inventories	(4,005)	–	–	(4,005)
Loss on disposals of property, plant and equipment	283	–	–	283

Inter-segment transfers or transactions are entered into under terms and conditions that would also be available to unrelated third parties.

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended are as follows:

	MSG ***RMB'000***	**Xanthan gum** ***RMB'000***	**Unallocated** ***RMB'000***	**Group** ***RMB'000***
Assets	**2,560,470**	**626,257**	**75,738**	**3,262,465**
Liabilities	**1,111,634**	**406,634**	**2,683**	**1,520,951**
Capital expenditure	**354,934**	**223,942**	**10**	**578,886**

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

	MSG *RMB'000*	Xanthan gum *RMB'000*	Unallocated *RMB'000*	Group *RMB'000*
Assets	2,372,359	418,435	91,041	2,881,835
Liabilities	1,116,638	313,521	2,860	1,433,019
Capital expenditure	363,354	139,557	–	502,911

Segment assets consist primarily of property, plant and equipment, inventories, trade and other receivables, and cash and cash equivalents. Unallocated assets comprise assets held by non-PRC established companies and property, plant and equipment, other receivables, and cash and cash equivalents held by Shandong Fufeng Biotechnologies for the Group as a whole.

Segment liabilities comprise operating liabilities.

Capital expenditure comprises additions to property, plant and equipment and to leasehold land payments, including additions resulting from acquisition through business combination.

Geographical segment information is presented as secondary segment reporting as follows:

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Sales		
Mainland China	**3,019,907**	2,241,699
Hong Kong and overseas	**565,436**	203,953
	3,585,343	2,445,652

The overseas countries mainly include United States, Korea, Vietnam, Oman, Egypt, Russia, etc.

Since all operating assets of the Group are located in the PRC, no further analysis of total assets and capital expenditure by geographical segments has been presented.

3. Income tax expense

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax ("EIT")	**14,677**	6,014
Deferred income tax	**15,997**	(5,598)
	30,674	416

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Law 3 of 1961, as consolidated and revised) of Cayman Islands and is exempted from payment of the Cayman Islands income tax.

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profit in Hong Kong for the years ended 31 December 2008 and 2007.

PRC EIT is calculated based on the effective tax rate on assessable profit of subsidiaries established in the PRC in accordance with PRC tax laws and regulations.

4. Earnings per share

(a) Basic

Basic earnings per share for the year ended 31 December 2008 and 2007 are calculated by dividing the profit attributable to Shareholders by the weighted average number of ordinary shares in issue during the year.

	2008	2007
Profit attributable to Shareholders (RMB'000)	**294,706**	45,069
Weighted average number of ordinary shares in issue (thousands)	**1,660,000**	1,610,027
Basic earnings per share (RMB cents per Share)	**17.75**	2.80

(b) Diluted

The diluted earnings per share is the same as basic earnings per share because the average market price of ordinary shares for the year ended 31 December 2008 and 2007 did not exceed the exercise prices of each tranche of the share options, hence the share options are anti-dilutive and are ignored in the calculation of the diluted earning per share.

5. Dividends

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Final, proposed	**146,293**	13,529

At a meeting held on 16 March 2009, the Board proposed a final dividend of HKD166,000,000 (equivalent to RMB146,293,000) (2007: RMB13,529,000), representing HK10 cents (equivalent to RMB8.81 cents) (2007: HK0.91 cent (equivalent to RMB0.82 cent)) per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of share premium for the year ending 31 December 2009.

6. Trade and other receivables

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Trade receivable (a)	**74,438**	67,164
Less: provision for impairment of receivables (b)	**(4,622)**	–
Trade receivable, net	**69,816**	67,164
Notes receivable (c)	**449,736**	426,214
Prepayments	**13,473**	12,695
Deposits and others	**15,330**	34,911
	548,355	540,984

(a) As at 31 December 2008 and 2007, the ageing analysis of trade receivable was as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Within 3 months	**61,761**	59,320
3–12 months	**8,055**	7,844
Over 12 months	**4,622**	–
	74,438	67,164

The Group sold its products to customers and received settlement either in cash or in form of bank acceptance notes (Note (c)) upon delivery of goods. The bank acceptance notes are usually with maturity dates within six months. Major customers with good repayment history are normally offered credit terms for not more than three months.

As at 31 December 2008, trade receivables of RMB3,507,000 (2007: RMB3,469,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The directors considered that trade receivables that are less than twelve months past due are not impaired. The ageing analysis of these trade receivables was as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Past due within 12 months	**3,507**	3,469

(b) As of 31 December 2008, trade receivables of RMB4,622,000 (2007: nil) were impaired and fully provided for. The individually impaired receivables mainly relate to Shenhua Pharmacuticals. It was assessed that none of these receivables is expected to be recovered. The ageing of these receivables is as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Past due over 12 months	**4,622**	–

Movements on the Group's provision for impairment of trade receivables are as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
As at 1 January	**–**	–
Acquisition of Subsidiary	**5,546**	–
Reversal of amounts subsequently collected	**(924)**	–
As at 31 December	**4,622**	–

The creation and release of provision for impaired receivables have been included in "administrative expenses" in the consolidated income statement.

(c) As at 31 December 2008, notes receivable were all bank acceptance notes aged less than six months, including amount of RMB430,721,000 (2007: RMB334,299,000) applied for settling the amounts payable to the Group's suppliers.

(d) Trade and other receivables are unsecured and interest-free. The carrying amounts of trade and other receivables approximate their fair values.

(e) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
– RMB	**484,807**	508,289
– US$	**63,548**	32,417
– EUR	**–**	278
	548,355	540,984

7. Trade, other payables and accruals

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Trade payable (a)	**506,894**	447,664
Notes payable (b)	**–**	8,950
Advances from customers (c)	**91,675**	89,650
Payables for leasehold land, property, plant and equipment	**224,737**	181,065
Other payables and accruals	**64,227**	43,481
	887,533	770,810

(a) As at 31 December 2008 and 2007, the ageing analysis of trade payable was as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Within 3 months	**480,613**	426,788
3 to 6 months	**12,144**	5,642
6 to 12 months	**3,123**	10,097
Over 1 year	**11,014**	5,137
	506,894	447,664

As at 31 December 2008, notes receivables of RMB430,721,000 (2007: RMB334,299,000) were applied for settling the amounts payable to the Group's suppliers.

(b) As at 31 December 2007, notes payable were all bank acceptance notes with maturity dates within six months and aged less than six months.

(c) Advances from customers represented cash advances received from customers for purchase of the Group's products and would be applied for settlement when sales were incurred.

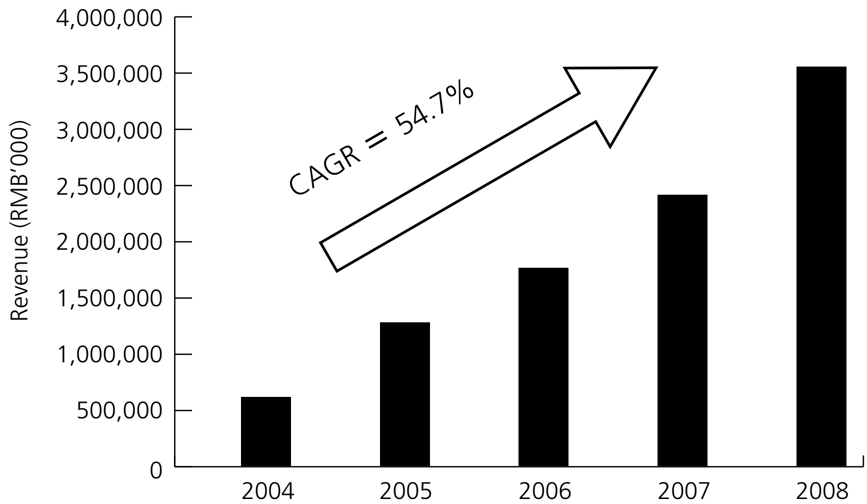
(d) Trade and other payables are unsecured and interest-free. The carrying amounts of trade and other payables approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group aims at becoming one of the leading corn-based biochemical products manufacturers in the world. The Group's overall growth strategy entails expansion of its production capacity, diversification of its product range, expansion of its sales network and strengthening its research and development capabilities.

The Group recorded an increase of approximately RMB1,139.7 million or 46.6% in revenue to approximately RMB3,585.3 million for the year 2008, as compared with that in the year 2007. The table below illustrates the continuous growth of the Group's revenue in the past 5 years:



The gross profit of the Group increased significantly from approximately RMB249.7 million in 2007 to approximately RMB644.3 million in 2008. Owing to the increase in average selling prices and sales volume of most of the Group's products resulted from improvement of business environment, the gross profit margin of the Group improved to about 18.0% in 2008, representing a 7.8 percentage points increase from 10.2% in 2007.

The profit attributable to the shareholders in 2008 was approximately RMB294.7 million which is an increase of approximately RMB249.6 million or 553.9% as compared with that of in 2007.

2008 is an encouraging year for the Group, as its results recorded significant rebound after a challenging 2007. The Directors attributed the improved performance of the Group for the following factors:

– the market consolidation of the MSG segment products in 2007 which led to closedown of small and medium manufacturers and strengthening the position of the market leaders such as the Group;

– the improved business environment in the MSG industry resulting in the increase in average selling prices and profit margin;

– the Group's timely strategy of aggressively expanding its production capacity amidst a difficult market thereby capturing more market share;

– the results of the Group's early strategy of setting up production plants in Baoji and Inner Monogolia where there are significant raw material cost advantages;

– the rapid development of the Group's xanthan gum business, particularly the superior costs advantage in the IM Plant.

Segmental review

The Group's products are organised into two business segments, namely MSG segment and xanthan gum segment. MSG segment includes glutamic acid, MSG, fertilisers, and other related products while xanthan gum segment represents the production and sale of xanthan gum. Key financials of these two segments in 2008 together with comparative figures in 2007 are set out in the following table:

	2008			2007			Increase / (Decrease)		
	MSG *RMB'000*	**Xanthan gum** *RMB'000*	**Group** *RMB'000*	MSG *RMB'000*	Xanthan gum *RMB'000*	Group *RMB'000*	MSG %	Xanthan gum %	Group %
Revenue	**3,133,604**	**451,739**	**3,585,343**	2,296,166	149,486	2,445,652	36.5	202.2	46.6
Gross Profit	**488,936**	**155,396**	**644,332**	203,543	46,123	249,666	140.2	236.9	158.1
Gross Profit ratio	**15.6%**	**34.4%**	**18.0%**	8.9%	30.9%	10.2%	6.7ppts.	3.5ppts.	7.8ppts.
Segment result	**273,363**	**130,574**		41,574	39,446		557.5	231.0	
Segment net assets									
Assets	**2,560,470**	**626,257**		2,372,359	418,435		7.9	49.7	
Liabilities	**1,111,634**	**406,634**		1,116,638	313,521		(0.4)	29.7	
Net assets	**1,448,836**	**219,623**		1,255,721	104,914		15.4	109.3	

MSG segment review

Business review

When compared with 2007, the business environment of MSG industry generally improved in 2008, with combination of rebound of products prices since the second quarter of 2008 and decrease in raw materials costs in the fourth quarter of 2008. Leveraging on its leading position in the industry, the Group expanded its production capacity of its MSG to capture more market share. While the total production capacity of the Group's glutamic acid was changed slightly, production capacity of the Group's MSG increased from 75,000 tonnes in 2007 to 171,667 tonnes in 2008. It is the strategy of the Group to expand its product chain by migrating from glutamic acid-focus to MSG-focus. In addition, the Group relocated certain glutamic acid and MSG production facilities in the Shandong Plant to its Baoji Plant and the IM Plant, so as to take advantage of the cost effectiveness in such plants.

In 2008, in addition to the expansion of production capacity of MSG, the Group expanded its products range along with its value chain. During the year under review, the Group intended to make use of corn germ, which is a by-product during the production of corn starch and currently sold to the Group's customers, for the production of corn oil, which is perceived to be relatively healthy edible oil. The Group completed the construction of production capacity of 35,000 tonnes corn oil in the Shandong Plant in December 2008, which is expected to commence commercial production in the first half of 2009. Meanwhile, the Group completed the construction of production capacity of 10,000 tonnes chicken powder, which is a flavour enhancer principally made of MSG, in the Shandong Plant in December 2008, which is expected to commence commercial production in the first half of 2009.

Being part of the Group's strategy, the Group has been exploring potential acquisition and merger of biochemical related businesses, which are complementary to the Group's vertical production model, in order to diversify its business scope and broaden its source of income. In view of the enormous potential of pharmaceutical fermentation industry, in January 2008 the Group acquired the 100% equity interest in Shenhua Pharmaceutical, which is principally engaged in the manufacture and sales of eubacteria material medicine, preparations and food additives and other related products in the PRC.

We noted that oversupply situation of MSG products subsided in 2008, as several small and medium sized glutamic acid and MSG manufacturers closed down their business. As a result, both the selling prices of glutamic acid and MSG rebounded and have been moving along an upward trend since the second quarter of 2008. Such increase offset the effects of price raised in major raw materials, the gross profit margin of MSG segment has been increasing since the second quarter of 2008. As a result of the increase of selling prices of glutamic acid and MSG products and a drop in the costs of major raw materials in the fourth quarter of 2008, there was a significant improvement in the gross profit margin of glutamic acid and MSG products in the fourth quarter of 2008.

As for fertiliser, the selling price of such in both the international and domestic markets have been increasing since the fourth quarter of 2007, due to significant increase in its respective raw materials and production costs. However, following continuing decrease in raw materials costs in the second half of 2008, the selling price of fertilisers decreased in the fourth quarter of 2008.

The average selling price of corn refined products increased in 2008. Such increase was mainly due to the increase in demand for corn-based animal feed resulted from the uptrend of selling price of pork. However, such demand was subsequently affected by the outbreak of global financial crisis and the selling price slightly dropped in the fourth quarter of 2008.

In 2007, certain administrative measures were promulgated by the PRC to stabilise the corn kernels price. As a result, the corn kernels price gradually stabilised but yet still maintained at a relatively high level in the first three quarters of 2008. Following the collapse of commodity prices globally, the corn kernels price reduced to a reasonable level at the fourth quarter of 2008.

The coal price has been increasing since the fourth quarter of 2007. However, such uptrend reversed following decrease in economic activities resulted from the outbreak of recent financial crisis, the coal price of the Group reduced in the fourth quarter of 2008.

Financial review

Revenue

The revenue generated from the sale of the MSG segment products increased to about RMB3,133.6 million in 2008, representing an increase of about RMB837.4 million or 36.5%, as compared with that in year 2007, which was mainly attributable to increase in the sale of MSG resulted from increase of MSG production capacity and marketing effort so as to enlarge the Group's market share in the industry. Revenue breakdown by products in this segment for the years 2008 and 2007 are set out in the table below:

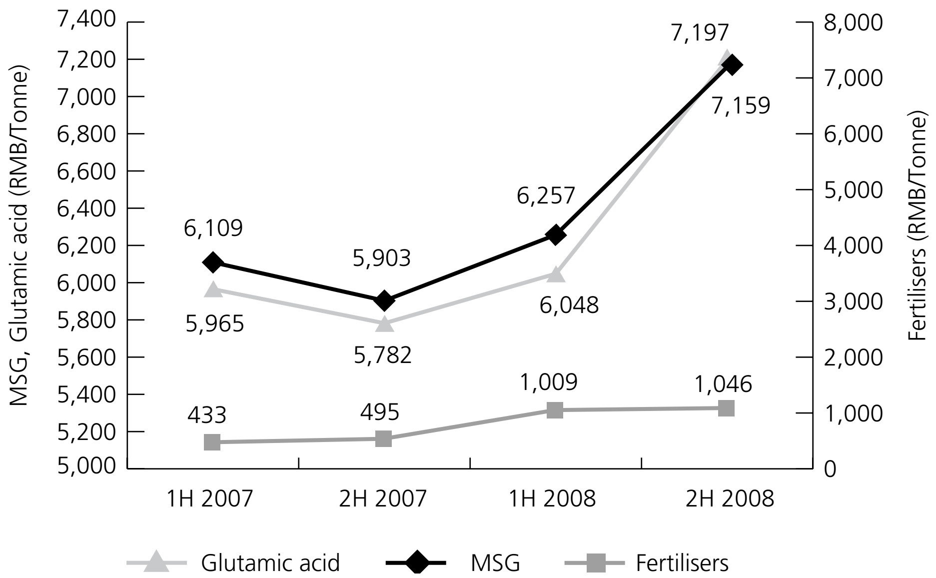
Product name	**2008**	2007	% of
	RMB'000	*RMB'000*	change
Glutamic acid	**1,053,298**	1,049,470	0.4
MSG	**1,004,381**	550,825	82.3
Fertilisers	**380,097**	236,492	60.7
Corn refined products	**509,849**	381,186	33.8
Starch sweeteners	**163,002**	78,193	108.5
Others	**22,977**	–	N/A
	3,133,604	2,296,166	36.5

ASPs and sale volume

Set out below the ASPs of the Group's major products for the years 2008 and 2007:

Product name	**2008**	2007	% of
	RMB/tonne	*RMB/tonne*	change
Glutamic acid	**6,474**	5,872	10.3
MSG	**6,865**	5,997	14.5
Fertilisers	**1,026**	489	109.8

The chart below illustrates the fluctuation of ASPs of the Group's major products in this segment in recent years:



Glutamic acid

Since late 2007, there were a number of small and medium sized glutamic acid manufacturers closing down their business in the PRC. In response to the decrease in market supply of glutamic acid, the price of such rebounded in 2008. The ASP of glutamic acid increased from approximately RMB5,872 per tonne in 2007 to approximately RMB6,474 per tonne in 2008, representing an increase of about 10.3%. In particular, there was a further price increase of about 19.0% in the second half of 2008 when comparing with that in the first half of 2008.

As part of the Group's growth strategy, larger amount of glutamic acid were consumed for the production of MSG internally. As such, while total production of glutamic acid remained the same, sales volume of glutamic acid slightly decreased by approximately 9.0% in 2008 when compared to that in 2007.

MSG

Following the same pattern and reasons as that of glutamic acid, the ASP of MSG increased from approximately RMB5,997 per tonne in 2007 to approximately RMB6,865 per tonne in 2008, or an increase of about 14.5%. In particular, there was an increase of about 14.4% in the ASP of MSG in the second half of 2008 when comparing with that in the first half of 2008.

As stated above, leveraging on its leading position in the market, the Group increased marketing effort to boost the sale of its MSG so as to enlarge its market share in the industry in 2008. As such, the sales volume of MSG (in terms of tonnage) increased by approximately 59.2% in 2008 from that of 2007.

Fertilisers

Since the fourth quarter of 2007, the ASP of fertilisers has been increasing in line with those in the international and PRC fertiliser markets. The ASP of fertilisers increased from approximately RMB489 per tonne in 2007 to approximately RMB1,026 per tonne in 2008, representing an increase of about 109.8%. However, due to the outbreak of the recent financial crisis in the second half of 2008, the average unit selling price of fertilisers fell to RMB898 per tonne in the fourth quarter of 2008.

Corn refined products

The revenue of corn refined products increased by about 33.8% in 2008. Such increase was mainly due to the increase in demand for corn-based animal feed resulted from the uptrend of selling price of pork. However, such demand was subsequently affected by the outbreak of global financial crisis and the selling price of corn refined products slightly dropped in the fourth quarter of 2008.

Starch sweeteners

The ASP of starch sweeteners remained stable throughout the year 2008, the sales volume of such increased by about 109.3% to 74,016 tonnes in 2008 as a result of the increase in market recognition of the Group's products.

Cost of production

The breakdowns of cost of production of this segment are set out below:

	2008		2007		% of
	RMB'000	**%**	*RMB'000*	%	change
Major raw materials/Energy	**2,103,892**	**80.6**	1,794,304	80.9	17.3
– Corn Kernels	**1,304,277**	**50.0**	1,263,735	57.0	3.2
– Liquid Ammonia	**331,430**	**12.7**	253,732	11.4	30.6
– Coal	**284,266**	**10.9**	174,136	7.9	63.2
– Sulphuric Acid	**183,919**	**7.0**	102,701	4.6	79.1
Depreciation	**108,551**	**4.2**	93,506	4.2	16.1
Employee benefit	**87,412**	**3.3**	84,788	3.8	3.1
Others	**309,553**	**11.9**	244,907	11.1	26.4
Total cost of production	**2,609,408**	**100**	2,217,505	100	17.7

Corn kernels

In 2008, cost of corn kernels accounted for approximately 50.0% (2007: 57.0%) of the total production cost of this segment. Such decrease was mainly due to relatively increase in the costs of other raw materials, namely liquid ammonia, coal and sulphuric acid. During the year, although the cost of corn kernels stabilised after certain administrative measures were in place, it still remained at relatively high level. The average unit cost of corn kernels increased to about RMB1,424 per tonne in 2008 (2007: RMB1,399 per tonne). Following the collapse of commodity prices globally, the average unit cost of corn kernel gradually decreased to about RMB1,378 per tonne in the fourth quarter of 2008.

Liquid ammonia

Liquid ammonia accounted for approximately 12.7% (2007: 11.4%) of total production cost in this segment in 2008. Such increase was mainly due to increase in the average unit selling price of liquid ammonia. The average unit cost of liquid ammonia increased to about RMB2,700 per tonne in 2008 (2007: RMB1,907 per tonne). Such increase was mainly attributable to increase in industrial demand for such product. The average unit cost of liquid ammonia increased continuously for three straight quarters in 2008. The average unit cost of liquid ammonia peaked at about RMB3,233 per tonne in the third quarter of 2008. However, being affected by the outbreak of recent financial crisis, the average unit cost of liquid ammonia started to decrease, to about RMB2,607 per tonne in the fourth quarter of 2008.

Coal

Coal accounted for about 10.9% (2007: 7.9%) of the total production cost in this segment. Such increase was mainly due to the increase in the average unit selling price of coal. The average unit cost of coal kept increasing from about RMB290 per tonne in the first quarter of 2008 to about RMB449 per tonne in the third quarter of 2008 due to increase in industrial demand for such product. Being affected by the outbreak of recent financial crisis, the average price of coal gradually decreased. The average unit cost of coal reduced to about RMB393 per tonne in the fourth quarter of 2008.

Sulphuric acid

Sulphuric acid accounted for about 7.0% (2007: 4.6%) of the total production cost in this segment. Such increase was mainly due to increase in the average unit selling price of sulphuric acid. The cost of sulphuric acid increased in line with an increase in sulphur resulted from increase in industrial demand for such product. The average unit cost of Sulphuric acid increased to about RMB923 per tonne in 2008 (2007: RMB408 per tonne). Being affected by the outbreak of recent financial crisis, the average unit cost of Sulphuric acid decreased to about RMB390 per tonne in the fourth quarter of 2008.

Gross Profit

The gross profit of this segment increased from about RMB203.5 million in 2007 to about RMB488.9 million in 2008, representing an increase of about RMB285.4 million or 140.2%. Such increase was mainly due to increase in sales volume, average selling price and gross profit margin of products in MSG segment in 2008.

The gross profit margin of MSG segment rebounded from about 8.9% in 2007 to about 15.6% in 2008, representing an increase of about 6.7 percentage points. Such increase was mainly attributable to increase of ASP of the Group's products and decrease in the costs of major raw materials in the fourth quarter of 2008.

Production

The annual design production capacity of each of the major products in this segment by the end of 2008 together with the comparative figures in 2007 was as follows:

	As at 31 December		
Product name	**2008**	2007	Change
	(Tonnes)	*(Tonnes)*	*(%)*
Glutamic acid	**350,000**	280,000	25.0
MSG	**280,000**	155,000	80.6
Fertilisers	**460,000**	490,000	(6.1)
Starch sweeteners	**100,000**	140,000	(28.6)

Glutamic acid

The annual design production capacity of Glutamic acid increased to 350,000 tonnes in 2008, from 280,000 tonnes in 2007. Such increase was mainly due to the completion of the reengineering projects carried out in the Baoji Plant and the IM Plant in July 2008.

MSG

The annual design production capacity of MSG increased to 280,000 tonnes in 2008, from 155,000 tonnes in 2007. Such increase was mainly due to completion of the construction of a MSG production line of 100,000 tonnes in the Baoji Plant during the year, which including part of MSG production facilities in the Shandong Plant were relocated to the Baoji Plant. Moreover, certain MSG production facilities in the Shandong Plant and in the IM Plant were reengineered resulting in an additional production capacity of 25,000 tonnes.

Fertilisers

The annual design production capacity of fertilisers deceased to 460,000 tonnes in 2008, from 490,000 tonnes in 2007. Such decrease was mainly due to the sale of obsolete fertilisers production facilities during the course of relocation of certain production facilities of the Shandong Plant.

Starch sweeteners

The annual design production capacity of starch sweeteners decreased from 140,000 tonnes in 2007 to 100,000 tonnes in 2008. The reduced 40,000 tonnes production capacity have been converted into 20,000 tonnes production capacity of glutamic acid in the IM Plant in 2008. The production capacity of starch sweeteners represented the capacity to produce crystallised glucose.

The operation of the Shandong Old Plant was closed down in early 2008. Major production facilities of such situated therein were relocated to the IM Plant.

In addition to the expansion and reconfiguration of the existing production capacities, the Group expanded its product range along with its value chain. In 2008, construction of production capacities of 35,000 tonnes of corn oil and 10,000 tonnes of chicken powder in the Shandong Plant were completed, which are expected to commence commercial production in the first half of 2009.

The actual production output and the utilisation rate of each of the major products in 2008 together with the comparative figures in 2007 were as follows:

Product name	**2008** *(Tonnes)*	2007 *(Tonnes)*	Change *(%)*
Glutamic acid			
Annual design production capacity *(Note)*	**275,000**	280,000	(1.8)
Actual production output	**275,212**	279,420	(1.5)
Utilisation rate	**100%**	100%	
MSG			
Annual design production capacity *(Note)*	**171,667**	75,000	128.9
Actual production output	**150,353**	77,128	94.9
Utilisation rate	**88%**	103%	
Fertilisers			
Annual design production capacity *(Note)*	**405,000**	490,000	(17.3)
Actual production output	**380,531**	387,928	(1.9)
Utilisation rate	**94%**	79%	

Note: the annual production capacity is expressed on a pro-rata base.

Referring to the table above, the Group's production facilities for these products were almost fully utilised.

Owing to the Group's continual fine-tuning of its production line and improvement in the production technique of starch sweeteners, the production output of such product increased. Utilisation rate of production facilities of starch sweeteners increased to about 68% in 2008 (2007: 34%).

Xanthan gum segment

Business review

The global supply and demand of xanthan gum continued to increase in 2008.

The market demand is continuously growing with more end-users realising the advantages of using xanthan gum as an effective thickener, stabiliser or suspension agent applying in food, oil exploration, personal care products and pharmaceutical items.

During the year under review, the Group expanded its production capacity of xanthan gum in the IM Plant to consolidate its leading position in the industry. In addition, upon completion of the reengineering project and the construction of new production line, production capacity of xanthan gum at the IM Plant was further enlarged to 24,000 tonnes and the Group's production capacity of xanthan gum reached 32,000 tonnes at the end of 2008 after the production capacity consolidation with the Shandong Plant. Following such expansion, the Group became one of three largest suppliers in the world by volume.

In 2008, the Group sold its products to certain customers at relatively lower price so as to enlarge its market share in the industry. In addition, there was an increase in the market supply of xanthan gum. As a result, the average selling price of xanthan gum decreased in 2008, comparing with that in 2007. However, it was observed that the selling price of xanthan gum became relatively stable at the end of 2008.

Financial review

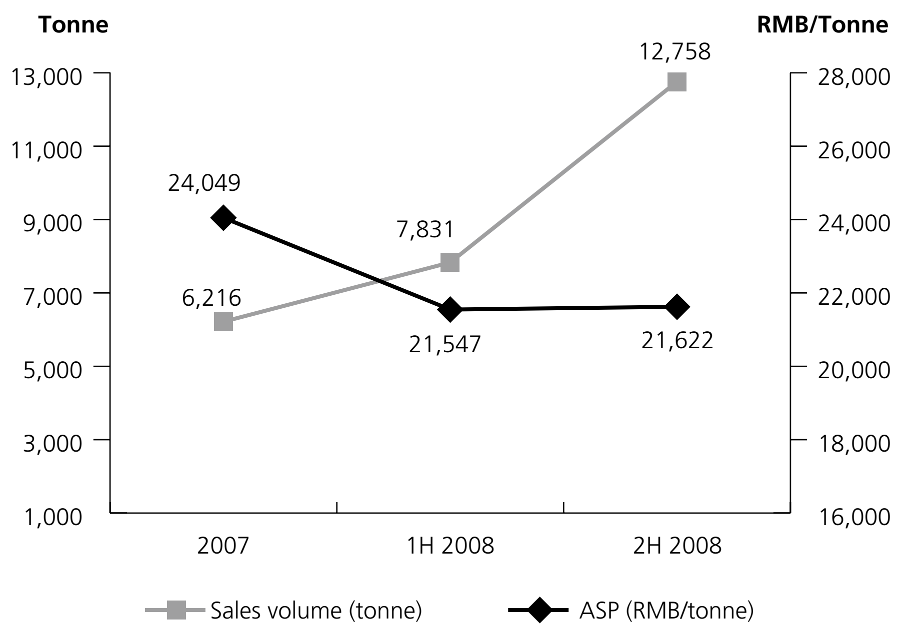
Revenue

The revenue generated from the sales of xanthan gum increased to about RMB451.7 million in 2008, representing an increase of about RMB302.3 million or 202.2%, as compared with that in year 2007. Such increase was mainly due to the expansion of 12,000 tonnes xanthan gum production capacity of the Group in late 2007 are completely absorbed by the market demand, as well as the increased market demand in 2008.

In 2008, overseas sales of xanthan gum contributed about 85% (2007: 83%) to the total sales of the xanthan gum. Such increase was mainly due to the increase in the marketing effort to promote the Group's products. In addition, the Group sold its products to certain customers at relatively lower price to enlarge its market share, which boosted the overseas sales of xanthan gum.

ASP and sale volume

The chart below illustrates the fluctuation of ASP and the growth of sales volume of xanthan gum in recent years:



The average selling price of xanthan gum decreased from about RMB24,049 per tonne in 2007 to about RMB21,594 per tonne in 2008, representing a decrease of about RMB2,455 per tonne or 10.2%. However, it was observed that the selling price of xanthan gum had become relatively stable at the end of 2008. Such decrease was mainly due to two folds:

(1) the expansion of production capacity of xanthan gum in the overall market which has driven down the selling price of xanthan gum; and

(2) the Group intentionally offered discount to certain new customers in order to enlarge the market share of the Group in xanthan gum market.

With the outstanding effort of the sales team, the increase in production capacity of xanthan gum was mostly absorbed by the sales for 2008. Hence, the sales volume of xanthan gum increased by approximately 231.2% in 2008, as compared with that in 2007.

Cost of production

The breakdowns of the cost of production of this segment are set out below:

	2008		2007		% of
	RMB'000	***%***	*RMB'000*	*%*	change
Major raw materials/Energy	**224,985**	**74.7**	111,101	73.2	102.5
– Coal	**127,360**	**42.3**	65,724	43.3	93.8
– Corn Kernels	**51,033**	**17.0**	29,866	19.7	70.9
– Starch	**23,290**	**7.7**	5,647	3.7	312.4
– Soy bean	**23,302**	**7.7**	9,864	6.5	136.2
Depreciation	**25,141**	**8.4**	10,515	6.9	139.1
Employee benefit	**18,104**	**6.0**	6,913	4.6	161.9
Others	**32,782**	**10.9**	23,301	15.3	40.7
Total cost of production	**301,012**	**100**	151,830	100	98.3

Coal

In 2008, coal accounted for approximately 42.3% (2007: 43.3%) of the total production cost of this segment. Such decrease was mainly due to the benefit on costs advantage and economic scales from the increased production output of the IM Plant. Part of the decrease was offset by increase in coal price. The IM Plant's average unit cost of coal was about RMB306 per tonne (2007: RMB204 per tonne), which was significantly lower than that of compared to about RMB628 per tonne (2007: RMB479 per tonne) in the Shandong Plant. During the year under review, the average unit cost of coal increased by approximately 32.7%.

Corn Kernels/Starch

In 2008, corn kernels/starch accounted for approximately 24.7% (2007: 23.4%) of the total production cost of this segment. Such increase was mainly because the Group sourced corn starch, which has a higher unit cost, directly from suppliers for its production in the Shandong Plant after the closure of the operation of the Shandong Old Plant in 2008.

Soy bean

In 2008, soy bean accounted for approximately 7.7% (2007: 6.5%) of the total production cost of this segment. Such increase was mainly due to the increase in average unit cost of soy bean from approximately RMB3,207 per tonne in 2007 to approximately RMB4,354 per tonne in 2008, representing an increase of about 35.8%. Following the collapse of commodity prices globally, the average unit cost of soy bean reduced from the highest cost of about RMB4,739 per tonne in the second quarter of 2008 to about RMB3,708 per tonne in the fourth quarter of 2008.

Gross profit and gross profit margin

The gross profit of xanthan gum increased from about RMB46.1 million in 2007 to about RMB155.4 million in 2008, representing an increase of about RMB109.3 million or 236.9%. Such increase was mainly due to the increase in sales volume as discussed above.

Although there was a decrease in average selling price of xanthan gum of about 10.2%, the Group was still able to maintain the gross profit margin of such product at relatively high level and achieved an increase of 3.5% percentage points in 2008, as compared with that in 2007. Such increase was mainly due to increase in production output of the IM Plant, which was strategically located in area with abundant supply of coal, and thus, provides the Group with a convenient source of energy at relative low costs. Additional new production capacity of 12,000 tonnes xanthan gum in the IM Plant has started production since November 2008. Leveraging on such cost advantage and there was a drop in the costs of major raw materials in the fourth quarter of 2008, gross margin of xanthan gum increased to about 37.0% in the fourth quarter of 2008, from about 32.3% in the third quarter of 2008.

Production

The annual design production capacity of xanthan gum in the year 2008 together with the comparative figures in the year 2007 was as follows:

	As at 31 December		
	2008 (Tonnes)	2007 (Tonnes)	% of change
Xanthan gum	**32,000**	18,000	77.8

In 2008, the Group expanded its production capacity of xanthan gum by way of constructing 12,000 tonnes xanthan gum production capacity in the IM Plant, which was completed in November 2008. Meanwhile, the Group reconfigured its existing production facilities to enhance their production efficiency. As at 31 December 2008, the production capacity of xanthan gum increased to 32,000 tonnes which includes 24,000 tonnes production capacity in the IM Plant.

The actual production output and the utilisation rate of xanthan gum in the year 2008 together with the comparative figures in the year 2007 were as follows:

	2008 (Tonnes)	2007 (Tonnes)	% of change
Annual design production capacity *(Note)*	**21,000**	11,333	85.3
Actual production output	**21,277**	9,930	114.3
Utilisation rate	**101%**	88%	

Note: the annual production capacity is expressed on a pro-rata base.

With the continual improvement of production technique of xanthan gum, utilisation rate increased in 2008.

Other financial information

Other income

Other income increased by approximately RMB11.5 million or 35.1% from RMB32.8 million in the year 2007 to about RMB44.3 million in the year 2008. The increase was mainly due to the increase in sales waste products. In addition, the increase was also attributable to a negative goodwill gained from the acquisition of Shenhua Pharmaceutical and wavier of payables due to debt restructuring from Shenhua Pharmaceutical.

Selling and marketing expenses

Selling and marketing expenses increased by approximately RMB62.3 million or 59.8% from RMB104.2 million in the year 2007 to about RMB166.4 million in the year 2008. Such increase was mainly due to the increase in freight expenses and custom declaration charges resulted from an increase in the export sales of the Group's products.

Administrative expenses

Administrative expenses increased by approximately RMB28.3 million or 24.8% from RMB113.7 million in 2007 to about RMB142.0 million in 2008. The increase was mainly due to the increase of research and development related expenses and land use tax of the Shandong Plant and the Baoji Plant.

Finance cost

Finance cost is approximately amount to RMB42.7 million which is decreased slightly by about RMB2.5 million represented 5.6% as compared to 2007. In the year 2008, average bank borrowings were maintained approximately at about RMB600 million which was at the similar level to that in 2007.

Staff cost

Staff cost of the Group increased by approximately RMB14.1 million or 9.0% from RMB156.2 million in 2007 to about RMB170.3 million in 2008. The increase was mainly due to the increase in the staff costs resulted from the expansion of the Group and increase in the average salary of the staffs.

Depreciation

The depreciation of the Group increased by approximately RMB35.6 million or 30.5% from RMB116.9 million in 2007 to about RMB152.5 million in 2008. The increase was mainly due to the expansion and modification of the IM Plant and the Baoji Plant.

Taxation

The income tax expenses for the year 2008 represented the PRC Enterprise Income Tax ("EIT"). Income tax expenses increased by approximately RMB30.3 million from RMB0.4 million in 2007 to about RMB30.7 million in 2008. The increase was mainly due to the increase of profit, the recognition of withholding tax on the earnings of certain subsidiaries incorporated in PRC for 2008 that are expected to be distributed in the foreseeable future and the reversal of deferred tax assets recognised in prior years.

Effective on 1 January 2008, in accordance with the relevant tax laws, the EIT rate applicable to the subsidiaries incorporated in the PRC will be 25% for those with original applicable EIT rates higher than 25%, or gradually increased to 25% in a 5-year period form 2008 to 2012 for those with original applicable EIT rates lower than 25%. However, the Group's subsidiaries will continue enjoying the existing tax preferential treatment up to the end of the tax holiday, after which the 25% standard rate will apply. The following table summaries the EIT rates applicable to the Group's subsidiaries:

	Shandong Fufeng	Baoji Fufeng	IM Fufeng
Standard/preferential tax rate	25%	15% *(Note 1)*	15% *(Note 1)*
Tax holiday			
Full exemption (year)	Already expired	Already expired	Already expired
50% exemption (year)	Already expired	2007 to 2009	2009 to 2011

Note 1: with the Opening Up of Western China policy, Baoji Fufeng and IM Fufeng are entitled to a preferential enterprise income tax rate of 15% until 31 December 2010.

Other achievements

Research and Development

During the period under review, with the continuous effort of the R&D division, the Group's R&D center obtained various rewards and was approved as a National Post-PhD. Research Center. The Group has applied for 19 patents for its self-developed technology, three of which have been already granted. In 2008, the Group successfully developed several new products, including threonine and a series of new amino acid products known as valine, leucine and isoleucine, which will commence project establishment in 2009. The polyglutamic acid R&D project has been accredited as a national high-tech industrialised project (國家高技術產業化示範專項). Furthermore, by enhancing production technology, consumption of electricity and steam for the Group's MSG production segment were reduced to an advanced industry level, with significant increase in unit productivity as well.

OUTLOOK

MSG Segment

It is the Group's strategy to continue expanding the production capacity of its MSG segment products. With the planned increase in production capacity, the Group will further strengthen its leading position in the market. The Group's current strategy is to vertically expand along the product chain, by focusing on utilizing self-produced glutamic acid to produce more MSG products. The Directors expect that the increase in production capacity should generate additional revenue to the Group while the extension of the product chain should help in strengthening the Group's overall competitiveness. The Directors are optimistic about the Group's prospect in 2009.

After the market consolidation in 2007, the overall ASP and the profit margin of MSG segment products in the PRC rebounded in 2008. While the current selling price of the products is at their highest in the past five years, on the other hand, in the fourth quarter of 2008, the prices of the Group's major raw materials, including coal, liquid ammonia and sulphuric acid, decreased significantly, which is in line with the drop in commodity price worldwide. It is expected that the high profit margin of MSG segment products would attract some enterprises to increase production or re-enter the market, which might eventually put pressure on the selling price and therefore the gross profit margin of the MSG segment products. However, given its market leading position and its experienced management, the Directors believe that the Group is well positioned to remain competitive in the coming year. The Group will continue to closely monitor the price trend of the Group's products, the price trend of its raw materials, and the gross profit margin of MSG segment, and adopt appropriate sales and pricing strategy with an aim to maintain and improve the Group's profitability and leadership in the market.

Xanthan gum

The market demand for xanthan gum is expected to continue to grow with more end-users realising the advantages of using xanthan gum as an effective thickener, stabiliser or suspension agent applying in food, oil exploration, personal care products and pharmaceutical items. To accommodate the growing demand, the Group intends to further expand its production capacity of xanthan gum in the near future. The Group will take full advantage of its cost effectiveness in its IM Plant and capture additional market share. As the Group has become one of the leading xanthan gum manufacturers in the world, the Directors believe that it will have better control of its selling price and hence the profit margin of its products. The Directors expect that the Group's xanthan gum business should continue to grow strongly in the year coming.

Although overseas market was affected by the outbreak of the recent financial crisis, the Directors are of the view that almost half of the demand for xanthan gum is from the relatively stable food and customers sectors, the impacts brought by the financial crisis will be limited. Given production facilities of xanthan gum are strategically located in areas with abundant supply of coal, the Group enjoys relatively lower cost of production. Leveraging on this cost advantage, it is expected that the gross profit margin of xanthan gum will remain at relatively high level in coming year.

Future plans

Expand the productivity of glutamic acid in a timely manner and further convert glutamic acid production capacity into MSG production capacity

It is expected that the market will continue to consolidate in the near future, and the Group will continue to lead the consolidation process due to its marketing strengths, cost advantages of raw materials and economies of scale. Therefore, the Group will timely expand the production capacity of glutamic acid according to market condition, and will further convert its glutamic acid production capacity into MSG production capacity in order to enlarge its market shares. Currently, it is expected that production capacity of 100,000 tonnes MSG will commence construction in the second quarter of 2009, which is expected to be completed and commence production by end of 2009.

Strive to become the world's leading xanthan gum manufacturer

The Group's xanthan gum production facilities are primarily located in Inner Mongolia, which enjoys advantage in low raw material costs. Leveraging on this competitive advantages, the Group will grasp the opportunity brought by market consolidation and strive to become the world's leading xanthan gum supplier. The Group planned to construct an additional production capacity of 12,000 tonnes xanthan gum in the IM Plant. The construction is expected to be completed and commence production by the end of 2009. After the completion of construction, the total production capacity of xanthan gum of the Group increase to 44,000 tonnes, the Group will become as the largest supplier of xanthan gum in the world.

Focus on developing new products

In 2009, the Group will begin the commercialisation of its new products including threonine and a series of new amino acid products such as valine, leucine and isoleucine. The Group intends to commence construction of a new production line of 5,000 tonnes threonine in the IM Plant in the second quarter of 2009, which is expected to commence production by end of 2009. Meanwhile, the Group intends to build up another production line of 1,000 tonnes valine, leucine and isoleucine in the Shandong Plant in the first quarter of 2009, which is expected to commence production in the second half of 2009.

Furthermore, the Group is also developing a series of new amino acid products and biomass based polymer products, including proline, tryptophan, polyglutamic acid and welan gum, in order to enhance the Group's product mix and future growth driver.

Further expansion of market network and marketing efforts

The Group strives to extend its domestic as well as international sales networks. Apart from establishing a leading position in the domestic market by building up a nationwide marketing network, the Group has also set up regional sales centres and logistic centres in order to provide market-oriented customer services. Meanwhile, the Group actively expands into the international market, with preliminarily plans to establish operations offices in the Middle East, North America and Europe to strengthen its xanthan gum and MSG export business.

In addition, the Group further promotes its brand name in the market by engaging brand spokesperson and enhances popularity of the enterprise and products in the market as well as extending to the retail end-users.

OTHER INFORMATION

Liquidity and financial resources
The Group maintained a healthy liquidity position throughout the year 2008. At 31 December 2008, the cash and cash equivalent and short term bank deposits of the Group were about RMB267.6 million (2007: RMB271.0 million). The current bank borrowings were approximately RMB276.0 million (2007: RMB318.0 million) and non-current bank borrowings were approximately RMB312.0 million (2007: RMB312.0 million).

Dividend and dividend policy
The Board recommended the declaration of a final dividend of HK10 cents per share, subject to shareholders' approval at the Annual General Meeting.

The final dividend will be payable on or before 8 May 2009 to the shareholders whose names appear on the register of members of the Company on 28 April 2009.

Reference is made to the prospectus of the Company dated 25 January 2007, the Board would like to emphasise that there is no change of the dividend policy of the Group. Subject to the availability of the Company's cash and distributable reserves, the Group's investment requirements, and the cashflow and working capital requirements of the Group, the Directors intend to recommend annually distribution to the Shareholders of not less than 30% of the Group's annual net profits as dividend in the foreseeable future.

In addition, the Board will consider to pay dividend in the form of an interim and a final dividend for each financial year.

Purchase, redemption or sales of listed securities of the Company
Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2008.

Corporate governance report
The listing of the Shares on the Main Board of the Stock Exchange took place on 8 February 2007 and the Directors are of the opinion that the Company has complied with the code provision as set out in the Code since the listing of the Shares.

Audit committee
The Company has established an audit committee in compliance with the Listing Rules. The audit committee comprises three independent non-executive directors, and is responsible for reviewing the Group's audit, interim and annual accounts of the Group and the system of internal control. The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2008, including the accounting principles and practices adopted by the Group.

Closure of register of members
The register of members of the Company will be closed from Wednesday, 22 April 2009 to Tuesday, 28 April 2009 (both dates inclusive), during which no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong. Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 21 April 2009.

Annual general meeting
The annual general meeting is expected to be held on Tuesday, 28 April 2009. A notice convening the annual general meeting will be despatched to the Shareholders in due course.

By Order of the Board
Fufeng Group Limited
Li Xuechun
Chairman

Hong Kong, the PRC, 16 March 2009

As at the date of this announcement, the executive Directors are Mr. Li Xuechun, Mr. Wang Longxiang, Mr. Wu Xindong, Mr. Yan Ruliang, Mr. Feng Zhenquan, Mr. Xu Guohua, Mr. Li Deheng, Ms. Li Hongyu and Mr. Gong Qingli and the independent non-executive Directors are Mr. Choi Tze Kit, Sammy, Mr. Chen Ning and Mr. Liang Wenjun.

Glossary

ASP	average selling price(s) of the products of the Group
Baoji Fufeng	寶雞阜豐生物科技有限公司 (Baoji Fufeng Biotechnologies Co., Ltd.), an indirect wholly-owned subsidiary of the Company
Baoji Plant	the production plant of the Group located at Baoji City (寶雞市), Shaanxi Province, the PRC
Board	the board of Directors
CAGR	cumulative average growth rate
Code	Code on Corporate Governance Practice under Appendix 14 of the Listing Rules
Company	Fufeng Group Limited
Directors	the director(s) of the Company
EIT Law	Enterprise Income Tax Law of the PRC which came into effect on 1 January 2008
Group	the Company and its subsidiaries
HKFRS	Hong Kong Financial Reporting Standards
Hong Kong	the Hong Kong Special Administrative Region of the PRC
IM Fufeng	內蒙古阜豐生物科技有限公司 (Neimenggu Fufeng Biotechnologies Co., Ltd.), an indirect wholly-owned subsidiary of the Company
IM Plant	the production plant of the Group located at Inner Mongolia Autonomous Region, the PRC

IPO	initial public offering of the Shares on 8 February 2007
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
MSG	monosodium glutamate, a salt of glutamic acid which is commonly used as a flavour enhancer and additive in the food industry, restaurant and household application
PRC	the People's Republic of China, which for the purpose of this announcement exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
R&D Center	the research and development center of the Group which is situated in Junan County, Shandong Province, the PRC
Shandong Fufeng	山東阜豐發酵有限公司 (Shandong Fufeng Fermentation Co. Ltd.), an indirect wholly-owned subsidiary of the Company
Shandong Fufeng Biotechnologies	山東阜豐生物科技開發有限公司 (Shandong Fufeng Biotechnologies Development Co. Ltd.), an indirect wholly-owned subsidiary of the Company
Shandong Plant	the production plant of the Group located at Junan County (莒南縣), Shandong Province, the PRC
Shandong Old Plant	the production plant of the Group located at Junan Country (莒南縣), Shandong Province, the PRC which closed the operation in December 2007
Shenhua Pharmaceutical	江蘇神華藥業有限公司 (Shenhua Pharmaceutical Co. Ltd), a company with limited liability established in Jiangsu Province of the PRC, and indirect wholly-owned subsidiary of the Company
Share(s)	share(s) in the share capital of the Company
Shareholder(s)	holder(s) of the Share(s)
Stock Exchange	The Stock Exchange of Hong Kong Limited
RMB	Renminbi, the lawful currency of the PRC
HK$	Hong Kong dollars, the lawful currency of Hong Kong
US$	United States dollars, the lawful currency of the United States of America
EUR	Euro, the lawful currency of the participating states within the European Union
%	per cent