ANNUAL REPORT
2015

Fufeng Group Limited
阜豐集團有限公司

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

Progression through technology

FUFENG
阜丰

CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present to you the results of Fufeng Group Limited for the year ended 31 December 2015.

Results for the Year

In 2015, China's macro-economy still encountered difficulties and challenges. The Group was able to achieve stable operating results with the commitment of all staff in spite of the tough economic environment. Our major business in 2015, the amino acid segment, performed quite well. In respect to the MSG business, we benefited from the effects of industry integration and successfully achieved the sales target of MSG with sales volume of approximately 950,000 tonnes, maintaining our leading market share. The MSG business contributed stable profitability.

The year 2015 was notable for our enhancement of production technology and product development. The enhancement of MSG production technology was able to further increase production capacity and reduce costs, which largely differentiated the cost advantages between us and our competitors. We are confident to become a leading global producer of threonine and high-end amino acid within a short period of time as the production capacity of threonine was successfully expanded to 136,000 tonnes and our high-end amino acid business successfully developed a market for our new products.

Our operations faced certain challenges in 2015. The overall results of the amino acid segment was affected by the loss of fertiliser business, particularly due to the sluggish performance in the fertiliser industry. We were committed to clearing inventory of fertiliser for sales in 2015. The selling price of fertilisers was far from expectation due to inventory clearance, which resulted in a significant accounting loss. In addition, the price of xanthan gum dropped following fierce competition in xanthan gum industry and the operational difficulties in the oil industry, and the results of our xanthan gum segment were thus affected.

CHAIRMAN'S STATEMENT

As at 31 December 2015, the audited turnover of the Group amounted to approximately RMB11.2 billion, representing a decrease of about 0.6%. Net profit was approximately RMB516.3 million, representing a decrease of about 17.6%.

Achievements

Market Leading position – The Group continued to be the leader in the markets of MSG and xanthan gum (in terms of sales volume). The increase in production capacity of threonine and the introduction of new products of high-end amino acid to the market laid the foundation for the Group to become a leading global producer of threonine and high-end amino acid.

Enhancement of MSG production technology – The MSG business successfully achieved a new breakthrough in new production technology of MSG in the second half of 2015. Tests for new production technology were conducted in the Baoji Plant in 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. Meanwhile, its output rate is higher than the previous technology, representing an increase of 20%. The Group is very familiar with this new technology and will apply such technology to our Hulunbeir Plant and IM Plant soon, so as to further increase production capacity and reduce costs.

Customer development and optimisation of customer portfolio – We put more efforts on customer development and optimisation of customer portfolio in 2015. For example, we identified more overseas customers following the successful production enhancement in respect of threonine; more new customers for personal care, health and wellness products were attracted following the introduction of new products in respect to high-end amino acid products; the number of customers for the food sector increased and the customer structure was optimised in respect to xanthan gum.

Growth Dynamics

Core business thrives – Following the development trend of a stable MSG industry, as a leading enterprise in the industry, we will continue to benefit from the effects of market integration. We believe that the MSG business will contribute better profitability and stronger cash flow to the Group. With the additional production capacity and cost advantages achieved by the new production technology for MSG, the cost advantages between us and our competitors are more obvious, which will further consolidate the Group's leading position in the market.

Rapid growth in new business – With the success in increasing production capacity of threonine and the introduction of new products of high-end amino acid, we believe that the new business will proceed to a track of rapid growth. In addition, we will invest more resources in the development of new products and customers.

Growth opportunities created by strengthening of business – The Group has begun to actively strengthen the businesses of xanthan gum and fertilisers, such as optimising the customer portfolio of the xanthan gum business and raising the proportion of customers for the food sector; clearing the inventory of aging fertilisers, and cooperating with scientific research institutions to introduce higher value-added and popular fertiliser products. We believe that these actions will further improve the profitability of these businesses.

Sustainable Development

It is our deep belief that sustainable development is indispensable to the Group's continuous development in the aspects of environmental protection and social contribution. As for environmental protection, the Group has continued investing in energy-saving equipment. Its production facilities, with low carbon emission, aim to minimise the influence of our business on the environment. We have also placed great emphasis on product quality and food safety, so as to build up the highly acclaimed reputation of good quality and track record among our customers and end-users. As for gas emissions, we invested approximately RMB70 million in 2015, which substantially reduced the pollution resulting from waste gas emissions. Also, the new production technology used in the MSG production, is an environmentally-friendly technology helping to decrease waste and waste water produced.

CHAIRMAN'S STATEMENT

2015 Overview

MSG

In respect to the MSG business, we benefited from the effects of the industry integration and maintained a leading market share. The Group successfully achieved its sales target, with the sales volume of approximately 950,000 tonnes. The MSG business contributed stable profitability.

The Group achieved a new breakthrough in the enhancement of MSG production technology and is very familiar with this new production technology of MSG. It is expected that the technology will be able to be transferred to the Hulunbeir Plant and IM Plant within a short period of time, so as to further increase production capacity and reduce costs.

The annual ASP of MSG was approximately RMB6,744 per tonne, representing an increase of about 4.0% as compared with the ASP in 2014. The gross profit margin was about 14.1%, representing an decrease of 0.5 percentage points. The sales volume of MSG achieved approximately 950,000 tonnes, representing an increase of about 2.4% as compared with 2014. The revenue of MSG accounted for 57.2% of the total revenue.

Xanthan Gum

The sales volume of xanthan gum remained flat as the price of xanthan gum dropped following fierce competition in the industry and operational difficulties in the oil industry. During the year, the number of customers for the food sector substantially increased and the customer structure was optimised.

The annual ASP of xanthan gum was approximately RMB15,013 per tonne, representing a decrease of about 27.2% as compared with the ASP in 2014. The gross profit margin was about 36.6%, representing a decrease of 16.1 percentage points. The sales volume of xanthan gum achieved approximately 64,000 tonnes, representing a decrease of about 2.1% as compared with 2014. The revenue of xanthan gum accounted for 8.6% of the total revenue.

High-end Amino Acid and Specialty Gum

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

These new products have the characteristic of low investment – high return. By leveraging on our development plan and the advantage of raw materials resources at our Xinjiang base, these products enjoy production cost advantage with high competitiveness and higher 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 health and wellness.

In November 2015, the production of threonine was smoothly and successfully expanded, with an increase in the production capacity from 51,000 tonnes to 136,000 tonnes. The quality of threonine produced by the Group is highly praised and the orders from overseas are satisfactory.

Regarding high-end amino acid, we successfully explored several markets for our new products during the year. In the course of new product market exploration, we accessed many new customers for personal care, health and wellness products. From the perspective of a raw material supplier, there are huge business opportunities for the Group to further capture. In addition, on the basis of existing products, we still have ample room for growth. At the end of 2015, we successfully launched two products, pectin and polyglutamic acid, which were undergoing market trials.

In 2015, the revenue of high-end amino acid and specialty gum reached approximately RMB490.7 million, representing a significant increase of about 43.8%. Although the new products only accounted for about 4.4% of total revenue, they are growing rapidly and have significant contributions to the profit improvement.

Adjustment to Capital Structure

With the support of sufficient cash flow, our liabilities recorded a further drop. Meanwhile, we proactively seized several opportunities in the capital market to reduce the risks and finance costs of the Group while our liabilities denominated in USD declined. In mid-2015, we carried out a number of refinancing activities for our debts, which substantially reduced our finance costs. For instance, we successfully issued 3-year domestic corporate bonds amounting to RMB1 billion in November 2015, with a fixed interest rate of 3.98%.

CHAIRMAN'S STATEMENT

In view of our sound cash management, our domestic and overseas credit ratings were adjusted upwards in 2015. We will put more efforts on enhancing our work in this regard.

During the year, Group's total assets and total borrowings were approximately RMB13.85 billion and approximately RMB3.84 billion, respectively. The gearing ratio (the Group's total borrowings bearing interest over total assets) was approximately 27.7%, representing a decline of 5.3 percentage points as compared with 2014. Cash and bank balances amounted to approximately RMB1.02 billion, representing an increase of 6.0% as compared with 2014.

Outlook for 2016

Looking ahead in 2016, we will face the following opportunities and challenges:

Challenges:

- It is expected that the Chinese economy will continue to grow at a slow pace in 2016.
- Xanthan gum sector will face intense competition while the operational difficulties in the oil industry will put pressure on xanthan gum business.
- The downturn in the fertiliser sector will result in operational difficulties in fertiliser business.

Opportunities:

- For MSG business, we have completed our technical training in Hulunbeir Plant. At the beginning of 2016, the Hulunbeir Plant will adopt new production technology of MSG for production. In the first half of 2016, we also 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. We are excited about the prospects of 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 enhance our market leadership and the power of pricing accordingly due to such advantage. We believe that our emphasis on profit improvement of MSG business will be realised soon.
- Our success in animal nutrition (threonine business) and high-end amino acid gives us more confidence in developing more new products, leading the Company to become a global leading manufacturer within a short period of time. We have spent much time and efforts to investigate and research opportunities for developing these new products. We have more than 20 products in our pipeline of high-end amino acid segment and will put more efforts on customer development.
- In mid-2015, we established a fertiliser-specialised department to cooperate with scientific and research institutions in fertiliser sector and it gradually developed high value-added fertiliser products. The new products successively launched into the market and received decent customer response. Furthermore, our fertiliser output will be reduced after the Group adopted new production technology for producing MSG. We believe that our fertiliser business will be profitable subsequent to the completion of our inventory clearance process.
- In 2016, 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.

The Group will strive to ride out difficulties and to overcome every challenge. By capitalising on our market-leading advantages, we will achieve better operational results.

Appreciation

Finally, on behalf of the Board, I am grateful to our shareholders, customers, business partners and all the stakeholders for their dedicated support to the Group. I would also like to thank our Board members and all the staff for their efforts and contribution to the business development of the Group.

Li Xuechun
Chairman

15 March 2016

FIVE-YEAR SUMMARY

	Year				
	2011 *RMB'000*	2012 *RMB'000*	2013 *RMB'000*	2014 *RMB'000*	**2015** ***RMB'000***
Operating results – Summary					
Turnover	8,399,246	11,111,920	11,366,722	11,297,696	**11,225,722**
Gross profit	1,519,673	1,637,455	2,099,443	2,166,865	**1,802,491**
Profit before income tax	716,436	490,213	634,697	774,176	**679,774**
Profit attributable to Shareholders	604,137	426,553	506,132	626,428	**516,261**
Balance sheets – Summary					
Non-current assets	6,326,641	7,665,681	8,170,547	9,334,995	**9,220,961**
Current assets	3,532,681	4,305,271	4,448,621	4,359,282	**4,629,217**
Total assets	9,859,322	11,970,952	12,619,168	13,694,277	**13,850,178**
Current liabilities	3,388,364	5,758,722	4,110,788	4,067,139	**5,281,961**
Non-current liabilities	3,064,255	2,417,222	3,689,594	4,258,072	**2,761,158**
Net assets	3,406,703	3,795,008	4,818,786	5,369,066	**5,807,059**
Financial ratio					
Earnings per share (Basic) (RMB Cents)	35.15	23.03*	25.13	29.98	**24.36**
Gross profit ratio (%) *(Note 1)*	18	15	19	19	**16**
ROE (%) *(Note 2)*	18	11	11	12	**9**
Current ratio *(Note 3)*	1.04	0.75	1.08	1.07	**0.88**
Inventory turnover days (Day) *(Note 4)*	63	55	60	79	**86**
Debtors' turnover days (Day) *(Note 5)*	63	63	58	33	**27**
Trade receivable turnover days (Day) *(Note 6)*	12	9	12	12	**13**
Creditors' turnover days (Day) *(Note 7)*	58	55	49	60	**49**
Trade payable turnover days (Day) *(Note 8)*	58	55	48	40	**47**
Gearing ratio (%) *(Note 9)*	36	37	36	33	**28**

Notes:

1. Gross profit ratio is equal to gross profit divided by turnover.
2. Return on equity is equal to profit attributable to shareholders divided by total equity.
3. Current ratio is equal to current assets divided by current liabilities.
4. The number of inventory turnover days is equal to inventories before provisions at the end of year divided by the cost of sales for the corresponding year and then multiplied by 365 days.
5. The number of debtors' turnover days is equal to trade and notes receivables at the end of year divided by the turnover for the corresponding year and then multiplied by 365 days.
6. The number of trade receivable turnover days is equal to trade receivable at the end of year divided by the turnover for the corresponding year and then multiplied by 365 days.
7. The number of creditors' turnover days is equal to trade and notes payables at the end of year divided by the cost of sales for the corresponding year and then multiplied by 365 days.
8. The number of trade payable turnover days is equal to trade payable at the end of year divided by the cost of sales for the corresponding year and then multiplied by 365 days.
9. Gearing ratio is equal to total borrowings at the end of the year divided by total assets at the end of the corresponding year.

* Restated

CORPORATE INFORMATION

Executive Directors
Mr. Li Xuechun
Mr. Wang Longxiang
Mr. Li Deheng
Mr. Feng Zhenquan
Mr. Xu Guohua
Mr. Li Guangyu

Independent Non-executive Directors
Mr. Sun Yu Guo (appointed on 23 November 2015)
Mr. Qi Qing Zhong
Ms. Zheng Yu
Mr. Choi Tze Kit, Sammy (resigned on 9 November 2015)
Mr. Chen Ning (resigned on 8 June 2015)

Registered Office
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in the PRC
Western section of Huaihai Road
Junan, Shandong, 276600
PRC

Principal Place of Business in Hong Kong
Suite 1102, 11th Floor, Chinachem Century Tower
178 Gloucester Road, Wanchai, Hong Kong

Company Secretary and Qualified Accountant
Mr. Lee Wai Yin *CPA FCCA*

Authorised Representatives
Mr. Li Xuechun
Mr. Lee Wai Yin

Audit Committee
Mr. Sun Yu Guo *(Chairman)* (appointed on 23 November 2015)
Mr. Qi Qing Zhong
Ms. Zheng Yu
Mr. Choi Tze Kit, Sammy (resigned on 9 November 2015)
Mr. Chen Ning (resigned on 8 June 2015)

Remuneration Committee
Mr. Sun Yu Guo *(Chairman)* (appointed on 23 November 2015)
Mr. Qi Qing Zhong
Ms. Zheng Yu
Mr. Choi Tze Kit, Sammy (resigned on 9 November 2015)
Mr. Chen Ning (resigned on 8 June 2015)

Nomination Committee
Mr. Li Xuechun *(Chairman)*
Mr. Wang Longxiang
Mr. Sun Yu Guo (appointed on 23 November 2015)
Mr. Qi Qing Zhong
Ms. Zheng Yu
Mr. Choi Tze Kit, Sammy (resigned on 9 November 2015)
Mr. Chen Ning (resigned on 8 June 2015)

Principal Bankers in the PRC
China Construction Bank
Bank of China
Agriculture Bank of China

Principal Bankers in Hong Kong
Bank of China (Hong Kong) Limited
Mizuho Bank Limited
Hang Seng Bank Limited

Independent Auditor
PricewaterhouseCoopers

Principal Share Registrar
Royal Bank of Canada Trust Company (Cayman) Limited

Branch Share Registrar
Tricor Investor Services Limited

ADRs Information
US Exchange: OTC
CUSIP: 35953H105
ADR: Ordinary Shares 1:20

Stock Code
546

Website
www.fufeng-group.com

HULUNBEIR
PLANT

IM
PLANT

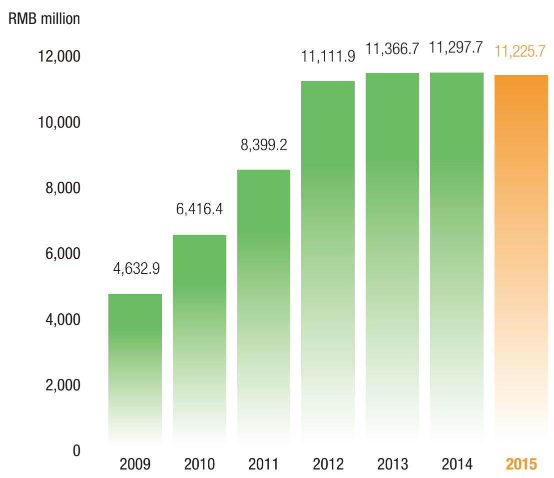
SHANDONG
PLANT

BAOJI
PLANT

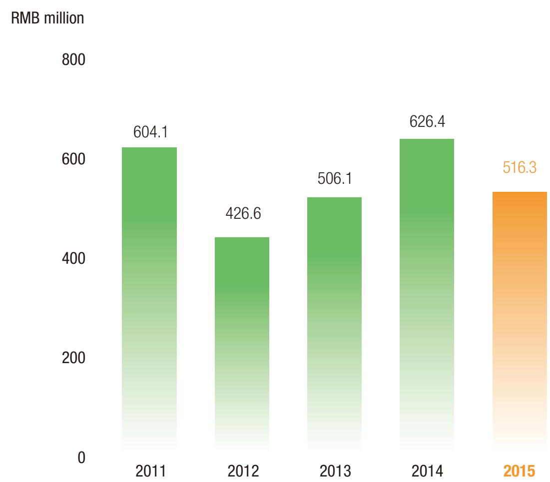
XINJIANG
PLANT

FINANCIAL HIGHLIGHTS

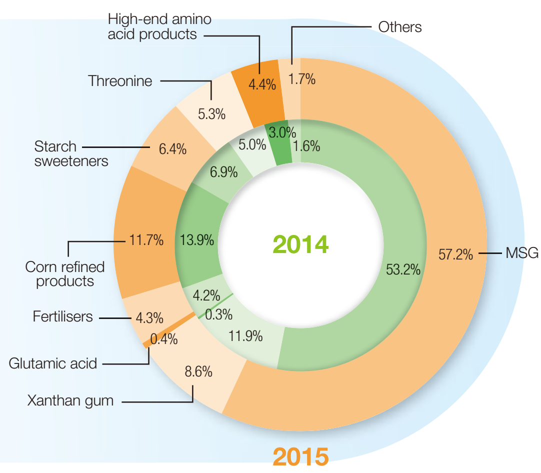
Turnover



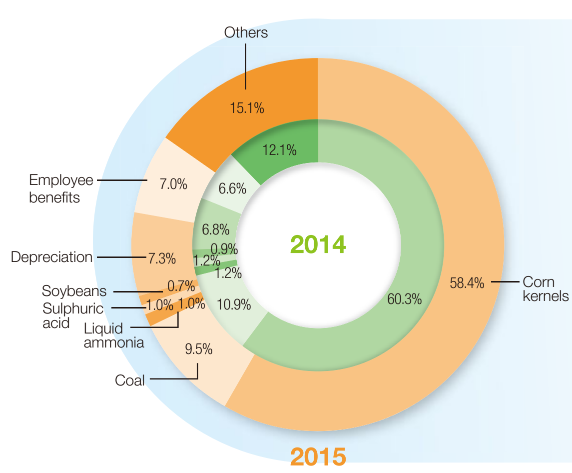
Profit Attributable to Shareholders



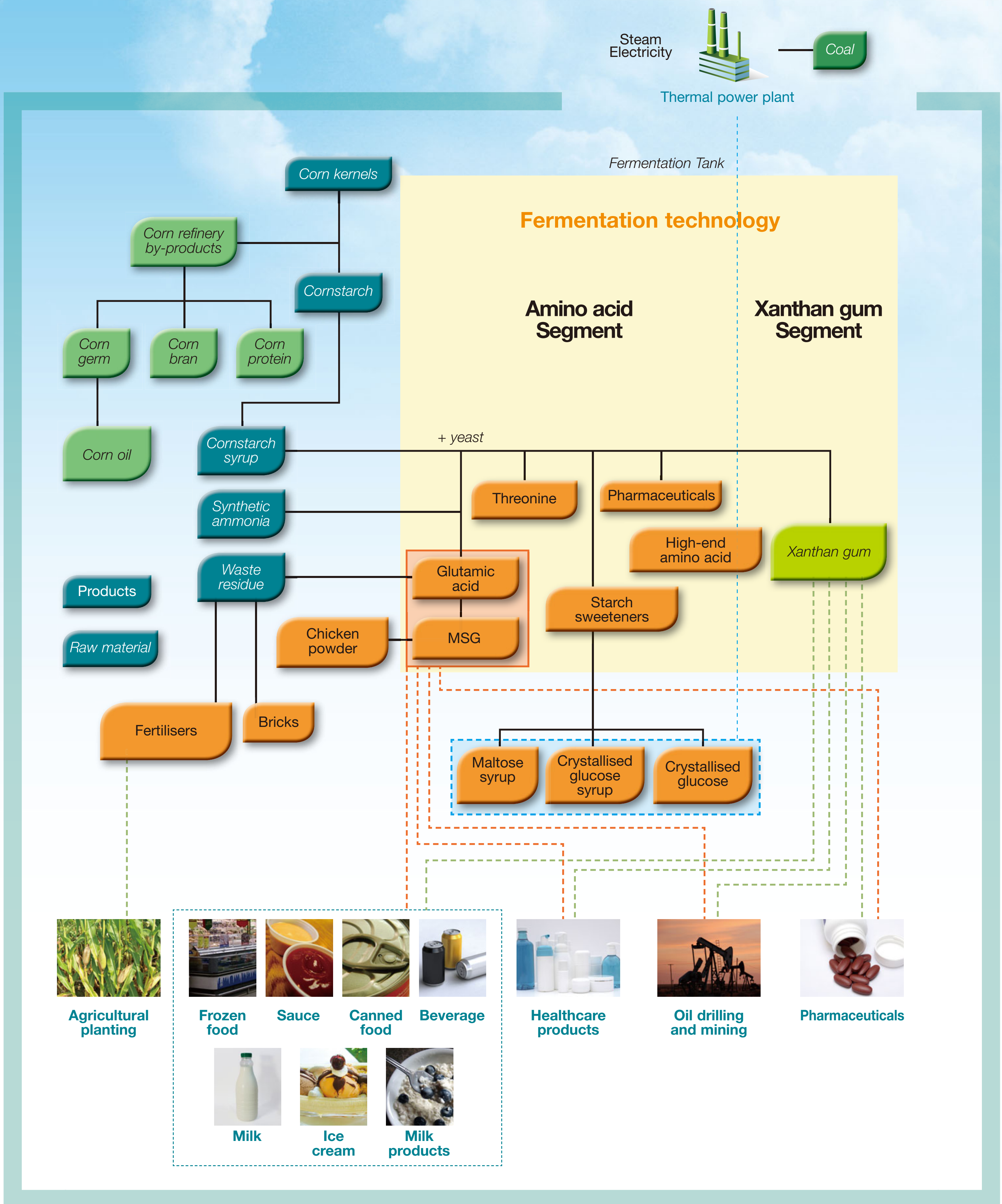
Revenue Analysis



Production Cost Analysis



MAJOR PRODUCTS PROCESSING MAP



BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

李學純 (Li Xuechun), aged 64, is the principal founder of the Group, the chairman of the Company and an executive Director. Mr. Li is also a director of Acquest Honour, Summit Challenge, Absolute Divine, Expand Base, Fufeng Singapore, Shandong Fufeng, Baoji Fufeng, IM Fufeng, Hulunbeir Fufeng, Xinjiang Fufeng and Shenhua Pharmaceutical. Mr. Li is responsible for the strategic planning and formulation of overall corporate development policy of the Group. Mr. Li obtained a bachelor's degree in industrial fermentation from 山東輕工業學院 (Shandong Institute of Light Industry) in 1982. Mr. Li is 山東省第十二屆人大代表 (a member of the Shandong Province 12th People's Congress), as well as being honored with "Outstanding Achievement" by the government of Shandong Province in April 2003. In the same year, he was also labeled as "Model Labour" of Shandong Province. Mr. Li first joined 山東福瑞酒廠 (Shandong Furui Brewery Group) in 1982 as a factory manager. Mr. Li established the Group by starting set up Shandong Fufeng in June 1999. He was appointed as a director of Shandong Fufeng upon its establishment. He has 34 years of experience in the fermentation industry. Mr. Li is the sole director of and is beneficially interested in the entire issued share capital of Motivator Enterprises Limited which in turn is interested in approximately 45.30% of the issued share capital of the Company and is a controlling shareholder of the Company. He is the father of 李廣玉 (Li Guangyu) (an executive Director) and the brother-in-law of 李德衡 (Li Deheng) (an executive Director).

王龍祥 (Wang Longxiang), aged 54, is an executive Director and the chief executive officer of the Group. Mr. Wang is also a director of Shandong Fufeng, Baoji Fufeng, IM Fufeng, Hulunbeir Fufeng and Xinjiang Fufeng. Mr. Wang is responsible for the overall management, business strategy and legal works of the Group. Mr. Wang obtained a bachelor's degree in industrial fermentation from 山東輕工業學院 (Shandong Institute of Light Industry) in 1982. He is qualified as a senior engineer. Mr. Wang also obtained a master's degree in business administration from 中國科技大學 (University of Science and Technology of China) in 1992. Mr. Wang joined the Group in 2005 and has over 24 years of experience in the fermentation industry. Mr. Wang is interested in 14.3% of the issued share capital of Hero Elite, which in turn is interested in 69,120,000 Shares, representing 3.25% of the issued share capital of the Company. In addition, Mr. Wang is interested in 8,292,000 Shares which are held by Mr. Wang directly, representing 0.39% of issued share capital of the Company.

李德衡 (Li Deheng), aged 47, is an executive Director and a vice general manager of the Group who is responsible for the general operation of production and purchasing of the Group. He is also a director of Shandong Fufeng, Baoji Fufeng, IM Fufeng and Hulunbeir Fufeng. Mr. Li graduated from the 山東聊城師範學院 (Shandong Liaocheng Teacher's College) in 1992 and obtained a bachelor's degree in chemistry education. He joined the Group in January 2001 and was appointed as a director of Shandong Fufeng in November 2003 and has over 15 years of experience in business management. Mr. Li Deheng is the brother-in-law of Mr. Li Xuechun. Mr. Li is interested in 100% of the issued share capital of Empire Spring Investments Limited, which in turn is interested in 33,320,160 Shares, representing approximately 1.57% of the issued share capital of the Company.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

馮珍泉 (Feng Zhenquan), aged 46, is an executive Director and vice general manager of the Group. Mr. Feng is also a director of Shandong Fufeng, Baoji Fufeng, IM Fufeng and Hulunbeir Fufeng. He is in charge of the strategic research and development of the Group. Mr. Feng graduated from 山東輕工業學院專科 (Shandong Institute of Light Industry) in 1990 majoring in electrical and mechanical technology. Mr. Feng was appointed as a director of Shandong Fufeng in May 2002 and has over 22 years of experience in the fermentation industry. He was one of the initial management Shareholders. Mr. Feng is interested in 100% of the issued share capital of Elite Chance Holdings Limited, which in turn is interested in 33,320,160 Shares, representing approximately 1.57% of the issued share capital of the Company.

徐國華 (Xu Guohua), aged 47, is an executive Director and vice general manager of the Group who is responsible for Shenhua Pharmaceutical and the research and development of the Group. Mr. Xu is also a director of Shandong Fufeng, Baoji Fufeng, IM Fufeng, Hulunbeir Fufeng and Shenhua Pharmaceutical. Mr. Xu graduated from 山東輕工業學院 (Shandong Institute of Light Industry) majoring in fermentation and economics management in July 1991 and 2003 respectively. He completed his study in fermentation engineering from 天津科技大學 (Tianjin University of Science and Technology) in September 2004. Mr. Xu has been elected to stand as the executive council member of the China Fermentation Industry Association in 2004 and prior to that was invited in 2002 to be a member of the Amino Acid Technology Committee under the China Fermentation Industry Association. Mr. Xu first joined Shandong Furui Brewery Group in 1991. Mr. Xu joined the Group in June 1999 and has over 25 years of experience in the fermentation industry. He was also one of the initial management Shareholders. Mr. Xu was appointed as a director of Shandong Fufeng in May 2002. Mr. Xu is interested in 100% of the issued share capital of Best Range Investments Limited, which in turn is interested in 33,320,160 Shares, representing approximately 1.57% of the issued share capital of the Company.

李廣玉 (Li Guangyu), aged 37, is an executive Director and a vice general manager of the Group who is responsible for the project of Hulunbeir Plant of the Group. Mr. Li has over 10 years of experience in the fermentation industry. Mr. Li graduated from 華東政法大學研究生院 (East China University of Political Science and Law Graduate School) in 2006 and obtained a master's degree in Laws. Mr. Li is the son of Mr. Li Xuechun. Mr. Li is not interested in any shares of the Company pursuant to Part XV of the Securities and Future Ordinance.

Independent Non-executive Directors

孫玉國 (Sun Yu Guo), aged 61, was appointed as an independent non-executive Director on 23 November 2015. Mr. Sun has over 30 years experience in the field of accounting and financial management. Mr. Sun is the non-profession member of The Chinese Institute of Certified Public Accountant and The Chinese Institute of Certified Public Valuator. Prior to his retirement in February 2014, Mr. Sun was an executive director and vice president of Tsingtao Brewery Company Limited with rich experience in financial management and capital management. He ever served as Deputy Department Head in Finance Bureau of Qingdao, and Department Head in State-owned Assets Supervision and Administration Commission of the People's Government of Qingdao (the "SASACQ"). Mr. Sun was awarded China Annual Figure as Chief Financial Officer in 2004, and National Pioneer in Accounting in 2008.

Mr. Sun does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. Mr. Sun was an executive director of Tsingtao Brewery Company Limited (stock code: 0168. HK) up to June 2014, save as disclosed above, he did not have any directorships in other listed public companies in the last three years nor has held any other position with the Company and any of its subsidiaries. Mr. Sun does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

鄭豫 (Zheng Yu), aged 48, was appointed as an independent non-executive Director in December 2012. Ms. Zheng was a Managing Director at PineBridge Investments (formerly known as the AIG Global Investments), in charge of private equity investment in Greater China from 2008 to 2011. She also has over 17 years experience in the management consulting industry through her service at the Boston Consulting Group and then at Roland Berger Strategy Consultants as its senior partner responsible for the industrial and automotive industries practice in Greater China. Ms. Zheng has extensive experience in various management practices including strategy development, brand management, organizational restructuring, global sourcing, joint venture strategy, and project management for both global and Chinese clients. Her industry experience includes automotive, industrial goods, consumer electronics, retail and fast moving consumer goods, education, media and publishing, etc. Prior to her investment and management consulting career, she has also worked in the computer industry in both China and the United States. Ms. Zheng received a bachelor's degree of science in Computer Science in Beijing Normal University and her Master of Business Administration from the University of Texas at Austin in the U.S. Ms. Zheng does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company. Ms. Zheng is also a non-executive director of Minth Group Limited (Stock code: 425) in current, save as disclosed above, she did not have any directorships in other listed public companies in the last three years nor has held any other position with the Company and any of its subsidiaries.

齊慶中 (Qi Qing Zhong), aged 61, was appointed as an independent non-executive Director on 1 November 2014. Mr. Qi has over 31 years experience in the management of the corporation in fermentation and food industry. Mr. Qi has extensive experience in various management practices including strategy development, promotion and brand management and industrial operation management. Mr. Qi graduated in Institute of Light Industry, Dalian (Faculty of Food Engineering, Professional of Fermentation) in 1982. Mr. Qi currently works as a chief secretary and a chief executive officer of China Food Additives & Ingredients Association. Mr. Qi is also in position of Deputy Director of the Committee on Food Additions in National Standard Review Committee of Food Safety. Mr. Qi does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. He did not have any directorships in other listed public companies in the last three years nor has held any other position with the Company and any of its subsidiaries. Mr. Qi does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management

趙修標 (Zhao Xiu Biao), aged 52, is a general manager of the Group. Before joining Fufeng in 2012, he worked for a large food company in Shandong for 10 years as a director of sales department and vice president. Mr. Zhao has accumulated 15 years of experience in sales and marketing management. He is currently in charge of the overall management of the Group's daily operations.

陳奕祺 (Chan Yick Kei), aged 36, is a chief financial officer of the Group who was appointed on 1 January 2015. Mr. Chan graduated from the London School of Economics and Political Science with a bachelor degree of accounting and finance. Mr. Chan has 15 years of corporate finance and M&A experience. Prior to joining us he was a director and head of consumer and retail sector, Asia at Deutsche Bank and before that he was a Vice President at the investment banking department of Credit Suisse. Mr. Chan is responsible for matters relating to corporate finance, capital markets, investor relations, corporate development and assists in strategic planning, as well as other financial management duties.

來鳳堂 (Lai Fengtang), aged 47, is a general manager of Baoji Fufeng who is currently in charge of the operation of Baoji Fufeng. Mr. Lai graduated from 中國西北大學 (Northwest University of China) in 1998. He first joined Shandong Furui Brewery Group in 1991. Mr. Lai joined the Group in June 1999 and has over 24 years of experience in the sales and marketing. Mr. Lai is the sole director of and is interested in 14.3% of the issued share capital of Hero Elite, which in turn is interested in 69,120,000 Shares, representing 3.25% of the issued share capital of the Company.

潘悅洪 (Pan Yuehong), aged 51, is the vice general manager of the Group. Mr. Pan graduated from 山東輕工業學院 (Shandong Institute of Light Industry) in 1988, majoring in fermentation. Mr. Pan joined 山東福瑞酒廠 (Shandong Furui Brewery Group) in 1988, and later joined the Group in June 1999. With nearly 28 years of experience in the fermentation industry, he is mainly responsible for the Group's sales and marketing activities. Mr. Pan is the sole director of and is interested in 14.3% of the issued share capital of Advanced Quality Limited, which in turn is interested in 69,120,000 Shares, representing 3.25% of the issued share capital of the Company.

王均成 (Wang Juncheng), aged 48, is the general manager of IM Fufeng. Mr. Wang graduated from 中國海洋大學 (Ocean University of China) in 1990, majoring in marine biology. Mr. Wang joined 山東福瑞酒廠 (Shandong Furui Brewery Group) in 1990, and later joined the Group in June 1999. With 26 years of experience in fermentation industry, he is mainly responsible for the operation of IM Fufeng.

嚴紀文 (Yan Jiwen), aged 49, is the general manager of Hulunbeir Fufeng. Mr. Yan graduated from 山東輕工業學院 (Shandong Institute of Light Industry) in 2005, majoring in economic management. Mr. Yan joined 山東福瑞酒廠 (Shandong Furui Brewery Group) in 1988, and later joined the Group in June 1999. He has accumulated 28 years of experience in the industry and is mainly responsible for the operation of Hulunbeir Fufeng. Mr. Yan is the sole director of and is interested in 14.3% of the issued share capital of Excel Energy Limited, which in turn is interested in 69,120,000 Shares, representing 3.25% of the issued share capital of the Company.

唐永強 (Tang Yongqiang), aged 41, is the general manager of Xinjiang Fufeng. Mr. Tang graduated from 西北工業大學 (Northwestern Polytechnical University) in 1997, majoring in machinery manufacturing industry and equipment. Mr. Tang joined 山東福瑞酒廠 (Shandong Furui Brewery Group) in 1997, and later joined the Group in June 1999. With 19 years of experience in the industry management, he is mainly responsible for the operation of Xinjiang Fufeng.

趙蘭坤 (Zhao Lankun), aged 43, is a general manager of Shandong Fufeng who is currently in charge of the operation of Shandong Fufeng. Mr. Zhao graduated from 青島化工學院 (Institute of Chemical Technology of Qingdao) in 1994, majoring in chemical equipment and machinery. Mr. Zhao joined Shandong Furui Brewery Group in 1994, and later joined the Group in June 1999. With nearly 22 years of experience in industrial management. Mr. Zhao is interested in 14.3% of the issued share capital of Hero Elite, which in turn is interested in 69,120,000 Shares, representing 3.25% of the issued share capital of the Company.

徐令國 (Xu Lingguo), aged 41, graduated in 1997 from 太原理工大學 (Taiyuan University of Technology) majoring in economic law. Mr. Xu joined the Group in 1999. Mr. Xu has 16 years of experience in the fermentation industry and is presently responsible for the Group's logistic operation.

張元年 (Zhang Yuannian), aged 42, is an assistant general manager of IM Fufeng. Mr. Zhang first joined Shandong Furui Brewery Group in 1994 and graduated from 臨沂市商業學校 (The Commerce School of Linyi). He joined the Group in 1999 and has accumulated over 21 years of experience in finance.

Company Secretary and Qualified Accountant

李偉然 (Lee Wai Yin), aged 46, is the qualified accountant and company secretary of the Company since August 2008. Mr. Lee graduated from the Hong Kong Shue Yan College in 1993 with a diploma in accountancy and is a fellow member of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. Mr. Lee has more than 22 years of working experience in finance and accounting including some with international accounting firms.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Overview

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.

The Group continued to strategically utilise its production facility and capacity of each plant in order to match ongoing market demand. The Group has also actively explored the development of new high-end polymer materials such as gellan gum, hyaluronic acid and high-end amino acid products, in order to improve product diversity and increase sales and penetration in health and wellness, pharmaceutical and skincare related industries. Only by continuously upgrading our product quality and expanding our product range can we transform gradually from the traditional, bulk-trade enterprise towards a modern, high-tech and high value-added supplier of biochemical products.

In addition, 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 is expected 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. Therefore, we are more confident that we can become one of the world's leading providers of threonine and high-end amino acid products.

We believe that sustainable development is indispensable to the Group's continuous pursuit of environmental protection and social contribution. As for environmental protection, the Group has continued investing in energy-saving equipment. The production facilities, with low carbon emission, aim to minimise the influence of our business on the environment. We have also placed great emphasis on product quality and food safety, so as to build up the highly acclaimed reputation of good quality and track record among our clients and end-users. In 2015, we invested about RMB70 million to substantially reduce pollution resulted from waste gas emissions. Also, the new production technology is an environmentally-friendly technology helping to reduce waste and waste water produced.

With the global economy quite weak and oil industry in a downward trend, the ASP of our xanthan gum was significantly affected, and the Group recorded a decrease in its overall gross profit and net profit during 2015 compared to 2014. Even though overall revenue of the Group remained fairly stable during the year under comparison, the Group was able to rely on new products such as high-end amino acid products and effective implementation of production technology enhancement and cost control to maintain overall performance in 2015. In terms of production capacity, the overall production capacity of MSG and xanthan gum of the Group, maintained at 940,000 tonnes per annum and 87,500 tonnes per annum, respectively in 2015, remaining almost fully operational.

For the year ended 31 December 2015, revenue for the Group remained relatively stable at approximately RMB11,225.7 million as compared to approximately RMB11,297.7 million for the year ended 31 December 2014. The slight decrease in revenue was primarily caused by the decrease in the ASP of xanthan gum and only slight increase in the ASP of MSG.

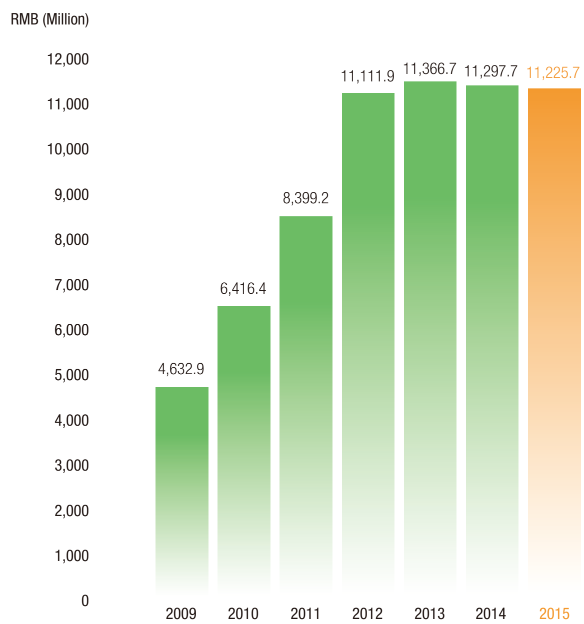
Benefiting from the MSG market consolidation and the stabilisation of demand and supply of MSG, the ASP of MSG increased moderately in the first three quarters in 2015. However, it dropped by approximately RMB1,000 per tonne in the fourth quarter, to about RMB6,187 per tonne. Since the average price of corn kernels decreased a lot in the fourth quarter, from about RMB1,912 per tonne in the third quarter to about RMB1,502 per tonne in the fourth quarter, the Group managed to cut the MSG price proactively in order to ramp up sales of MSG and strengthen its market share.

Despite a decrease in the ASP of xanthan gum, the Group was able to maintain the production volume of xanthan gum near full capacity level with a resulting sales volume of xanthan gum of about 63,517 tonnes in 2015, which slightly decreased by about 2.1% compared to 2014.

Our Amino acid segment (formerly named MSG segment), is primarily made up of our MSG, threonine and high-end amino acid products. In terms of MSG business, despite an increase in 2015, the ASP of MSG still remained at a relatively low level and the Group continued to face lackluster conditions in the domestic catering and consumer markets as well as pricing pressure due to market competition. Despite the challenging market conditions, the Group was able to maintain its leadership in terms of market share and sales volume by leveraging its cost advantages to adopt a competitive pricing strategy. As such, the Group recorded decreases in gross profit and gross profit margin in our Amino acid segment, mainly due to inventory clearance of fertilisers and the ASP of MSG decreased in the fourth quarter of 2015 which offset the effect from the decrease of raw material costs in 2015 and production technology enhancement leading to the further strengthened competitive cost advantage, as well as the increasing contribution from the sales of higher margin products such as high-end amino acid products. The high-end amino acid products, a relatively new business of the Group, continued to increase its revenue contribution to the Group in 2015.

In terms of the xanthan gum business, another key business segment of the Group, with the decrease in the ASP of xanthan gum and a decrease in gross profit margin, the market demand for xanthan gum generally stabilised and the Group continued to strengthen its market share. As the largest xanthan gum manufacturer worldwide, the Group continued to dominate the global market share.

The table below illustrates the trend of the Group's revenue in the past seven years:



For the year of 2015, revenue of the Group remained relatively stable at approximately RMB11,225.7 million as compared to approximately RMB11,297.7 million for the year of 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

The slight decrease in revenue was primarily caused by the decrease in the 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. Industry consolidation of MSG was generally completed in the first half of 2014, and with demand and supply of MSG stabilising, the ASP of MSG increased moderately in the first three quarters in 2015. However, it dropped by approximately RMB1,000 per tonne in the fourth quarter, to about RMB6,187 per tonne. Since the price of corn kernels decreased a lot in the fourth quarter, from about RMB1,912 per tonne in the third quarter to about RMB1,502 per tonne in the fourth quarter, the Group managed to cut the MSG price proactively in order to ramp up sales of MSG and strengthen its market share. Despite a decrease in the ASP of xanthan gum, the Group was able to maintain the sales volume of xanthan gum under the weak global economy, mainly due to the downward trend of the oil industry. In addition, the Group actively managed the business of xanthan gum by optimising the customer portfolio and raising the proportion of customers in the food sector. The Group's overall gross profit decreased from approximately RMB2,166.9 million in 2014 to approximately RMB1,802.5 million in 2015. This represents a decrease of 16.8%, primarily due to the decrease in gross profit margin of xanthan gum.

In 2015, the ASP of the Group's MSG increased by 4.0% compared to 2014. However, the ASP of the Group's xanthan gum decreased by 27.2% compared to 2014 due to intense competition and weak market conditions in the global oil industry. Production costs of the Group, including the prices of corn kernels, chemical products, and coal decreased as compared to 2014 due to overall weakness in local and global market demand. The Group's overall gross profit margin decreased by 3.1 percentage points to around 16.1% in 2015, primarily due to the effect from the increase in gross profit margin of MSG and starch sweeteners, and the higher gross profit margins enjoyed by our high-end amino acid products and threonine, which were offset by a decrease in gross profit margin of xanthan gum.

In view of the challenging market conditions, the Group continued to actively implement cost controls. The relatively stable gross profit margin of Amino acid segment in 2015 demonstrated the Group's ability to leverage on its economies of scale and production capabilities to manage its costs effectively.

The production and sales volume of MSG increased by about 1.2% and about 2.4% in 2015 as compared to 2014, respectively. The production volume of MSG slightly increased as a result of the improvement of efficiency of overall production capacity of MSG.

The production volume of xanthan gum increased by about 1.3% but sales volume decreased by about 2.1% in 2015 compared to 2014. The production volume of xanthan gum increased primarily as the Group was able to ramp up production of xanthan gum at its Xinjiang Plant from the beginning of 2014.

High-end Amino Acid Business

In addition to our high-end amino acid products, we continued the development of threonine business. Threonine is a type of amino acid which is used as an animal feed additive. 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.

The high-end amino acid business, as part of our Amino acid segment, is the Group's new growth driver. The Group's high-end amino acid products are developed using different types of corn-based biochemical products by leveraging on the Group's fermentation technology. The high-end amino acid products include valine (纈氨酸), leucine (亮氨酸), isoleucine (異亮氨酸), glutamine (谷氨醯胺) and hyaluronic acid (透明質酸), etc. 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 health and wellness and pharmaceutical materials industries.

In the course of new product market exploration, we accessed many new customers for personal care and healthcare products. From the perspective of a raw material supplier, there are huge business opportunities for the Group to further capture. In addition, on the basis of existing products, we still have ample room for growth. At the end of 2015, we successfully launched two products, pectin and polyglutamic acid which were undergoing market trials.

The short-term goal of the Group is to become one of the world's top three producers and suppliers by market share for several of our key amino acid product types. The development and production of these products will add further diversity to the Group's product and revenue mix. The Group also plans to extend its business scope from the production and sales of typical amino acid products for bulk trade to those of high-end products.

Overall, the diversity of the Group's product portfolio has allowed us to maintain our overall revenue growth momentum in 2015.

It is expected that such development and production of these products will further diversify the Group's product and revenue mix and it is the goal of the Group to become one of the key producers and suppliers in terms of global market share.

Market Overview

Amino acid segment (formerly named as MSG segment)

The Amino acid segment mainly includes the production and sales of MSG, fertilisers, starch sweeteners, threonine, high-end amino acid products and other related products.

Benefiting from the MSG market consolidation, the ASP of MSG stabilised and exhibited an upward trend since the second half of 2014. Although the ASP of MSG is in upward trend, it is still fluctuating and at low level in line with the Group's pricing strategy to strengthen our market share, helped by a decrease in raw material costs as the local and global economies remained weak in 2015.

With the MSG market in the PRC becoming increasingly consolidated, the Group's pricing strategy and production strength has helped it to win market share in recent years, and the Group has become the leading producer in the global MSG industry.

Xanthan gum segment

The market demand for xanthan gum remained relatively stable in 2015, but the ASP of xanthan gum decreased significantly due to intense competition and weak market conditions in the global oil industry in 2015. Even though costs of major raw materials including corn kernels and coal remained relatively stable during the year as compared to 2014, the Group remained committed to controlling costs and improving operational efficiency in the face of pricing pressure of xanthan gum. The Group will continue to review and adjust its pricing strategy and production capacity planning in order to expand its market share going forward. In terms of production capacity, the Group is now the largest producer in the world for xanthan gum, in which the market is dominated by the global top three xanthan gum producers.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Review of the Group

Certain indicative operational figures of the Group are set out below:

Turnover/Gross profit/Gross profit margin of the Group

	Year ended 31 December		Change
	2015	2014	%
Turnover *(RMB'000)*	**11,225,722**	11,297,696	(0.6)
Gross profit *(RMB'000)*	**1,802,491**	2,166,865	(16.8)
Gross profit margin *(%)*	**16.1**	19.2	(3.1) ppts.

The slight decrease in turnover of the Group was mainly due to the decrease in ASP of xanthan gum, whilst the Group witnessed increases in sales volume of MSG and high-end amino acid products. On the other hand, the ASP of MSG demonstrated an upward trend after the market consolidation. However, it dropped in the fourth quarter of 2015 due to competitive pricing strategy. These are discussed in more detail in the following sections.

Profit attributable to the Shareholders

	Year ended 31 December		
	2015	2014	Change
	RMB'000	*RMB'000*	%
As reported	**516,261**	626,428	(17.6)

Despite a slight recovery in the MSG industry and significant reduction in gross profit margin of xanthan gum in 2015, the gross profit margin of amino acid products slightly decreased in 2015. While other sales and administrative and finance costs remained relatively stable in 2015, the net profit attributable to the Shareholders for 2015 decreased by about 17.6% as compared to 2014, primarily as a result of reduction in gross profit margin of xanthan gum, which offset growth in the Group's high-end amino acid business, the slight recovery in MSG market conditions witnessed in 2015 and the realisation of a government grant related to urban planning of local PRC governments, given that such relevant lands were sold by means of disposal of a wholly owned subsidiary, Junan Beicheng Property Company Limited, in the first half of 2015.

In addition, the Group decreased the level of capital expenditure and also fully repaid the senior notes in order to decrease total borrowings and reduce the finance costs of the Group.

Segment Highlights

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

The table below highlights the operating results of the above segments:

	Year ended 31 December 2015			Year ended 31 December 2014			Increase/(Decrease)		
	Amino acid *RMB'000* audited	Xanthan gum *RMB'000* audited	Group *RMB'000* audited	Amino acid *RMB'000* audited	Xanthan gum *RMB'000* audited	Group *RMB'000* audited	Amino acid % audited	Xanthan gum % audited	Group % audited
Revenue	10,256,444	969,278	11,225,722	9,949,870	1,347,826	11,297,696	3.1	(28.1)	(0.6)
Gross profit	1,447,537	354,954	1,802,491	1,456,452	710,413	2,166,865	(0.6)	(50.0)	(16.8)
Gross profit ratio	14.1%	36.6%	16.1%	14.6%	52.7%	19.2%	(0.5) ppts.	(16.1) ppts.	(3.1) ppts.
Segment results	757,638	289,006		479,730	644,982		57.9	(55.2)	
Segment net assets									
Assets	8,668,125	3,861,218		8,683,179	3,658,365		(0.2)	5.5	
Liabilities	5,051,084	1,030,067		4,022,494	1,071,167		25.6	(3.8)	

The sections below describe the performance of each segment in more details.

Amino acid segment

Revenue and ASP

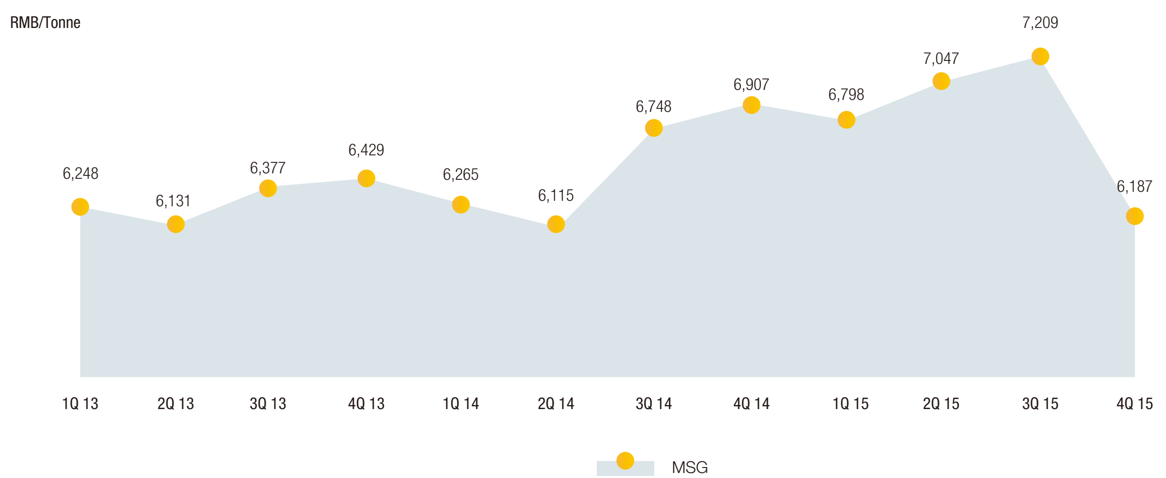
Revenue generated from the sales of the Amino acid segment products increased to approximately RMB10,256.4 million in 2015, representing an increase of RMB306.5 million or 3.1%, as compared with that in 2014, which was mainly attributed to the increase in the ASP of MSG and the increase in revenue contribution from sales of high-end amino acid products. Sales volume of MSG was approximately 947,435 tonnes in 2015, representing an increase of 2.4% as compared with that in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets out the revenue of the products in this segment for the years ended 31 December 2015 and 2014:

Product	Year ended 31 December 2015 RMB'000	2014 RMB'000	Change %
MSG	**6,418,049**	6,015,937	6.7
Glutamic acid	**42,068**	37,217	13.0
Fertilisers	**483,257**	476,401	1.4
Corn refined products	**1,314,548**	1,572,653	(16.4)
Starch sweeteners	**724,002**	778,430	(7.0)
Threonine	**594,830**	566,033	5.1
High-end amino acid products	**490,732**	341,219	43.8
Corn oil	**35,937**	19,381	85.4
Compound seasoning	**16,117**	10,419	54.7
Others	**136,904**	132,180	3.6
	10,256,444	9,949,870	3.1

Set out below is a chart showing the ASP of the Group's MSG for each quarter from the first quarter of 2013 to the fourth quarter of 2015:



MANAGEMENT DISCUSSION AND ANALYSIS

MSG

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 our 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%.

In 2015, the Group also strengthened the export of MSG products and sales and marketing efforts in the promotion of its U Fresh Series products to retail customers. The export of MSG in term of sales volume increased by 10.5% in 2015, which amounted to about RMB1,092.5 million, as compared to about RMB942.9 million in 2014.

Fertilisers

Due to weak market demand, the ASP of fertilisers decreased from approximately RMB651 per tonne in 2014 to approximately RMB380 per tonne in 2015, representing a decrease of about 41.6%. The ASP of fertilisers was far from expectation due to inventory clearance, which resulted in a significant accounting loss.

Corn refined products

In line with the cost of corn kernels, the ASP of corn refined products fell in 2015. The revenue of corn refined products decreased by about 16.4% in 2015 as compared with that in 2014, which was in line with the consumable volume of corn kernels for production in 2015.

Starch sweeteners

Turnover of starch sweeteners decreased by about 7.0% to RMB724.0 million in 2015, primarily due to the ASP of starch sweeteners, which slightly decreased to approximately RMB2,954 per tonne, while sales volume of starch sweeteners also slightly decreased to about 244,741 tonnes in 2015. The Group was able to satisfy market demand as the annual production capacity of starch sweeteners has reached 260,000 tonnes since July 2014.

Threonine

Threonine, mainly used as an animal feed additive, has been going from strength to strength. It is an essential amino acid which maintains body protein balance and promotes the growth of living things. The total revenue of threonine increased by about 5.1% in 2015 as compared to 2014, primarily as a result of a significantly higher ASP of threonine. The ASP of threonine increased by about 7.8% to approximately RMB11,097 per tonne in 2015 from approximately RMB10,293 per tonne in 2014. Sales volume of threonine was about 53,605 tonnes in 2015.

High-end amino acid products

The new high-end amino acid products commenced production in our new Xinjiang Plant since 2013. The range of our high-end amino acid products includes valine, leucine, isoleucine, glutamine and hyaluronic acid. Sales increased to approximately RMB490.7 million in 2015 as compared to approximately RMB341.2 million in 2014. The high-end amino acid market is one of the key markets that the Group remains focused on developing and strengthening. The Group aims to create a series of high-end products by capitalising on our research and development capabilities and resources advantage to realise the Group's development strategy of "Low Investment – High Return".

In 2015, the Group developed new specialty ingredients such as pectin, polyglutamic acid and other high-end amino acid products. The Group aims to improve product diversity and increase sales and penetration in health supplements, pharmaceutical and skin care related industries.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

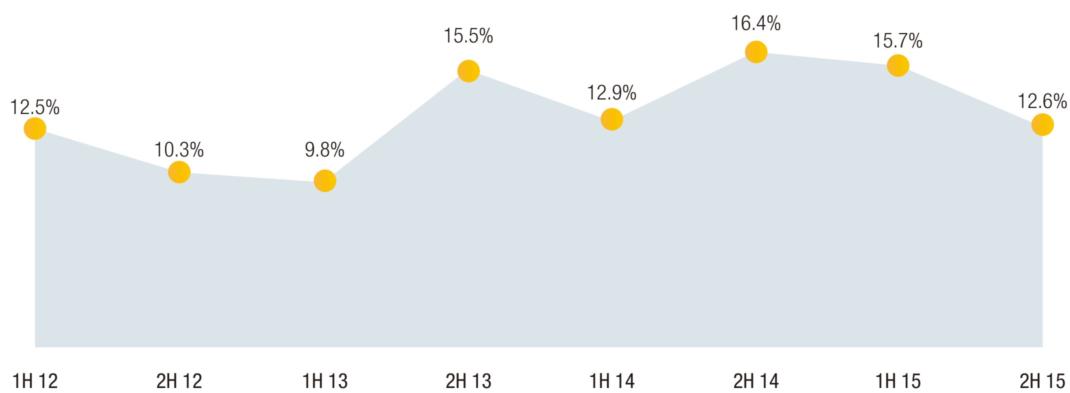
The gross profit of this segment is set out below:

	Year ended 31 December		
	2015	2014	Change
Gross profit *(RMB'000)*	**1,447,537**	1,456,452	(0.6)%
Gross profit margin *(%)*	**14.1**	14.6	(0.5) ppts.

Gross profit decreased to RMB1,447.5 million and gross profit margin decreased by 0.5 percentage points to 14.1%, primarily due to the weakness in the China and global economies. The Group adopted a competitive pricing strategy to strengthen market share and leadership in the MSG market in the fourth quarter of 2015. The Group managed to reduce the ASP of MSG to a relative low level in the fourth quarter of 2015 and inventory clearance of fertilisers, which affected the overall gross profit margin of Amino acid segment, decreasing to 14.1% in 2015. 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.

Despite the dynamic pricing strategy adopted by the Group in the fourth quarter of 2015, the Group has led the MSG price to a relative healthy level at the beginning of 2016. The Group believes that ASP for MSG could begin to stabilise in 2016.

Trend of Gross Profit Margin of Amino acid Segment



The above chart shows the changes in gross profit margin from 2012 to 2015. In the fourth quarter of 2015, the average price of corn kernels decreased significantly. As such, the Group adopted a competitive pricing strategy to significantly lower the ASP of MSG, with an aim to further strengthen its market share and leading position. Although the short term market fluctuation has affected our results, the Group believes that the industry demand and supply has stabilised and expects that the ASP of MSG to stabilise or gradually improve. In addition, the Group will continue to launch some high-end amino acid products which have higher profit margins and the Group believes that such increasing diversity in the product mix will help to improve its gross profit margin in this segment.

Production costs

	Year ended 31 December				
	2015		2014		Change
	RMB'000	**%**	*RMB'000*	%	%
Major raw materials					
• Corn kernels	**5,239,431**	**60.1**	5,368,246	62.1	(2.4)
• Liquid ammonia	**90,709**	**1.0**	108,847	1.3	(16.7)
• Sulphuric acid	**96,858**	**1.1**	117,519	1.4	(17.6)
Energy					
• Coal	**784,449**	**9.0**	899,717	10.4	(12.8)
Depreciation	**629,582**	**7.2**	579,431	6.7	8.7
Employee benefits	**579,173**	**6.6**	524,421	6.1	10.4
Others	**1,299,532**	**15.0**	1,048,065	12.0	24.0
Total cost of production	**8,719,734**	**100.0**	8,646,246	100.0	0.8

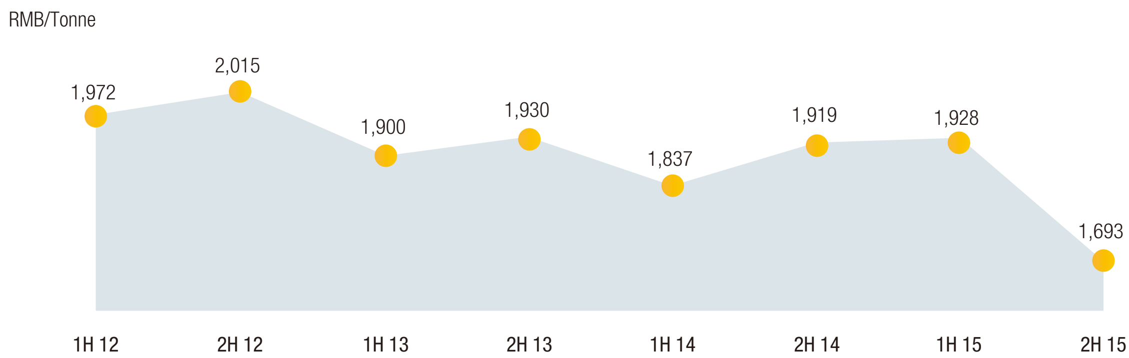
Corn kernels

During 2015, corn kernels accounted for approximately 60.1% (2014: 62.1%) of the total production cost of this segment. The average unit cost of corn kernels for 2015 was approximately RMB1,811 per tonne. The cost of corn kernels as a percentage of total production costs decreased by 2.0 percentage points, which was due to the decrease in average unit cost of corn kernels caused by the weak economy in China during 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

The following chart shows the price trend of corn kernels from the first half of 2012 to the second half of 2015:

Price Trend of Corn Kernels



Liquid ammonia

Liquid ammonia accounted for approximately 1.0% (2014: 1.3%) of total production cost in this segment in 2015. As a result of the weak market demand, the average unit cost of liquid ammonia for 2015 decreased to approximately RMB2,021 per tonne, which represents a decrease of approximately RMB169 per tonne or 7.7% from that of 2014. In addition, the Group had additional production capacity of synthetic ammonia that was able to counteract the higher price of liquid ammonia. Therefore, the cost of liquid ammonia as a percentage of total production costs decreased by 0.3 percentage point.

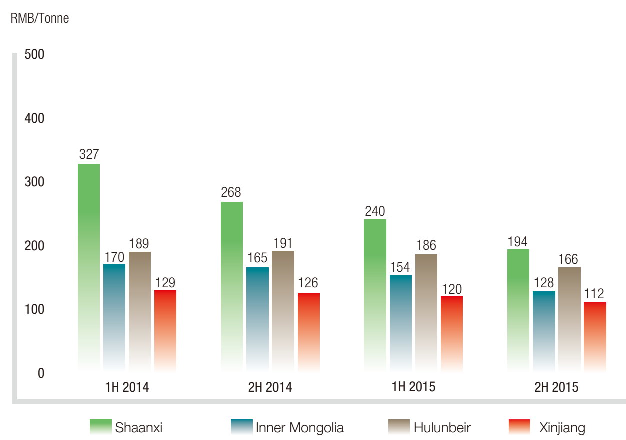
Sulphuric acid

Sulphuric acid accounted for approximately 1.1% (2014: 1.4%) of total production cost in this segment in 2015. As compared with the average unit cost of sulphuric acid in 2014, the average unit cost of sulphuric acid decreased to approximately RMB240 per tonne, which represents a decrease of approximately RMB4 per tonne, or 1.6%, from that of 2014.

Coal

Coal accounted for about 9.0% of total production cost in this segment in 2015 (2014: 10.4%). The average unit cost of coal for 2015 was RMB159 per tonne, representing a decrease of RMB25 per tonne, or 13.6%, from 2014. The decrease in coal prices reflects the competitive advantages of our Hulunbeir Plant and Xinjiang Plant being fully realised during the year.

The Group's major production bases in Inner Mongolia, Hulunbeir and Xinjiang, with access to lower-cost coal, are instrumental in strengthening the Group's competitive pricing strategy. The chart below shows coal costs at each of our plants in Shaanxi, Inner Mongolia, Hulunbeir and Xinjiang:



Other production costs

The increase in depreciation and employee benefits was mainly due to our new Baoji Plant becoming fully operational in 2015. In addition, the number of new high-end amino acid products were launched during the year. The other production costs including miscellaneous raw material consumed and research and development cost increased during 2015.

Production

The annual designed production capacity, the actual production output and the utilisation rate of each of the major products for this segment were as follows:

	Year ended 31 December		
Product	**2015** *Tonnes*	2014 *Tonnes*	Change %
MSG			
Annual designed production capacity *(Note)*	**940,000**	995,000	(5.5)
Actual production output	**954,700**	942,926	1.2
Utilisation rate	**101.6%**	94.8%	
Glutamic acid			
Annual designed production capacity *(Note)*	**760,000**	790,000	(3.8)
Actual production output	**766,917**	761,276	0.7
Utilisation rate	**100.9%**	96.4%	
Fertilisers			
Annual designed production capacity *(Note)*	**950,000**	1,025,000	(7.3)
Actual production output	**897,542**	901,240	(0.4)
Utilisation rate	**94.5%**	87.9%	
Starch sweeteners			
Annual designed production capacity *(Note)*	**260,000**	250,000	4.0
Actual production output	**238,393**	252,157	(5.5)
Utilisation rate	**91.7%**	100.9%	

Note: The annual designed production capacity is expressed on pro-rata basis.

Utilisation rates remained high despite decreasing slightly in 2015, due to the relocation of Baoji Plant. The new Baoji Plant Phase1 started operation and production in the fourth quarter of 2014.

Xanthan gum segment

Operation results

The table below set out the sales amount, ASP, gross profit, gross profit margin and utilisation rate of xanthan gum for the years ended 31 December 2014 and 2015:

	Year ended 31 December		Change
	2015	2014	%
Revenue *(RMB'000)*	**969,278**	1,347,826	(28.1)
ASP *(RMB/tonne)*	**15,013**	20,613	(27.2)
Gross profit *(RMB'000)*	**354,954**	710,413	(50.0)
Gross profit margin *(%)*	**36.6**	52.7	(16.1) ppts.
Annual designed production capacity *(tonnes) (Note)*	**87,500**	82,000	6.7
Actual production output *(tonnes)*	**84,162**	83,095	1.3
Utilisation rate	**96.2%**	101.3%	

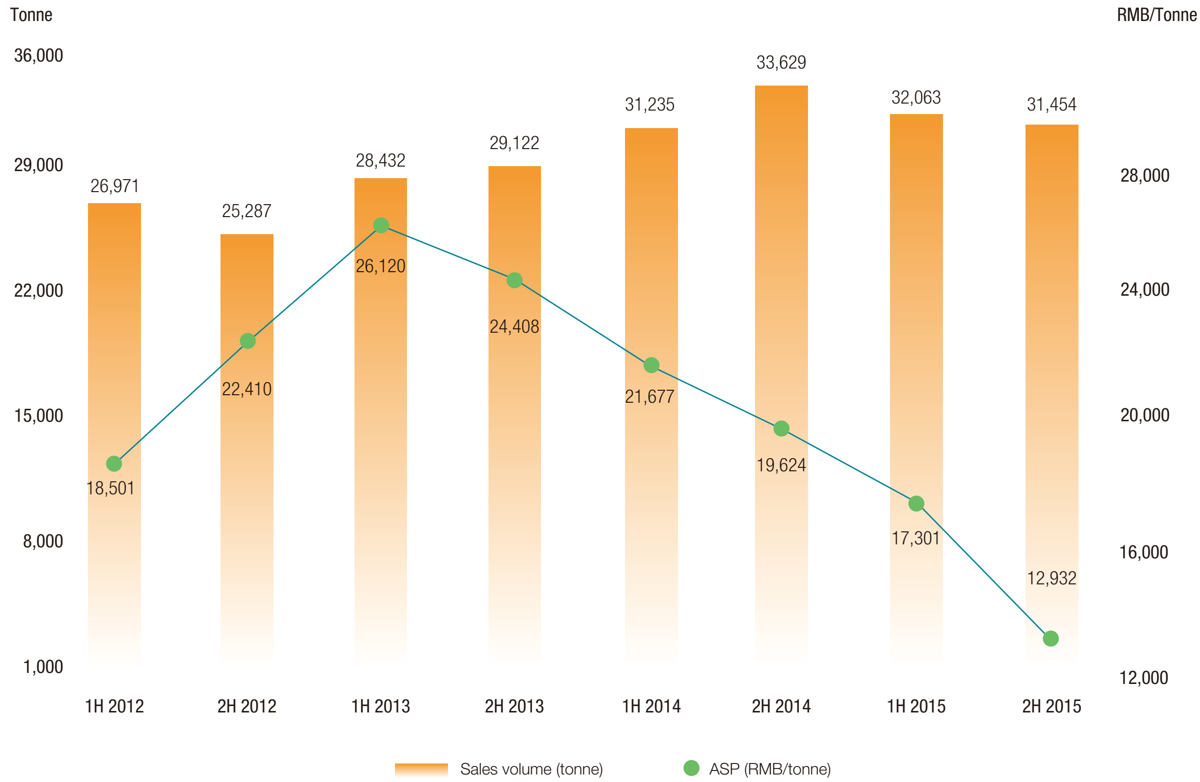
Note: The annual designed production capacity is expressed on pro-rata basis.

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 full 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.

The Group's export of xanthan gum steadily increased in terms of the percentage contribution to total sales. Export sales of xanthan gum contributed approximately 90.4% and 91.1% of total sales of xanthan gum in 2014 and 2015, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales volume and ASP



Global demand for xanthan gum remained stable in 2015, and the Group expects this to continue in the foreseeable future as demand is still steadily growing in the food industry as well as other sectors.

Gross profit and gross profit margin

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 IM Plant and new Xinjiang Plant.

MANAGEMENT DISCUSSION AND ANALYSIS

Production costs

	Year ended 31 December				
	2015		2014		Change
	RMB'000	**%**	*RMB'000*	%	%
Major raw materials					
• Corn kernels	**307,644**	**39.6**	340,027	41.8	(9.5)
• Soybeans	**68,164**	**8.8**	80,138	9.9	(14.9)
Energy					
• Coal	**112,616**	**14.5**	133,096	16.4	(15.4)
Depreciation	**65,037**	**8.4**	61,539	7.6	5.7
Employee benefit	**89,061**	**11.5**	99,419	12.2	(10.4)
Others	**133,719**	**17.2**	99,289	12.1	34.7
Total cost of production	**776,241**	**100.0**	813,508	100.0	(4.6)

Corn kernels

In 2015, corn kernels represented approximately 39.6% (2014: 41.8%) of the total production cost of this segment. The average unit cost of corn kernels for 2015 was approximately RMB1,819 per tonne, which represents a decrease of approximately RMB124 per tonne, or 6.4%, from that in 2014. The cost of corn kernels decreased about 9.5% from RMB340.0 million in 2014 to RMB307.6 million in 2015, mainly due to decrease in the average unit cost of corn kernels and improvement in production technology.

Soybeans

During 2015, soybeans accounted for approximately 8.8% (2014: 9.9%) of the total production cost of this segment. The decrease in proportion was mainly due to the decrease in soybean prices from approximately RMB4,865 per tonne in 2014 to approximately RMB4,233 per tonne in 2015, representing a decrease of 13.0%. The cost of soybeans decreased by 14.9% in 2015.

Coal

In 2015, coal accounted for approximately 14.5% (2014: 16.4%) of the total production cost of this segment. The Group took full advantage of the relatively low coal cost that the Group was able to source and utilise locally in its IM Plant and Xinjiang Plant. The average unit cost of coal in 2015 was approximately RMB135 per tonne, which represents a decrease of approximately RMB24 per tonne, or 15.1%, from that of 2014.

Other production costs

The cost of depreciation in 2015 increased compared with 2014, mainly due to the new Xinjiang Plant Phase 2, which became operational in the second half of 2014.

Other Financial Information

Other income

The other income increased mainly due to the realisation of deferred income from government grants related to urban planning of local PRC governments amount to RMB160.7 million, given that such relevant lands were sold by means of disposal of a wholly owned subsidiary, Junan Beicheng Property Company Limited in the first half of 2015 and increase of government grants related to expenses mainly includes subsidies of persuits of corn kernels and subsidies of dismantling of coal-fixed boiler during the year.

Selling and marketing expenses

Selling and marketing expenses were relatively stable and in line with the sales revenue of 2015.

Administrative expenses

Administrative expenses increased by approximately RMB54.6 million, or 11.9%, in 2015. The increase was mainly due to increased staff costs after relocation of new Baoji Plant during the year. In addition, research and development costs of new products increased during the year. And also, it included application listing expenses for Shenhua Health Holdings Limited spin-off project.

Finance costs (net)

The finance costs (net) of the Group in 2015 mainly included: interest expenses on borrowings, loss on early redemption of senior notes, exchange loss in finance activities and interest income on bank deposits and bank balances. Interest expenses on borrowings amounting to RMB266.4 million, which decreased by approximately RMB71.0 million, or about 21.1%, when compared with 2014, due to a decrease in bank borrowings as capital expenditures were reduced during the year. The Company had early redeemed the whole senior notes with the principal amount at USD300,000,000 at the redemption price equal to 101.90625% of the principal amount. It based on the terms of senior notes. The extra payment over the principal amount is recorded as loss on early redemption of senior notes amount to RMB35.3 million. During 2015, the Group recorded an exchange loss on finance activities amounting to RMB66.4 million, mainly due to the devaluation of RMB to USD, which was over 5% during the year. The Group performed early redemption of our USD senior notes in the middle of 2015 to minimise the finance cost and exchange loss from the USD senior notes.

Staff cost

Staff costs of the Group increased by approximately RMB82.6 million, or approximately 9.0%, from approximately RMB914.3 million in 2014 to approximately RMB996.9 million in 2015. The increase was mainly due to the increase in number of staff as a result of expansion of the Group's production facilities and the increase in the average salary of the senior management and staff, generally in line with prevailing market rates.

Depreciation

Depreciation expense of the Group amounted to RMB746.8 million which increased by approximately RMB39.7 million, or approximately 5.6%, from approximately RMB707.1 million in 2014. The increase was mainly due to the commencement of full operations at the new Baoji Plant after relocation.

Income tax expense

The income tax expenses for the year of 2015 mainly represented the PRC Enterprise Income Tax ("EIT").

Two subsidiaries of the Group including Shandong Fufeng and Shenhua Pharmaceutical, have obtained the approvals to become a new and high-technology enterprise and had been entitled to a preferential income tax rate of 15%. The qualification of new and high-technology enterprise is subject to renewal for each three years interval.

According to the Caishui (2011) No. 58 "The notice on the tax policies of further implementation of the western region development strategy issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs" (財稅[2011]58號"關於深入實施西部大開發戰略有關稅收政策問題的通知"), companies set up in the western region and falling into certain encouraged industry catalogue promulgated by the PRC government will be entitled to a preferential tax rate of 15%.

Four subsidiaries of the Group including Baoji Fufeng, IM Fufeng, Hulunbeir Fufeng and Xinjiang Fufeng, were set up in the western development region and fall into the encouraged industry catalogue, and therefore they are entitled to the above said preferential tax rate of 15% (2014: 15%).

The other subsidiaries of the Group in the PRC are subject to an income tax rate of 25% (2014: 25%).

Outlook

Looking ahead at 2016, it is expected that the PRC economy will remain sluggish as a whole. The ongoing lack of consumer confidence and the slowdown in economic growth will continue to affect the catering industry.

Challenges:

- It is expected that the Chinese economy will continue to grow at a slow pace in 2016.
- Xanthan gum sector will face intense competition while the operational difficulties in oil industry will put pressure on the xanthan gum business.
- The downturn in the fertiliser sector will result in operational difficulties in the fertiliser business.

Opportunities:

- For MSG business, we have completed our technical training in Hulunbeir Plant. At the beginning of 2016, the Hulunbeir Plant will adopt new production technology for production. In the first half of 2016, we also plan to proceed with the new production technology of MSG 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 production 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.
- Our success in animal nutrition (threonine business) and high-end amino acid business gives us more confidence in developing more new products, allowing the Group to become a global leading manufacturer within a short period of time. We have spent much time and effort to investigate and research opportunities for developing those new products, have more than 20 products in our pipeline of high-end amino acid products and will put more efforts on customer development.
- In mid-2015, we established a fertiliser-specialised department to cooperate with scientific and research institutions in the fertiliser sector and it has gradually developed high value-added fertiliser products. The new products were successively launched into the market and received decent customer response. Furthermore, our fertiliser output will be reduced after the Group adopted new production technology for producing MSG. We believe that our fertiliser business will be profitable subsequent to the completion of our inventory clearance process.

In 2016, 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.

Future Plan and Recent Development

Project of Spin-off in progress

As per announcement dated 27 October 2015, the Group has submitted an application to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules in relation to the proposed spin-off of Shenhua Health Holdings Limited ("Shenhua Health") and has received written confirmation from the Stock Exchange on 16 October 2015 that it may proceed with the proposed spin-off. On 27 October 2015, Shenhua Health submitted through its appointed sole sponsor, J.P. Morgan Securities (Far East) Limited, a listing application form (Form 5A) to the Stock Exchange to apply for Listing.

The proposed spin-off involves the spin-off by the Company and the separate listing of the Shenhua Health shares on the Stock Exchange. Shenhua Health is currently a wholly-owned subsidiary of the Group. The Shenhua Health Holdings Limited and its subsidiaries ("Shenhua Health Group") is principally engaged in the pharmaceutical business, which comprises the production and sale of amino acids-based pharmaceutical and health products, and fungi-based pharmaceutical and health products.

The Group has carried out the reorganisation, which upon completion will result in Shenhua Health becoming the immediate holding company of the pharmaceutical business of the Group. The Group proposes to effect the proposed spin-off by declaring a special dividend to Shareholders, to be satisfied by way of a distribution in specie of its holding in the entire issued share capital of Shenhua Health to qualifying Shareholders in proportion to their respective shareholdings in the Group on the record date. The Group currently does not expect the proposed spin-off to involve any form of capital raising.

Upon completion of the proposed spin-off, the Group will not hold any equity interests in Shenhua Health and accordingly Shenhua Health Group will cease to be a subsidiary of the Group. The remaining Group will continue to be principally engaged in the following two business segments: (i) the Amino acid segment (excluding the pharmaceutical business to be held solely by the Shenhua Health Group following the proposed spin-off); and (ii) the Xanthan gum segment.

The proposed spin-off will increase the transparency of business performance and the financial status of both the Group and the Shenhua Health Group. In addition, the proposed spin-off will allow for a clear separation of operations and management, allowing for a more focused strategy and efficient resource allocation in both businesses.

The proposed spin-off and the listing are intended to facilitate the future growth of the Shenhua Health Group and the Group. As the proposed spin-off will be implemented by way of the distribution to the qualifying Shareholders, such Shareholders will, so long as they remain Shareholders of the Company, continue to enjoy the benefits from the development of the business of the Group whilst also enjoying the benefits from the development of Shenhua Health Group.

Going forward, the Group will continue to (i) strengthen its overall brand marketing and (ii) vigorously strive for the sale and promotion of high-end amino acid products in the PRC healthcare industry, including collaboration with market leading players, in order to create new growth drivers for the Group.

Amino acid segment

The market demand for threonine continues to grow. The construction of our new 85,000 tonnes production capacity of threonine in Hulunbeir Plant was completed at the end of 2015, making us one of the top players in this market. In the coming year, the Group will work with our strategic customers in threonine to deepen our global market penetration and further enhance the product quality and value.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group will enhance research and development efforts to develop new high-end amino acid products and improve the fermentation technology to reduce the production costs of MSG.

The Group will continuously launch new high-end amino acid products and compound seasoning products to enhance our product portfolio. In addition, we will continue to develop the e-commerce platform in which we expect to strengthen our current sales and distribution channel for marketing our high value-added products.

Xanthan gum segment

The market condition of xanthan gum was very weak in the second half of 2015 as a result of weakness in the oil industry. Based on our leading position in the xanthan gum market, the Group will continue to push for optimising our customer mix and enhance market share. We believe that we can act as a leader to bring the industry out of the low tide in 2016.

Overseas market expansion

The Group has increased efforts to develop the foreign MSG and xanthan gum markets by establishing overseas sales branches and offices. In 2016, the Group will strengthen promotional activities in Japan, India, Middle East, Europe, Africa and South America. The objective is to provide customers with better after-sales service, improve customer relationships, and enhance our reputation.

Liquidity and Financial Resources

As at 31 December 2015, the Group's cash and bank balances were RMB1,019.1 million (2014: RMB961.5 million) whereas current bank borrowings and current other borrowing (including the balances of convertible bonds and medium-term notes) were approximately RMB344.8 million and RMB1,501.1 million (2014: RMB800.0 million and RMB13.2 million) respectively, and non-current bank borrowings and non-current other borrowings (including the balances of corporate bonds) were approximately RMB1,005.5 million and RMB986.7 million (2014: RMB360.0 million and RMB3,342.5 million), respectively.

Convertible Bonds

The Group issued RMB975.0 million in convertible bonds with a fixed coupon rate of 3.0% per year on 27 November 2013 with 5 years terms ("2013 CB"). The yield to maturity rate of 2013 CB is 4.5% per annum. The net proceeds in the amount of approximately USD155 million from the issue of the bonds were mainly used to repay the syndicated bank loan in December 2013. During 2015, some of 2013 CB holders exercised their right to convert a total amount of RMB56.0 million convertible bonds into 17,065,033 ordinary shares. The outstanding balance of 2013 CB as at 31 December 2015 amounted to RMB901.7 million. Under the terms of 2013 CB, the 2013 CB holders have a put option right to request the Company to redeem the 2013 CB on 27 November 2016 by formal written notice. Therefore, the outstanding balance of 2013 CB was classified as current labilities as at the year ended 31 December 2015.

Senior Notes

The Company issued USD300.0 million senior notes for five years on 13 April 2011 with a fixed interest rate of 7.625% per annum. The funds raised from the senior notes were mainly used to finance the construction of new production facilities of Hulunbeir Plant Phase 1 and Phase 2 and for general working capital purposes. The senior note was fully, early redeemed during 2015 in order to minimise finance costs.

Medium-Term Notes

In April 2013, IM Fufeng issued medium-term notes at a par value of total amounted to RMB600 million, which were denominated in RMB with a fixed interest of 5.11% per annum. The notes mature in three years from the issue date. The net proceeds were used to repay certain short term bank loans and for general working capital purposes. The medium-term notes are planned to be refinanced by new medium-term notes of the same amount in the first half of 2016.

Corporate Bonds

On 5 November 2015, IM Fufeng issued corporate bonds at a par value of total amounted to RMB1 billion, which was denominated in RMB with a fixed interest of 3.98% per annum. The corporate bonds mature in three years from the issue date. The net proceeds were used to repay certain short term bank loans and for general working capital purposes.

The Directors believe that the Group's liquidity position is still relatively stable and that the Group has sufficient banking facilities to repay or renew existing short term bank loans and borrowings.

Material acquisition or disposal of subsidiary and associated company

As at 24 June 2015, a wholly owned subsidiary of the Group, Shandong Fufeng Fermentation Co, Ltd, entered into a sale and purchase agreement to sell its wholly-owned company, Junan Beicheng Property Company Limited, for a total consideration of approximately RMB298.8 million. Junan Beicheng Property Company Limited is an investment holding company and held parcels of land located at Longshan Road (Northern section), Junan County, Shandong Province, PRC* (莒南縣縣城隆山路北段). The aggregate site area of the land is approximately 253,926.1 square metres, and the land is designated for commercial use.

Except for the above, the Group had no other material acquisition or disposal of subsidiaries or associated companies for the year ended 31 December 2015.

Employees

As at 31 December 2015, the Group had approximately 7,000 employees. Employees' remuneration has been paid in accordance with relevant policies in the PRC. Appropriate salaries and bonuses were paid which are commensurate with the actual practices of the Group. Other corresponding benefits include pension, unemployment insurance, housing allowance, etc. Please refer to the paragraph headed "Share Option Scheme" section below for the share options granted to certain Directors and employees of the Group.

Contingent Liabilities

As at 31 December 2015, the Group had no material contingent liabilities.

Events After the Balance Sheet Date

(a) On 9 September 2015, the Company submitted a proposal to the Stock Exchange in accordance with Practice Note 15 of Listing Rules for the spin-off of the Shenhua Health Group by way of introduction to be achieved by distribution in specie of the entire shares of Shenhua Health Holdings Limited. On 27 October 2015, Shenhua Health Holdings Limited submitted the listing application form (Form 5A) to the Stock Exchange to apply for the listing of, and permission to deal in, the shares of Shenhua Health Holdings Limited on The Stock Exchange of Hong Kong Limited. As at the date of approval of these financial statements, the listing application is still in the process.

(b) On 19 January 2016, IM Fufeng, a subsidiary of the Company, obtained an approval from the National Association of Financial Market Institutional Investors to issue new medium-term notes amounted to RMB600,000,000 with a repayment term of three years. As at the date of approval of these financial statements, such medium-term notes have not been issued.

MANAGEMENT DISCUSSION AND ANALYSIS

Charges on assets

As at 31 December 2015, certain leasehold land of the Group with carrying value of approximately RMB110.2 million (2014: RMB111.7 million) were pledged to certain banks to secure bank borrowings of RMB420 million (2014: RMB400 million) of the Group.

The convertible bonds issued on 27 November 2013 are secured by the pledge of the capital stock of certain subsidiaries of the Group, which are Acquest Honour Holdings Limited, Summit Challenge Limited, Absolute Divine Limited and Expand Base Limited. The guarantors are all holding companies that collectively control the operation and assets of its PRC subsidiaries of the Group.

Gearing ratio

As at 31 December, 2015, the total assets of the Group amounted to approximately RMB13,850.2 million (2014: RMB13,694.3 million) whereas the total borrowings amounted to RMB3,838.1 million (2014: RMB4,515.6 million). The gearing ratio was approximately 27.7% (2014: 33.0%). The gearing ratio is calculated based on the Group's total borrowings over total assets.

Foreign exchange exposure

The Directors do not consider that the exposure to foreign exchange risk is significant to the Group's operation as the Group operates mainly in the PRC and most of the Group's transactions, assets and liabilities are denominated in RMB. Foreign currencies were, however, received for the export sales of products, issuance of senior notes and draw down of foreign currency bank borrowings. Such proceeds were subject to foreign exchange risk before receiving and converting them into RMB. The foreign currencies received for export sales were converted into RMB upon receipt from the overseas customers. The Group manages foreign exchange risk arising from proceeds from senior notes and draw down of foreign currency bank borrowings by remitting the necessary funds to the PRC and using the proceeds as soon as possible. The Group did not use any derivatives to hedge its exposure to foreign exchange risk for the year ended 31 December 2015.

American Depositary Receipt facility

The Company has established a sponsored, unlisted American Depositary Receipt ("ADR") facility, which has become effective on 19 June 2009. The Depositary is the Bank of New York Mellon. Each of the ADRs represents 20 ordinary shares of the Company. In the forming of the facility adopted by the Company, the ADRs will be issued against ordinary shares trading on the Main Board of the Stock Exchange of Hong Kong Limited that have been deposited with a custodian bank under the facility. The ADRs will be traded in the U.S. in an over-the-counter market.

Dividend and dividend policy

The Board recommended the declaration of a final dividend of HK1.3 cents per Share, subject to Shareholders' approval at the annual general meeting.

The final dividend will be payable on or about 31 May 2016 to Shareholders whose names appear on the register of members of the Company on 20 May 2016.

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 2015.

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's corporate governance practices are based on the principles and code provisions ("Code Provisions") set out in the Code of Corporate Governance Practices (the "Former CG Code") which was subsequently revised as the Corporate Governance Code (the "Revised CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and came into full effect on 1 April 2012. During the year of 2015, the Company has complied with the Code Provisions of the Revised CG Code except for the following:

Code provision A.6.7 of the Revised CG Code: The independent non-executive Directors and the non-executive Directors should attend the general meetings of the Company. However, due to other commitments, the independent non-executive Directors, Mr. Chen Ning and Mr. Qi Qing Zhong did not attend the annual general meeting of the Company held on 15 May 2015. All the Directors have given the Board and the committees of which they are members the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. The Directors will also endeavor to attend future general meetings and develop a balanced understanding of the views of Shareholders.

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 2015, 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 9 May 2016 to 12 May 2016 (both dates inclusive), during which period no transfer of shares will be registered. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on 12 May 2016, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 6 May 2016.

The register of members of the Company will be closed from 18 May 2016 to 20 May 2016 (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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 17 May 2016.

Annual general meeting

The annual general meeting is expected to be held on 12 May 2016. A notice convening the annual general meeting will be dispatched to the Shareholders in due course.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance practices. Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices.

Corporate Governance Code

The Company's corporate governance practices are based on the principles and code provisions ("Code Provisions") set out in the Code of Corporate Governance Practices (the "Former CG Code") which was subsequently revised as the Corporate Governance Code (the "Revised CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and came into full effect on 1 April 2012. During the year of 2015, the Company has complied with the Revised CG Code for the year from 1 January 2015 to 31 December 2015 except for the following:

Code provision A.6.7 of the Revised Code: The independent non-executive Directors and the non-executive Directors should attend the general meetings of the Company. However, due to other commitments, the independent non-executive Directors, Mr. Chen Ning and Mr. Qi Qing Zhong did not attend the annual general meeting of the Company held on 15 May 2015. All the Directors have given the Board and the committees of which they are members the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. The Directors will also endeavor to attend future general meetings and develop a balanced understanding of the views of Shareholders.

Board of Directors

The Board comprises (i) six executive Directors, Mr. Li Xuechun, Mr. Wang Longxiang, Mr. Li Deheng, Mr. Feng Zhenquan, Mr. Xu Guohua, and Mr. Li Guangyu; and (ii) three independent non-executive Directors, Mr. Sun Yu Guo, Mr. Qi Qing Zhong and Ms. Zheng Yu. Mr. Li Xuechun is the chairman of the Board and Mr. Wang Longxiang is the general manager of the Group. Mr. Li Xuechun is the father of Mr. Li Guangyu and the brother-in-law of Mr. Li Deheng.

For details of the Directors' biographical information, please refer to the section headed "Biographies of Directors and Senior Management".

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is collectively responsible for promoting the success and interest of the Group through its leadership and supervision. The principal tasks of the Board are to:

– provide entrepreneurial leadership for the Company with a framework of prudent and effective controls which enables risks to be assessed and managed;

– set the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives and review its management performance; and

– set the Company's values and standards and ensure that its obligations to its Shareholders and others are understood and met.

No event or condition of material uncertainties was found that may cast significant doubt about the Company's ability to continue as a going concern during the year ended 31 December 2015. The Directors were responsible for the preparation and the true and fair presentation of the financial statements of the Company, in all material respects, in accordance with applicable regulatory requirements.

The Division of Responsibilities Between the Chairman and the Chief Executive Officer (General Manager) (internally designated as General Manager of the Group)

The roles of the Chairman and the Chief Executive Officer (General Manager) (internally designated as General Manager of the Group) should be separated. Mr. Li Xuechun, being the chairman of the Group, is responsible for the orderly conduct and operation of the Board while Mr. Wang Longxiang, being the Chief Executive Officer of the Group, is responsible for the overall management of the Group. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established.

The main duties of the Chairman include providing leadership for and overseeing the functioning of the Board; formulating overall strategies and policies of the Company; ensuring that all directors of the Board are properly briefed on issues arising at Board meetings and giving each director an opportunity to express his view at board meetings; ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner; ensuring that the Board works effectively and discharges its responsibilities; ensuring that all key and appropriate issues are discussed by the Board in a timely manner; drawing up and approving the agenda for each board meeting taking into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda; taking responsibility for ensuring that good corporate governance practices and procedures are established; encouraging all directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the Company; ensuring that appropriate steps are taken to provide effective communication with Shareholders and that views of Shareholders are communicated to the Board as a whole; and facilitating the effective contribution of directors and ensuring constructive relations between executive Directors and non-executive Directors.

The duties of the Chief Executive Officer include taking responsibility for the Group's operation and management; implementing decisions and plans approved by the Board; making day-to-day operational and managerial decision; and coordinating overall business operations.

Independent Non-executive Directors

Independent non-executive Directors have been appointed for a term of two years. They are subject to retirement and re-election in accordance with the Company's Articles of Association.

In accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules, the Board is of the view that all independent non-executive Directors are independent and the Company has received an annual confirmation of independence from each of the independent non-executive Directors of the Company pursuant to the Listing Rules. As the three independent non-executive Directors, representing over one-third of the Board, constituted a proper balance of power maintaining full and effective control of both the Group and its executive management.

Company Secretary

The Company Secretary, Lee Wai Yin, is a full time employee of the Company and reports to the Chairman of the Board and the General Manager. He is responsible for advising the Board on governance matters. For the year under review, the Company Secretary has more than 22 years of working experience in finance and accounting including over 10 years experience as company secretary of Hong Kong Listing Company. He confirmed he has taken no less than 15 hours of relevant professional training.

Skills, Knowledge, Experience and Attributes of Directors

All Directors of the Board had served in office during the year. Every Director commits to give sufficient time and attention to the affairs of the Company. The Directors also demonstrate their understanding and commit to high standards of corporate governance. The executive Directors bring their perspectives to the Board through their deep understanding of the Group's business. The independent non-executive Directors contribute their own skills and experience, understanding of local and global economies, and knowledge of capital markets to the Group's business. The Company is responsible for arranging and funding suitable continuous professional development programmes for all Directors to hone and refresh their knowledge and skills.

Directors' Induction and Continuous Professional Development

Upon appointment to the Board, each newly appointed Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enrol in a wide range of professional development courses or and seminars relating to the Listing Rules, companies ordinance or act and corporate governance practices organised by professional bodies and independent auditors so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, Directors are provided with written materials to develop and refresh their professional skills; the company secretary also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the CG Code on continuous professional development during the year:

	Corporate Governance/ Updates on laws, rules and regulations	
Director	**Read materials**	**Attend workshops**
Executive Directors		
Mr. Li Xuechun	✓	✓
Mr. Wang Longxiang	✓	✓
Mr. Li Deheng	✓	✓
Mr. Feng Zhenquan	✓	✓
Mr. Xu Guohua	✓	✓
Mr. Li Guangyu	✓	✓
Independent Non-executive Directors		
Mr. Sun Yu Guo	✓	✓
Mr. Qi Qing Zhong	✓	✓
Ms. Zheng Yu	✓	✓

Board Meetings

The chairman is responsible for the leadership of the Board, ensuring the effectiveness of the Board in all aspects of its role, setting agenda for board meetings, and taking into account any matters proposed by other Directors for inclusion in the agenda. Agenda and related board papers are circulated at least 7 days before the time of a board or committee meeting where possible.

The chairman is also responsible for making sure all Directors are properly briefed on issues arising at board meetings. The chairman also ensures that the Directors receive accurate, timely and clear information. Directors are encouraged to update their skills, knowledge and familiarity with the Company through their initial induction, ongoing participation at board and committee meetings, and through meeting key people at head office and in the divisions.

All Directors have access to the services of the company secretary who regularly updates the Board on governance and regulatory matters. Any Director, who wishes to do so in the furtherance of his or her duties, may seek independent professional advice through the chairman at the Company's expense. The availability of professional advice extends to the Audit, Remuneration and other Committees.

Minutes of Board meetings are taken by the company secretary or the secretary to the Board and, together with any supporting Board papers, are available to all Board members. Board meetings are structured to encourage open and frank discussions to ensure the non-executive Directors provide effective enquiries to each executive Director. When necessary, the independent non-executive Directors meet privately to discuss matters which are relevant to their specific responsibility.

In furtherance of good corporate governance, the Board has established three committees: Audit Committee, Nomination Committee and Remuneration Committee. All committees have its terms of reference which fulfill the principles set out in the CG Code. The secretary of the Board takes minutes of the meetings of these committees and the work of these committees is reported to the Board.

Directors' and Officers' Liability Insurance and Indemnity

The Company has arranged appropriate liability insurance to indemnify its Directors and officers in respect of legal actions against the Directors. Throughout the year, no claim had been made against the Directors and the officers of the Company.

Regular Board meetings will be held at least four times a year and the Board will convene other meetings when necessary. Before a Board meeting is convened, relevant documents will be sent to the Directors for their review pursuant to the Listing Rules and the Code. For the year ended of 31 December 2015, eight regular Board meetings were held. Individual attendance of each director at the Board meeting during 2015 is set out below:

Attendance/Number of Board Meetings in 2015

Director	Attendance/ Number of Board Meetings
Executive Directors	
Mr. Li Xuechun *(Chairman)*	8/8
Mr. Wang Longxiang	8/8
Mr. Li Deheng	8/8
Mr. Feng Zhenquan	8/8
Mr. Xu Guohua	7/8
Mr. Li Guangyu	7/8
Independent Non-executive Directors	
Mr. Sun Yu Guo (appointed on 23 November 2015)	0/8
Ms. Zheng Yu	8/8
Mr. Qi Qing Zhong	7/8
Mr. Choi Tze Kit, Sammy (resigned on 9 November 2015)	7/8
Mr. Chen Ning (resigned on 8 June 2015)	4/8

Model Code on Securities Transactions

The Company has adopted the Model Code. Having made specific enquiry of all Directors, the Directors have complied with the Model Code since the Listing Date.

Accountability and Auditor's Remuneration

The Directors acknowledge their responsibility for preparation of consolidated financial statements of the Group. This responsibility has also been mentioned in the independent auditor's report on page 55.

The Board had conducted a review on the system of internal control of the Group and considers that the system of internal control is effectively operated.

The professional fee payable to the auditors of the Group in respect of the audit and non-audit services provided by the auditors of the Group is as follows:

Type of services	Amount *(RMB'000)*
Audit services	6,605
Non-audit services	480
	7,085

Non-audit services mainly represented the projects of internal control review service.

Audit Committee

The Audit Committee, established in compliance with the Code, comprises three independent non-executive Directors, Mr. Sun Yu Guo, Mr. Qi Qing Zhong and Ms. Zheng Yu. Mr. Sun Yu Guo is the chairman of the Audit Committee.

The principal functions of the Audit Committee are to review the Group's audit, interim and annual accounts of the Group and the system of internal control.

The Board and the Audit Committee have reviewed the effectiveness of its internal control systems on all major operations of the Group on a rotational basis by appointing a professional accounting firm on their behalf. The scope of review by the professional accounting firm has been determined and approved by the Audit Committee. The professional accounting firm has reported major internal control review findings to the Board and the Audit Committee. No major issue but area for improvement have been identified. All recommendations from the professional accounting firm will be properly followed up to ensure that they are implemented within a reasonable time. The Board and the Audit Committee considered that the key areas of the Group's internal control systems are reasonably implemented.

The Audit Committee meetings will be held at least twice a year. For year ended of 31 December 2015, three Audit Committee meetings were held with Mr.Qi Qing Zhong and Ms. Zheng Yu attended all the meetings while Mr. Choi Tze Kit, Sammy, who resigned on 9 November 2015, attended two meetings and Mr. Sun Yu Guo who appointed on 23 November 2015 attended one meeting.

The purpose of the meetings was to review the Group's results for the year 2014, the interim results for the year 2015 as well as discussing the internal control review and the audit of the Group. The Group's 2014 annual report and 2015 interim report have been reviewed by the Audit Committee, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements.

Remuneration Committee

The Remuneration Committee established in compliance with the Code, comprises an executive Director, Mr. Li Xuechun and three independent non-executive Directors, Mr. Sun Yu Guo, Mr. Qi Qing Zhong and Ms. Zheng Yu. Mr. Sun Yu Guo is the chairman of the Remuneration Committee.

The principal functions of the Remuneration Committee are to review, develop and approve the Group's policy on remuneration of all Directors and senior management for the purpose of retaining and attracting talent to manage the Group effectively. The Directors and their associates do not participate in the decisions in relation to their own remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors and senior management, employment conditions else where in the Group and desirability of performance-based remuneration so as to align management incentives with Shareholders' interests.

The Remuneration Committee meetings will be held at least once a year. For year ended of 31 December 2015, one Remuneration Committee meeting was held. All Remuneration committee members except for Mr. Sun Yu Guo attended the meeting. Mr. Sun Yu Guo, who appointed on 23 November 2015, did not attended the meeting. The meeting of the Remuneration committee was duly held for reviewing and determination of the annual remuneration packages of the executive Directors. The Remuneration committee consults the chairman and general manager about its proposals relating to the remuneration of other executive Directors.

Nomination Committee

The Company has established a Nomination Committee on 20 March 2012 in compliance with the Code. The Nomination Committee is responsible for the appointing of new directors either to fill casual vacancies or as additional Board members. The Nomination Committee comprises two executive Directors, Mr. Li Xuechun and Mr. Wang Longxiang and three independent non-executive Directors, Mr. Sun Yu Guo, Mr. Qi Qing Zhong and Ms. Zheng Yu. Mr. Li Xuechun is the chairman of the Nomination Committee.

For year ended of 31 December 2015, one Nomination Committee meeting was held of discussion of the nomination of new independent non executive Director. Mr. Li Xuechun and Mr. Wang Longxiang and two independent non-executive Directors, Mr. Qi Qing Zhong and Ms. Zheng Yu attended the meeting. Mr. Choi Tze Kit, Sammy, who resigned on 9 November 2015, and Mr. Sun Yu Guo, who appointed on 23 November 2015, did not attended the meeting.

Shareholders' Rights

The Company recognises the importance of good communications with the Shareholders and the investment community and also recognises the value of providing current and relevant information to Shareholders and the investors. The Board has established a Shareholders' communication policy setting out the principles of the Company in relation to the Shareholders' communication, with the objective of ensuring the Shareholders and investors are provided with ready, equal and timely access to current and relevant information about the Company.

The Company maintains on-going dialogue with Shareholders to communicate with them and encourage their participation through annual general meetings or other general meetings.

Registered Shareholders are notified by post for the Shareholders' meetings. Notice of meeting contains agenda, proposed resolutions and postal voting form.

All registered Shareholders are entitled to attend annual and extraordinary general meetings, provided that their shares have been recorded in the Register of Shareholders.

Annual and interim reports offer comprehensive operational and financial performance information to Shareholders and the annual general meeting of the Company provides a forum for Shareholders to exchange views directly with the Board, which together help enhance and facilitate communication with Shareholders. Shareholders who are unable to attend a general meeting may complete and return to the Company's Share Registrar the proxy form enclosed with notice of meeting to give proxy to their representatives, another Shareholder or chairman of the meetings.

Investor Relations and Communications

The Company recognises the importance of efficient and effective communications with the investor community. Briefings and meetings with institutional investors are conducted regularly to provide them with up-to-date and comprehensive information about the Group's development. Besides, the Company facilitates the initiation and coverage of the Company published by research analysts of well-received investment banks which are instrumental in providing investors with independent and professional evaluations of the Company. Moreover, the Group participates in different international forums and overseas non-deal roadshows to elaborate on the Group's business development plans to global investors. Furthermore, the Company arranges site visits for investors to our main plants in China. Last but not least, the Company has established a function dedicated to investor relations and engaged an external public relations company to take care of investor relations matters. The Company also maintains a website (http://www.fufeng-group.com) which renders Shareholders, investors and the general public direct access to the information of the Company on a timely basis.

In order to enable Shareholders to exercise their rights in an informed manner, and to allow them to engage actively with the Company, a shareholders communication policy of the Company has been established. Shareholders may at any time send their enquiries and concerns to the Company via the Company's website at www.fufeng-group.com. Shareholders may also make enquiries with the Board at the general meetings of the Company.

2015	Investor Relations Events and Activities
April	CICC Conference, U.S. Daiwa Capital Corporate Day, Japan
June	CICC Investment Strategy Conference, Shenzhen Daiwa Capital Investment Forum, Singapore Deutsche Bank Corporate Day, London J.P. Morgan Global China Summit 2015, Beijing
November	CICC Investment Forum 2015, Beijing J.P. Morgan Asia Rising Dragons Forum, Hong Kong

DIRECTORS' REPORT

The Board has the pleasure in presenting the report and the audited financial statements of the Group for the year ended 31 December 2015.

Principal Activities

The principal activity of the Company is investment holding. The activities of its subsidiaries are set out in Note 12 to the consolidated financial statements.

Result and Appropriations

Results of the Group for the year ended 31 December 2015 are set out under the consolidated income statement on page 57.

Interim dividend declared and paid after the interim period of HK4.5 cents (equivalent to RMB3.72 cents (2014: HK3 cents (equivalent to RMB2.38 cents)) per Share totaling HKD95,701,000 (equivalent to RMB79,124,000). The Board recommends the payment of a final dividend of HK1.3 cents per Share (equivalent to RMB1.09 cents) per Share totaling HKD27,647,000 (equivalent to RMB23,223,000) for the year ended 31 December 2015.

Material Acquisitions or Disposal of Subsidiaries and Associated Companies

As at 24 June 2015, a wholly owned subsidiary of the Group, Shandong Fufeng Fermentation Co, Ltd, entered into a sale and purchase agreement to sell its wholly-owned company, Junan Beicheng Property Company Limited, for a total consideration of approximately RMB298.8 million. Junan Beicheng Property Company Limited is an investment holding company and held parcels of land located at Longshan Road (Northern section), Junan County, Shandong Province, PRC* (莒南縣縣城隆山路北段). The aggregate site area of the land is approximately 253,926.1 square metres, and the land is designated for commercial use.

Except for the above, the Group had no other material acquisition or disposal of subsidiaries or associated companies for the year ended 31 December 2015.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in Notes 26, 27 and 37 to the financial statements.

Property, Plant and Equipment

Details of the movement in property, plant and equipment of the Group and of the Company are set out in Note 17 to the financial statements.

Share Capital

Details of the movement in share capital of the Company are set out in Note 24 to the financial statements.

Distributable Reserves

As at 31 December 2015, the Company's reserves available for distribution to the Shareholders amounted to RMB333,024,000 (2014: RMB502,425,000).

Directors

As at the date of this report, the Board comprised:

Executive Directors

Mr. Li Xuechun *(Chairman)*
Mr. Wang Longxiang
Mr. Li Deheng
Mr. Feng Zhenquan
Mr. Xu Guohua
Mr. Li Guangyu

Independent Non-executive Directors

Mr. Sun Yu Guo (appointed on 23 November 2015)
Mr. Qi Qing Zhong
Ms. Zheng Yu
Mr. Choi Tze Kit, Sammy (resigned on 9 November 2015)
Mr. Chen Ning (resigned on 8 June 2015)

Biographical details of the directors of the Group are set out in the section headed "Biographies of Directors and Senior Management".

According to Article 87 of the articles of association of the Company, Mr. Li Xuechun, Mr. Li Guangyu, Mr. Sun Yu Guo and Ms. Zheng Yu should retire by rotation and, being eligible, consider to offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Directors, Mr. Li Xuechun and Mr. Li Guangyu, proposed for re-election at the forthcoming annual general meeting have a service contract with the Company for an initial term of three years commencing from the Listing Date and renewable automatically for successive terms of one year each commencing from the day following the expiry of the then current term unless and until (i) terminated by either party there to giving not less than three months' prior written notice with the last day of the notice falling on the last day of the initial term or any time thereafter; or (ii) the Director not being re-elected as a Director or being removed by shareholders at general meeting of the Company in accordance with its articles of association.

Each of the independent non-executive Directors proposed for re-election at the forthcoming annual general meeting has renewed into a service contract with the Company for two years commencing form 31 December 2014 and is subject to the requirement on rotation, removal, vacation or termination of office according to the articles of association of the Company, the relevant laws and the Listing Rules.

The new independent non-executive Director proposed for re-election at the forthcoming annual general meeting has made into a service contract with the Company for two years commencing form 23 November 2015 and is subject to the requirement on rotation, removal, vacation or termination of office according to the articles of association of the Company, the relevant laws and the Listing Rules.

As at 31 December 2015, there was no service contract which was not determinable by the employer within one year without payment of compensation (other than statutory compensation) between any company in the Group and any Director proposed for re-election at the forthcoming annual general meeting.

No contracts of significance in relation to the Group's business to which the Company or any of its fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

Business 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.

The Group continued to strategically utilise its production facility and capacity of each plant in order to match ongoing market demand. The Group has also actively explored the development of new high-end polymer materials such as gellan gum, hyaluronic acid and high-end amino acid products, in order to improve product diversity and increase sales and penetration in health and wellness, pharmaceutical and skincare related industries. Only by continuously upgrading our product quality and expanding our product range can we transform gradually from the traditional, bulk-trade enterprise towards a modern, high-tech and high value-added supplier of biochemical products.

In addition, 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 is expected 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. Therefore, we are more confident that we can become one of the world's leading providers of threonine and high-end amino acid products.

We believe that sustainable development is indispensable to the Group's continuous pursuit of environmental protection and social contribution. As for environmental protection, the Group has continued investing in energy-saving equipment. The production facilities, with low carbon emission, aim to minimise the influence of our business on the environment. We have also placed great emphasis on product quality and food safety, so as to build up the highly acclaimed reputation of good quality and track record among our clients and end-users. In 2015, we invested about RMB70 million to substantially reduce pollution resulted from waste gas emissions. Also, the new production technology is an environmentally-friendly technology helping to reduce waste and waste water produced.

With the global economy quite weak and oil industry in a downward trend, the ASP of our xanthan gum was significantly affected, and the Group recorded a decrease in its overall gross profit and net profit during 2015 compared to 2014. Even though overall revenue of the Group remained fairly stable during the year under comparison, the Group was able to rely on new products such as high-end amino acid products and effective implementation of production technology enhancement and cost control to maintain overall performance in 2015. In terms of production capacity, the overall production capacity of MSG and xanthan gum of the Group, maintained at 940,000 tonnes per annum and 87,500 tonnes per annum, respectively in 2015, remaining almost fully operational.

For the year ended 31 December 2015, revenue for the Group remained relatively stable at approximately RMB11,225.7 million as compared to approximately RMB11,297.7 million for the year ended 31 December 2014. The slight decrease in revenue was primarily caused by the decrease in the ASP of xanthan gum and only slight increase in the ASP of MSG.

Benefiting from the MSG market consolidation and the stabilisation of demand and supply of MSG, the ASP of MSG increased moderately in the first three quarters in 2015. However, it dropped by approximately RMB1,000 per tonne in the fourth quarter, to about RMB6,187 per tonne. Since the average price of corn kernels decreased a lot in the fourth quarter, from about RMB1,912 per tonne in the third quarter to about RMB1,502 per tonne in the fourth quarter, the Group managed to cut the MSG price proactively in order to ramp up sales of MSG and strengthen its market share.

Despite a decrease in the ASP of xanthan gum, the Group was able to maintain the production volume of xanthan gum near full capacity level with a resulting sales volume of xanthan gum of about 63,517 tonnes in 2015, which slightly decreased by about 2.1% compared to 2014.

DIRECTORS' REPORT

Our Amino acid segment (formerly named MSG segment), is primarily made up of our MSG, threonine and high-end amino acid products. In terms of MSG business, despite an increase in 2015, the ASP of MSG still remained at a relatively low level and the Group continued to face lackluster conditions in the domestic catering and consumer markets as well as pricing pressure due to market competition. Despite the challenging market conditions, the Group was able to maintain its leadership in terms of market share and sales volume by leveraging its cost advantages to adopt a competitive pricing strategy. As such, the Group recorded decreases in gross profit and gross profit margin in our Amino acid segment, mainly due to inventory clearance of fertilisers and the ASP of MSG decreased in the fourth quarter of 2015 which offset the effect from the decrease of raw material costs in 2015 and production technology enhancement leading to the further strengthened competitive cost advantage, as well as the increasing contribution from the sales of higher margin products such as high-end amino acid products. The high-end amino acid products, a relatively new business of the Group, continued to increase its revenue contribution to the Group in 2015.

In terms of the xanthan gum business, another key business segment of the Group, with the decrease in the ASP of xanthan gum and a decrease in gross profit margin, the market demand for xanthan gum generally stabilised and the Group continued to strengthen its market share. As the largest xanthan gum manufacturer worldwide, the Group continued to dominate the global market share.

Directors' Interests in Competing Businesses

For the year ended of 31 December 2015, none of the Directors had any interest in a business which may compete with that of the Group and which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Directors' Interests in Shares

The interest and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as at 31 December 2015, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position

Name of Director	Name of company	Capacity	Number and class of securities	Percentage of interests to total issued share capital (approximate)
Li Xuechun	The Company	Interests of controlled corporation *(Note 1)*	963,342,461 Shares	45.30%
Wang Longxiang	The Company	Beneficial interests *(Note 2)*	8,292,000 Shares	0.39%
Feng Zhenquan	The Company	Interests of controlled corporation *(Note 3)*	33,320,160 Shares	1.57%
Xu Guohua	The Company	Interests of controlled corporation *(Note 4)*	33,320,160 Shares	1.57%
Li Deheng	The Company	Interests of controlled corporation *(Note 5)*	33,320,160 Shares	1.57%

Notes:

1. The interest in these Shares is held by Motivator Enterprises Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Li Xuechun, an executive Director and the chairman of the Company. Accordingly, Mr. Li Xuechun is deemed to be interested in all Shares held by Motivator Enterprises Limited under the SFO.

2. The interest in these Shares is held by Mr. Wang Longxiang, an executive Director of the Company.

3. The interest in these Shares is held by Elite Chance Holdings Limited, the entire issued shares capital of which is wholly and beneficially owned by Mr. Feng Zhenquan, an executive director of the Company. Accordingly, Mr Feng Zhenquan is deemed to be interested in all Shares held by Elite Chance Holdings Limited under the SFO.

4. The interest in these Shares is held by Best Range Investments Limited, the entire issued shares capital of which is wholly and beneficially owned by Mr. Xu Guohua, an executive director of the Company. Accordingly, Mr Xu Guohua is deemed to be interested in all Shares held by Best Range Investments Limited under the SFO.

5. The interest in these Shares is held by Empire Spring Investments Limited, the entire issued shares capital of which is wholly and beneficially owned by Mr. Li Deheng, an executive director of the Company. Accordingly, Mr Li Deheng is deemed to be interested in all Shares held by Empire Spring Investments Limited under the SFO.

Save as disclosed above, for the year ended 31 December 2015, none of the Directors or the chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of Person Holding 5% or More Interests

As at 31 December 2015, the interests and short positions of the persons, other than a Director or chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long position

Name	Name of Group member	Capacity	Class and number of securities	Percentage of interests to total issued share capital (approximate)
Motivator Enterprises Limited *(Note 1)*	The Company	Beneficial interests	963,342,461 Shares	45.30%
Shi Guiling *(Note 2)*	The Company	Interests of spouse	963,342,461 Shares	45.30%
Treetop Asset Management SA	The Company	Beneficial interests	214,678,340 Shares	10.09%
JPMorgan Chase & Co.	The Company	Beneficial interests	149,693,216 Shares	7.04%

Notes:

1. The interest in these Shares is held by Motivator Enterprises Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Li Xuechun, an executive Director and the chairman of the Company. Accordingly, Mr. Li Xuechun is deemed to be interested in all Shares held by Motivator Enterprises Limited under the SFO.

2. Ms. Shi Guiling is the spouse of Mr. Li Xuechun. Accordingly, she is also deemed to be interested in the 963,342,461 Shares held by Motivator Enterprises Limited, which in turn is also deemed to be interested by Mr. Li Xuechun under the SFO.

Short position

Name	Name of Group member	Capacity	Class and number of securities	Percentage of interests to total issued share capital (approximate)
JPMorgan Chase & Co.	The Company	Beneficial interests	49,232,015 Shares	2.31%

Save as disclosed above, for the year ended 31 December 2015, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company.

Arrangements to Purchase Shares or Debentures

Save as disclosed in the below section of share options regarding, no time during the year was the Company, or any of its subsidiaries or the Company's holding Company, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Share Option Scheme

On 10 January 2007, the Shareholders approved the adoption of the Post-IPO Share Option Scheme (the "Share Option Scheme"). A summary of the principal terms of the Share Option Scheme, as disclosed in accordance with the Listing Rules, are as follow:

The purpose of the Share Option Scheme is to enable the Group to grant the share options to the eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any Invested Entity.

Under the Share Option Scheme, the Directors may grant share options to the following persons or entities (the "Eligible Participants") to subscribe for shares in accordance with the provisions of the Share Option Scheme and the Listing Rules:

(a) any employee (whether full-time or part-time and including any executive Director but not any non-executive Director) of the Group or any entity in which any member of the Group holds an equity interest (the "Invested Entity");

(b) any non-executive Director (including independent non-executive Directors) of the Group or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity; and

(e) any consultant, adviser, manager, officer or entity that provide research, development or other technological support to the Group or any Invested Entity.

The total number of shares issued and which may fall to be issued upon exercise of the share options and the share options granted under any other Share Option Scheme of the Group (including both exercised or outstanding share options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

In respect of any particular option, the Directors shall be entitled at any time within 10 years commencing on 8 February 2007 to make an offer for the grant of a share option. For any option granted under the Share Option Scheme, the maximum period as the Directors may determine shall not be later than 10 years. There is no minimum period required under the Share Option Scheme for holding of the share options before it can be exercised. As at 31 December 2015, the Share Option Scheme has a remaining life of up to 7 February 2017.

An offer of the grant of the option shall be regarded as having been accepted when the duplicate of the letter by the grantee together with a remittance in favour of the Company of HKD1.00 by way of consideration for the grant thereof is received by the Company.

The exercise price shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

Pursuant to a resolution in writing passed by all shareholders on 10 January 2007, the scheme mandate limit for the Share Option Scheme allow the Company to issue a maximum of 160,000,000 share options under the Share Option Scheme, representing 7.52% of the issued share capital of 2,126,684,633 Shares of the Company as at 31 December 2015.

As at 31 December 2015, the outstanding number of the shares available for issue under the Share Option Scheme is 136,403,000, representing 6.41% of the issued share capital of 2,126,684,633 Shares of the Company as at 31 December 2015.

DIRECTORS' REPORT

The Company granted options to subscribe for an aggregate of 64,110,000 Shares on 14 July 2009 to eligible employees. As the rights issue completed on 2 May 2013, in accordance with the respective terms of the Share Options granted on 14 July 2009 and in compliance with Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005, the exercise price and the number of Shares to be allotted and issued upon full exercise of the outstanding Share Options was adjusted. In addition, the Company granted options to subscribe for an aggregate of 16,600,000 Shares on 9 April 2015 to eligible employees. Details of the share options granted and outstanding for the period ended 31 December 2015, are as follows:

		Number of share options							
Director and eligible employees		**At 1 January 2015**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**At 31 December 2015**	**Date of grant**	**Revised/ Adjusted Exercise price (HKD)**	**Exercise period**
Eligible employees	A	24,822,571	–	(5,117,000)	(19,705,571)	–	14/7/2009	2.80	14/1/2012 – 13/1/2015
Eligible employees	B	–	16,600,000	–	–	16,600,000	9/4/2015	5.69	9/4/2016 – 8/4/2020
		24,822,571	16,600,000	(5,117,000)	(19,705,571)	16,600,000			

A) The total fair value, which was determined by an independent qualified appraiser using Black-Scholes option price model, of the options granted as at the grant dates is approximately RMB59,441,000. The following assumptions were adopted to calculate the fair value of the options on the grant date:

	Granted on 14 July 2009
Average share price	HKD2.81
Exercise price	HKD3.00
Expected life of options	3.0–5.0 years
Expected volatility	46.04–51.34%
Expected dividend yield	3.56%
Risk free rate	1.032–1.745%

B) The total fair value, which was determined by an independent qualified appraiser using Binominal Option Pricing Model, of the options granted as at the grant dates is approximately RMB30,216,000. The following assumptions were adopted to calculate the fair value of the options on the grant date:

	Granted on 9 April 2015
Average share price	HKD4.89
Exercise price	HKD5.69
Expected life of options	5.0 years
Expected volatility	43.11%
Expected dividend yield	2.26%
Risk free rate	0.99%

Major Customers and Suppliers

The aggregate sales attributable to the Group's largest customer and five largest customers taken together were less than 30% of the total sales for the year 2015.

The aggregate purchases attributable to the Group's five largest suppliers taken together were less than 30% of the Group's total purchases for the year 2015.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Sufficiency of Public Float

As at 15 March 2016, being the latest practicable date prior to the issue of this annual report, to the best knowledge of the Directors and based on the information publicly available to the Company, there was sufficient public float as required by the Listing Rules.

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 2015.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the articles of the association of the Company and the Companies Law of the Cayman Islands.

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 Provisions as set out in the Code since then.

Subsequent Events

Details of the significant events occurring after the balance sheet date are set out in Note 36 to the consolidated financial statements.

Auditor

A resolution to reappoint PricewaterhouseCoopers as independent auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Li Xuechun
Chairman

15 March 2016

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Fufeng Group Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Fufeng Group Limited (the "Company") and its subsidiaries set out on pages 57 to 132, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 March 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Revenue	5	**11,225,722**	11,297,696
Cost of sales	8	**(9,423,231)**	(9,130,831)
Gross profit		**1,802,491**	2,166,865
Selling and marketing expenses	8	**(708,931)**	(706,243)
Administrative expenses	8	**(512,997)**	(458,362)
Other operating expenses	8	**(47,375)**	(68,265)
Other income	6	**440,503**	161,278
Other gains – net	7	**59,783**	12,499
Operating profit		**1,033,474**	1,107,772
Finance income	11	**14,412**	12,610
Finance costs	11	**(368,112)**	(346,206)
Finance costs – net	11	**(353,700)**	(333,596)
Profit before income tax		**679,774**	774,176
Income tax expense	13	**(163,513)**	(147,748)
Profit for the year and attributable to the Shareholders		**516,261**	626,428

	Note	Year ended 31 December 2015 RMB	2014 RMB
Earnings per share for profit attributable to the Shareholders during the year (expressed in RMB cents per share)			
– basic	14	**24.36**	29.98
– diluted	14	**24.14**	28.67

The notes on pages 63 to 132 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Profit for the year	**516,261**	626,428
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**516,261**	626,428
Total comprehensive income attributable to the Shareholders	**516,261**	626,428

The notes on pages 63 to 132 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Leasehold land payments	*16*	**1,510,060**	1,748,704
Property, plant and equipment	*17*	**7,566,778**	7,470,082
Intangible assets	*18*	**1,051**	2,554
Deferred income tax assets	*31*	**143,072**	113,655
		9,220,961	9,334,995
Current assets			
Inventories	*21*	**2,191,849**	1,946,014
Trade and other receivables	*20*	**1,213,787**	1,451,721
Cash and bank balances	*22*	**1,019,069**	961,547
		4,424,705	4,359,282
Assets of disposal group classified as held for sale	*23*	**204,512**	–
		4,629,217	4,359,282
Total assets		**13,850,178**	13,694,277
EQUITY			
Capital and reserves attributable to the Shareholders			
Share capital	*24*	**207,222**	205,243
Share premium	*24*	**555,157**	638,986
Other reserves	*27*	**227,655**	190,377
Retained earnings	*26*	**4,817,025**	4,334,460
Total equity		**5,807,059**	5,369,066
LIABILITIES			
Non-current liabilities			
Deferred income	*30*	**752,287**	536,550
Borrowings	*29*	**1,992,221**	3,702,482
Deferred income tax liabilities	*31*	**16,650**	19,040
		2,761,158	4,258,072

Consolidated Balance Sheet *(Continued)*
As at 31 December 2015

		As at 31 December	
	Note	**2015** **RMB'000**	2014 RMB'000
Current liabilities			
Trade, other payables and accruals	28	**3,311,193**	3,203,415
Current income tax liabilities		**68,377**	50,559
Borrowings	29	**1,845,920**	813,165
		5,225,490	4,067,139
Liabilities of disposal group classified as held for sale	23	**56,471**	–
		5,281,961	4,067,139
Total liabilities		**8,043,119**	8,325,211
Total equity and liabilities		**13,850,178**	13,694,277

The notes on pages 63 to 132 are an integral part of these consolidated financial statements.

The financial statements on pages 57 to 132 were approved by the Board of Directors on 15 March 2016 and were signed on its behalf.

Li Xuechun
Director

Wang Longxiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

		Attributable to the Shareholders				
		Share capital	Share premium	Other reserves	Retained earnings	Total
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014		203,644	702,873	182,573	3,729,696	4,818,786
Comprehensive Income						
Profit for the year	26	–	–	–	626,428	626,428
Total comprehensive income		–	–	–	626,428	626,428
Transactions with owners						
Profit appropriation	26, 27	–	–	24,626	(24,626)	–
Employee share options schemes:						
– Proceeds from shares issued	24, 27	1,665	53,892	(14,551)	–	41,006
– Value of employee services	25, 27	–	–	2,552	–	2,552
– Expiration of options issued	26, 27	–	–	(4,823)	4,823	–
Repurchase of shares of the Company	24, 26	(66)	(2,134)	–	(1,861)	(4,061)
Dividends	24	–	(115,645)	–	–	(115,645)
Total transactions with owners		1,599	(63,887)	7,804	(21,664)	(76,148)
Balance at 31 December 2014		205,243	638,986	190,377	4,334,460	5,369,066
Comprehensive Income						
Profit for the year	26	–	–	–	516,261	516,261
Total comprehensive income		–	–	–	516,261	516,261
Transactions with owners						
Profit appropriation	26, 27	–	–	46,154	(46,154)	–
Employee share options schemes:						
– Proceeds from shares issued	24, 27	688	14,656	(4,029)	–	11,315
– Value of employee services	25, 27	–	–	9,317	–	9,317
– Expiration of options issued	26, 27	–	–	(10,597)	10,597	–
Conversion of convertible bonds	24, 27	1,347	55,980	(3,567)	–	53,760
Repurchase of shares of the Company	24, 26	(56)	(1,805)	–	1,861	–
Dividends	24	–	(152,660)	–	–	(152,660)
Total transactions with owners		1,979	(83,829)	37,278	(33,696)	(78,268)
Balance at 31 December 2015		207,222	555,157	227,655	4,817,025	5,807,059

The notes on pages 63 to 132 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

		Year ended 31 December	
	Note	**2015** ***RMB'000***	2014 *RMB'000*
Cash flows from operating activities			
Cash generated from operations	*33(a)*	**1,604,195**	2,070,000
Interest paid		**(292,245)**	(297,782)
Income tax paid		**(163,312)**	(130,492)
Net cash flows generated from operating activities		**1,148,638**	1,641,726
Cash flows from investing activities			
Payments for leasehold land	*16*	**(83,246)**	(1,353,564)
Purchases of property, plant and equipment		**(829,830)**	(1,168,776)
Purchases of intangible assets	*18*	**(2,642)**	(3,611)
Urban planning related government grants received		**227,862**	96,103
Proceeds from disposal of property, plant and equipment	*33(c)*	**77**	635,886
Proceeds from return of leasehold land to governments	*16*	**–**	99,008
Proceeds from disposal of subsidiary, net of cash	*7,16*	**298,750**	–
Assets-related government grants received		**213,851**	86,260
Interest received		**14,412**	12,610
Proceeds from term deposits		**14,453**	2,000
Payments for term deposits		**(169,100)**	(8,000)
Net cash used in investing activities		**(315,413)**	(1,602,084)
Cash flows from financing activities			
Net proceeds from shares issued		**11,315**	41,006
Proceeds from issuance of corporate bonds	*29*	**986,000**	–
Dividends paid to the Company's shareholders		**(152,660)**	(116,204)
Proceeds from bank borrowings		**3,075,887**	2,740,440
Repayments of bank borrowings		**(2,911,180)**	(2,750,258)
Redemption of senior notes		**(1,849,071)**	–
Redemption of convertible bonds	*29*	**(13,200)**	–
Repurchase of shares of the Company		**–**	(4,061)
Proceeds from restricted bank deposits of bank borrowings		**–**	40,000
Net cash used in financing activities		**(852,909)**	(49,077)
Net decrease in cash and cash equivalents		**(19,684)**	(9,435)
Cash and cash equivalents at beginning of the year	*22*	**796,564**	805,999
Transferred to disposal group classified as held for sale		**(35,593)**	–
Cash and cash equivalents at end of the year	*22*	**741,287**	796,564

The notes on pages 63 to 132 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. General Information

Fufeng Group Limited (the "Company") and its subsidiaries (together, the "Group") manufacture and sell fermentation-based food additive, biochemical products and starch-based products. The Group has manufacturing plants in Shandong Province, Shaanxi Province, Jiangsu Province, Inner Mongolia Autonomous Region and Xinjiang Uygur Autonomous Region of the People's Republic of China (the "PRC") and sells mainly to customers located in the PRC.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company has its shares listed on The Stock Exchange of Hong Kong Limited.

On 26 November 2015, the Group approved in an extraordinary general meeting the spin-off and listing plan on The Stock Exchange of Hong Kong Limited of Shenhua Health Holdings Limited, a holding company directly held by the Company, which is engaged in the manufacturing and sales of pharmaceutical products. The transaction has not been completed as at the date of approval of these financial statements. After the completion of the transaction, Shenhua Health Holdings Limited and its subsidiaries ("Shenhua Health Group") will cease to be the subsidiaries of the Group, and the Group will no longer engage in the pharmaceutical business.

These consolidated financial statements are presented in RMB, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors (the "Board") on 15 March 2016.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention.

Certain comparative amounts have been reclassified to conform to the current period's presentation. These reclassifications only impacted the reclassification of the consolidated income statement and equity respectively, and had no effect on reported total assets, liabilities, equity or profit.

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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

As at 31 December 2015, the Group's current liabilities exceeded its current assets by RMB652,744,000. Such a condition indicated the existence of an uncertainty that may cast doubt about the Group's ability to continue its business as a going concern. The Directors have been making effort to ensure that the Group has sufficient financial resources. As disclosed in Note 36, subsequently in 2016, the Group obtained an approval from the National Association of Financial Market Institutional Investors to issue new medium-term notes amounted to RMB600,000,000 and such medium-term notes have not been issued yet as at the date of approval of these financial statements. Taking into account the funds to be generated internally from the Group's operations and the availability of the financial resources, the Directors believe that the Group will be able to meet its debts and commitments as they fall due within the next twelve months after 31 December 2015. Accordingly, the financial statements have been prepared on a going concern basis.

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

2. Summary of Significant Accounting Policies *(Continued)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policy and disclosures

(a) New amendments of HKFRSs adopted by the Group in 2015

The following new amendments of HKFRSs which are relevant to the Group's operations are effective for the first time for the financial year beginning on 1 January 2015.

- Annual improvements 2012 include changes from the 2010–2012 cycle of the annual improvements project that are effective for relevant transactions executed on or after 1 July 2014:
  - Amendment to HKFRS 8 'Operating Segments' require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.
  - Amendment to HKAS 24 'Related Party Disclosures' clarify that the reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.
- Annual improvements 2013 include changes from the 2011–2013 cycle of the annual improvements project, that are effective for relevant transactions executed on or after 1 July 2014:
  - Amendment to HKFRS13 'Fair Value Measurement' clarify the portfolio exception allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.

The adoption of the above new amendments of HKFRSs starting from 1 January 2015 did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2015.

(b) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) New standards and amendments of HKFRSs which have been issued and are relevant to the Group's operations and effective for the financial year beginning after 1 January 2015 and have not been early adopted by the Group

- Amendments to HKAS 16 and 38 clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendments are effective for annual periods beginning on or after 1 January 2016.

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

2. Summary of Significant Accounting Policies *(Continued)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policy and disclosures (Continued)

(c) New standards and amendments of HKFRSs which have been issued and are relevant to the Group's operations and effective for the financial year beginning after 1 January 2015 and have not been early adopted by the Group *(Continued)*

- Amendment to HKAS 27 on equity method in separate financial statements. The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is effective for annual periods beginning on or after 1 January 2016.

- Annual improvements 2014 – These annual improvements address certain issues in the 2012–2014 reporting cycle, primarily with a view to removing inconsistencies and clarifying wording. They include changes to the following standards which are relevant to the Group's operations. These annual improvements are effective for annual periods beginning on or after 1 January 2016.

  HKFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'
  HKFRS 7 'Financial Instruments: Disclosure'
  HKAS 19 'Employee Benefits'
  HKAS 34 'Interim Financial Reporting'

- HKFRS15 'Revenue from Contracts with Customers' establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control.

  HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

  HKFRS 15 replaces the previous revenue standards: HKAS 18 'Revenue' and HKAS 11 'Construction Contracts', and the related Interpretations on revenue recognition: HK(IFRIC) 13 'Customer Loyalty Programmes', HK(IFRIC) 15 'Agreements for the Construction of Real Estate', HK(IFRIC) 18 'Transfers of Assets from Customers' and SIC-31 'Revenue – Barter Transactions Involving Advertising Services'. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018.

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

2. Summary of Significant Accounting Policies *(Continued)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policy and disclosures (Continued)

(c) New standards and amendments of HKFRSs which have been issued and are relevant to the Group's operations and effective for the financial year beginning after 1 January 2015 and have not been early adopted by the Group *(Continued)*

- HKFRS 9 'Financial Instruments' replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

  HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivable this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

  HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more 'rule-based' approach of HKAS39. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018.

  The Group will apply the new standards and amendments described above when they become effective. The Group is in the process of making an assessment on the impact of these new standards and amendments and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position.

2. Summary of Significant Accounting Policies *(Continued)*

2.2 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2. Summary of Significant Accounting Policies *(Continued)*

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company and its subsidiaries' functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "finance costs – net". All other foreign exchange gains and losses are presented in the consolidated income statement within "other gains – net".

2.5 Leasehold land payments

Leasehold land payments represent up-front prepayments made for the usage of leasehold land in the PRC less accumulated amortisation and any impairment losses.

Amortisation on leasehold land payments is calculated using the straight-line method to allocate their costs over their estimated useful lives of 40 to 70 years.

2.6 Property, plant and equipment

Property, plant and equipment, comprising plant, machinery, furniture and fixtures and vehicles, are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress includes plant under construction and machinery under installation and testing and which, upon completion, management intends to hold as property, plant and equipment. They are carried at cost which includes cost of construction, plant and equipment and other direct cost plus borrowing costs that used to finance these projects during the construction period less accumulated impairment losses if any. No depreciation is provided for construction in progress. The relevant assets are transferred to property, plant and equipment at cost less accumulated impairment losses when they become available for their intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

2. Summary of Significant Accounting Policies *(Continued)*

2.6 Property, plant and equipment *(Continued)*

Depreciation on property, plant and equipment, except for construction in progress, is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Plant and building	15~20 years
Machinery	8~10 years
Furniture and fixtures	3~8 years
Vehicles	5~8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are included in the consolidated income statement under "Other gains – net".

2.7 Intangible assets

(a) Patents

Separately acquired patents are shown at historical cost. Patents have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of patents over their estimated beneficial period of 20 years.

(b) Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, which do not exceed ten years.

2. Summary of Significant Accounting Policies *(Continued)*

2.8 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Disposal groups held-for-sale

Disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The disposal groups assets (except for certain assets as explained below), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

2. Summary of Significant Accounting Policies *(Continued)*

2.10 Financial Assets

(a) Classification

The Group classifies its financial assets under the category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and bank balances" in the balance sheet (Notes 2.12 and 2.13).

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. Impairment testing of trade receivables is described in Note 2.12.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2. Summary of Significant Accounting Policies *(Continued)*

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Group assesses at the end of each reporting period whether there are objective evidence that trade and other receivables are impaired. Impairment losses of trade and other receivables are incurred only if there are objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of trade and other receivables that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement within "administrative expenses".

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2. Summary of Significant Accounting Policies *(Continued)*

2.13 Cash and bank balances

Cash and bank balances includes cash and cash equivalents, term deposits over 3 months and within one year and restricted bank deposits.

In the consolidated statement of cash flow, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2. Summary of Significant Accounting Policies *(Continued)*

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in other reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Liability component of a convertible instrument is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

When convertible bonds are early redeemed or repurchased in which the original conversion privileges are unchanged, the consideration paid and any transaction costs for the repurchase or redemption are allocated to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the company when the convertible instrument was issued. The amount of gain or loss related to the liability component is recognised in "other gains - net". The amount of consideration related to the equity component is recognised in equity.

2. Summary of Significant Accounting Policies *(Continued)*

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2. Summary of Significant Accounting Policies *(Continued)*

2.19 Current and deferred income tax *(Continued)*

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to incomes taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits – pension

The companies within the Group operate various pension schemes. In accordance with the rules and regulations in the PRC, the employees of the Group's subsidiaries established in the PRC participate in defined contribution retirement benefit plans organised by the various local PRC governments. These local PRC governments undertake to assume the retirement benefit obligations of all existing and future retired employees payable under the plans described above. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government.

The Group's operating entities in Hong Kong participate in a mandatory provident fund ("MPF scheme") for its employees in Hong Kong. Both the entities and the employees are required to contribute 5% of the salaries of the employees', up to a maximum of HKD1,500 per head per month. The assets of MPF scheme are held separately from those of the entities in an independent administrated fund.

The Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions to these plans and MPF Scheme are recognised as employee benefit expense when incurred.

2.21 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates three equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, including the impact of any service and non-market performance vesting conditions (for example, remaining an employee of the entity over a specified time period).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

2. Summary of Significant Accounting Policies *(Continued)*

2.21 Share-based payments *(Continued)*

(a) Equity-settled share-based payment transactions (Continued)

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in a subsidiary, with a corresponding credit to equity in the parent company accounts.

2.22 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

2. Summary of Significant Accounting Policies *(Continued)*

2.23 Government grants *(Continued)*

Government grants related to the acquisition of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

Government grants related to urban planning of local PRC governments are recorded under other payables when the Group received such compensation in advance. Such amount will either be netted off with the carrying amount of the specified disposal assets, or be transferred to deferred income and be amortised in the consolidated income statement on future development of the related assets.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised using the effective interest method.

2.25 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.26 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2. Summary of Significant Accounting Policies *(Continued)*

2.26 Contingent liabilities and contingent assets *(Continued)*

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.27 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (related to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(a) it is technically feasible to complete the intangible asset so that it will be available for use;

(b) management intends to complete the intangible asset and use it;

(c) there is an ability to use the intangible asset;

(d) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(e) adequate technical, financial and other resources to complete the development and to use the intangible asset are available; and

(f) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders, or directors, where applicable.

3. Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Directors do not consider the exposure to foreign exchange risk significant to the Group's operation as the Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. Therefore, the Group has not used any derivatives to hedge its exposure to foreign exchange risk for the year ended 31 December 2015.

However, foreign currencies, mainly USD and HKD, are received from sales of products to countries or areas outside the PRC ("Export Sales"), issuance of senior notes and drawn down of bank borrowings. Export Sales denominated in foreign currencies amounted to approximately 25% (2014: 22%) of the Group's total turnover for the year ended 31 December 2015. The Group manages the currency risk arising from sales of products by requesting customers to pay in advance or keeping the credit period available to customers as short as possible in order to reduce the impact on the fluctuation between USD, HKD and RMB to the Group. The Group manages the currency risk arising from proceeds from senior notes and drawn down of bank borrowings by utilisation of the proceeds as soon as possible.

The exposures to the foreign exchange risks are disclosed in Notes 20, 22 and 29.

At 31 December 2015, if RMB had strengthened/weakened by 10% against the USD and HKD (pegged with USD) with all other variables held constant, the net profit for the year would have been RMB3,620,000 (2014: RMB154,703,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of USD and HKD denominated cash and cash equivalents, trade receivables, and foreign exchange gains/losses on translation of USD denominated other payables and accruals and borrowings.

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

3. Financial Risk Management *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets except for bank deposits and balances, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. A portion of borrowings bear variable rates and expose the Group to cash flow interest rate risk.

Fair value interest rate risk arises from convertible bonds, senior notes, medium-term notes, corporate bonds and bank borrowings, which bear fixed interest rates. The carrying amounts and fair values of the non-current borrowings have been disclosed in Note 29. The Group has not used any derivatives to hedge its exposure to interest rate risk for the year ended 31 December 2015.

At 31 December 2015, if interest rates on borrowings obtained at variable rates had been 10% higher/lower with all other variables held constant, the net profit for the year would have been RMB3,918,000 (2014: RMB5,247,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, short-term bank deposits, and trade and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has policies that deposits are placed with reputable banks. For sales of goods, customers of the Group usually pay in advance before delivery of products. Credit will only be granted to customers with long-term relationship. The Group performs ongoing credit evaluations of its customers' financial conditions and generally does not require collateral on trade receivables. Credit quality of the financial assets is disclosed in Note 19.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and available credit facilities to meet obligations when they arise.

Management monitors the funding requirements of the Group and the availability of credit facilities in order to ensure the liquidity of the Group.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant. For convertible bonds which contain an early redemption of bond holders, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the bond holders used their rights to require the Company to redeem all of the bonds. The maturity analysis for other liabilities is prepared based on the scheduled repayment dates.

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

3. Financial Risk Management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*
The Group			
At 31 December 2015			
Borrowings	1,965,597	835,477	1,156,744
Interests payments on borrowings (i)	146,643	78,139	39,856
Trade and other payables (excluding non-financial liabilities)	2,163,992	–	–
Total	4,276,232	913,616	1,196,600
At 31 December 2014			
Borrowings	813,200	2,475,700	1,341,410
Interests payments on borrowings (i)	245,523	135,799	16,504
Trade and other payables (excluding non-financial liabilities)	2,196,367	–	–
Total	3,255,090	2,611,499	1,357,914

The following table summarises the maturity analysis of convertible bonds and other liabilities based on agreed scheduled repayments set out in the agreement.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*
The Group			
At 31 December 2015			
Borrowings	964,287	835,477	2,212,766
Interests payments on borrowings (i)	146,643	107,389	69,106
Trade and other payables (excluding non-financial liabilities)	2,163,992	–	–
Total	3,274,922	942,866	2,281,872
At 31 December 2014			
Borrowings	813,200	2,475,700	1,376,023
Interests payments on borrowings (i)	245,523	135,799	75,004
Trade and other payables (excluding non-financial liabilities)	2,196,367	–	–
Total	3,255,090	2,611,499	1,451,027

(i) The interests on borrowings are calculated based on bank borrowings, convertible bonds, corporate bonds, senior notes and medium-term notes held as at 31 December 2015 and 2014 without taking into account of future issues. Floating-rate interests are estimated using current interest rate as at 31 December 2015 and 2014 respectively.

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

3. Financial Risk Management *(Continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is equal to total borrowings divided by total assets at the end of corresponding year.

The Group's strategy is to maintain the gearing ratio below 40% (2014: 40%). The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015	2014
	RMB'000	*RMB'000*
Total borrowings *(Note 29)*	**3,838,141**	4,515,647
Total assets	**13,850,178**	13,694,277
Gearing ratio	**27.71%**	32.97%

3.3 Fair value estimation

The Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2015 and 2014, the Group did not have any financial instruments carried at fair value.

The carrying value less impairment provision of trade and other receivables, cash and cash equivalents and short-term bank deposits approximated their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Estimated impairment of property, plant and equipment

The Group reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with the accounting policy stated in Note 2.8. The recoverable amount of cash-generating unit has been determined based on the higher of value in use and fair value less costs to sell.

4.2 Useful lives of plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on the historical experience of the actual useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. For deferred government grants related to the acquisition of property, plant and equipment, the periodic credits to consolidated income statement will also be increased under the above mentioned circumstances when such grants are credited to the consolidated income statement over the assets' remaining useful lives.

4.3 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to industry cycles. Management reassesses the estimates at each balance sheet date.

4.4 PRC taxes

The Group is mainly subject to different taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the tax and deferred tax provisions in the period in which such determination is made.

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

5. Segment Information

The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. The Board has determined the operating segments based on these reports.

The executive directors consider the business from a product perspective and accordingly, the Group's operations are mainly organised under the following business segments:

– manufacturing and sales of amino acid, including MSG, corn refined products, starch sweeteners, threonine, fertilisers, corn oil, glutamic acid, compound seasoning, high-end amino acid products, pharmaceuticals and bricks; and

– manufacturing and sales of xanthan gum

Approximately 75% (2014: 78%) of the Group's revenue are generated from the PRC. The remaining 25% (2014: 22%) of the Group's revenue is generated from the sales to overseas countries including mainly the United Arab Emirates, Kingdom of Saudi Arabia, the State of Qatar, Thailand and the United States of America.

The executive directors assess the performance of the business segments based on profit before income tax without allocation of finance costs, which is consistent with that in the consolidated financial statements.

The revenue of the Group for the years ended 31 December 2015 and 2014 are set out as follows:

	2015 ***RMB'000***	2014 *RMB'000*
MSG	**6,418,049**	6,015,937
Corn refined products	**1,314,548**	1,572,653
Xanthan gum	**969,278**	1,347,826
Starch sweeteners	**724,002**	778,430
Threonine	**594,830**	566,033
Fertilisers	**483,257**	476,401
High-end amino acid products	**490,732**	341,219
Pharmaceuticals	**73,702**	58,189
Synthetic ammonia	**56,019**	52,637
Glutamic acid	**42,068**	37,217
Corn oil	**35,937**	19,381
Others	**23,300**	31,773
	11,225,722	11,297,696

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

5. Segment Information *(Continued)*

The segment information for the year ended 31 December 2015 is as follows:

	Amino acid *RMB'000*	Xanthan gum *RMB'000*	Unallocated *RMB'000*	Group *RMB'000*
Revenue	10,256,444	969,278	–	11,225,722
Segment results	757,638	289,006	(13,170)	1,033,474
Finance costs – net *(Note 11)*				(353,700)
Profit before income tax				679,774
Income tax expense *(Note 13)*				(163,513)
Profit for the year attributable to the Shareholders				516,261
Other segment items included in the consolidated income statement				
Depreciation *(Note 17)*	680,112	65,128	1,573	746,813
Amortisation of leasehold land payments *(Note 16)*	14,792	1,615	86	16,493
Amortisation of intangible assets *(Note 18)*	2,788	–	–	2,788
Loss on disposal of property, plant and equipment – net *(Note 7)*	2,248	–	–	2,248
Impairment charges for property, plant and equipment *(Note 17)*	60	–	–	60
Capital expenditures	988,108	59,350	80,637	1,128,095

The segment assets and liabilities at 31 December 2015 are as follows:

	Amino acid *RMB'000*	Xanthan gum *RMB'000*	Unallocated *RMB'000*	Disposal group held for sale *RMB'000*	Group *RMB'000*
Segment assets and liabilities					
Total assets	8,668,125	3,861,218	1,116,323	204,512	13,850,178
Total liabilities	5,051,084	1,030,067	1,905,497	56,471	8,043,119

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

5. Segment Information *(Continued)*

The restated segment information for the year ended 31 December 2014 is as follows:

	Amino acid *RMB'000*	Xanthan gum *RMB'000*	Unallocated *RMB'000*	Group *RMB'000*
Revenue	9,949,870	1,347,826	–	11,297,696
Segment results	479,730	644,982	(16,940)	1,107,772
Finance costs – net *(Note 11)*				(333,596)
Profit before income tax				774,176
Income tax expense *(Note 13)*				(147,748)
Profit for the year attributable to the Shareholders				626,428
Other segment items included in the consolidated income statement				
Depreciation *(Note 17)*	642,910	62,604	1,597	707,111
Amortisation of leasehold land payments *(Note 16)*	11,707	348	86	12,141
Amortisation of intangible assets *(Note 18)*	247	–	–	247
Gain on disposal of property, plant and equipment – net *(Note 7)*	9,900	–	–	9,900
Impairment charges for property, plant and equipment *(Note 17)*	58,381	–	–	58,381
Impairment charges for intangible assets *(Note 18)*	861	–	–	861
Capital expenditures	1,180,749	67,837	1,114,122	2,362,708

5. Segment Information *(Continued)*

The segment assets and liabilities at 31 December 2014 are as follows:

	Amino acid *RMB'000*	Xanthan gum *RMB'000*	Unallocated *RMB'000*	Group *RMB'000*
Segment assets and liabilities				
Total assets	8,683,179	3,658,365	1,352,733	13,694,277
Total liabilities	4,022,494	1,071,167	3,231,550	8,325,211

Unallocated assets mainly comprise cash and bank balances, leasehold land payments, property, plant and equipment and other receivables held by Beijing Huijinhuaying Commercial Co., Ltd., Junan Beifang Properties Co., Ltd., Junan Beibu Properties Co., Ltd., Baoji Dingfeng Properties Co., Ltd., Baoji Baofeng Properties Co., Ltd., Hulunbeir Shengmin Agricultural Development Co., Ltd. and non-PRC established companies.

Unallocated liabilities mainly comprise bank borrowings, listing expense payables related to the spin-off of Shenhua Health Group, liability component of convertible bonds, senior notes, operating liabilities held by non-PRC established companies.

The Group's revenue from its external customers in the PRC is RMB8,442,697,000 (2014: RMB8,838,222,000) and the total revenue from external customers in Hong Kong and other countries is RMB2,783,025,000 (2014: RMB2,459,475,000).

The Group's total non-current assets located in the PRC other than deferred income tax assets are RMB9,077,822,000 (2014: RMB9,221,212,000), and the total non-current assets located in Hong Kong and Singapore other than deferred income tax assets are RMB67,000 (2014: RMB128,000).

6. Other Income

	2015 ***RMB'000***	2014 *RMB'000*
Amortisation of deferred income *(Note 30)*	**231,501**	59,066
Government grants related to expenses	**104,237**	12,063
Sales of waste products	**93,041**	80,099
Others	**11,724**	10,050
	440,503	161,278

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

7. Other Gains – Net

	2015 RMB'000	2014 RMB'000
Gain on disposal of a subsidiary *(Note 33(b))*	**1,125**	–
Net foreign exchange gains *(Note 15)*	**28,117**	2,599
Gain on compensation from insurance company after offsetting losses	**32,789**	–
(Loss)/gain on disposal of property, plant and equipment – net *(Note 33(c))*	**(2,248)**	9,900
	59,783	12,499

In 2015, the gain on disposal of a subsidiary was resulted from the disposal of 100% equity interest in Junan Beicheng Properties Co., Ltd, an indirectly held subsidiary of the Company, to a third party company at a cash consideration of RMB298,750,000 (Note 33(b)). The only assets of Junan Beicheng Properties Co., Ltd. included the parcels of leasehold land with carrying value of RMB297,625,000 (Note 16). The disposal, resulted in gain of RMB1,125,000 recognized in the consolidated income statement for the year ended 31 December 2015.

Certain comparative figures have been reclassified accordingly.

8. Expenses by Nature

	2015 RMB'000	2014 RMB'000
Changes in inventories of finished goods and work in progress *(Note 21)*	**(72,744)**	(383,341)
Raw materials and consumables used	**8,128,134**	8,166,276
Employee benefit expenses *(Note 9)*	**996,935**	914,268
Depreciation *(Note 17)*	**746,813**	707,111
Amortisation of leasehold land payments *(Note 16)*	**16,493**	12,141
Impairment charges for property, plant and equipment *(Note 17)*	**60**	58,381
Amortisation of intangible assets *(Note 18)*	**2,788**	247
Impairment charges for intangible assets *(Note 18)*	**–**	861
Transportation expenses	**453,117**	478,796
Utilities purchased	**18,070**	58,232
Travelling and office expenses	**40,114**	34,312
Provision for inventory write-down *(Note 21)*	**4,133**	19,418
Auditors' remuneration		
– Audit services	**6,605**	5,211
– Non-audit services	**480**	490
Land use tax, real estate tax and other taxes	**110,483**	120,423
Advertisement fees	**12,068**	7,518
Provision for receivables impairment *(Note 20)*	**239**	–
Plant relocation expenses	**24,143**	70,401
Compensation from government related to plant relocation expenses	**–**	(70,401)
Listing expenses relating to the spin-off of Shenhua Health Group	**25,855**	–
Others	**178,748**	163,357
Total cost of sales, selling and marketing expenses, administrative expenses and other operating expenses	**10,692,534**	10,363,701

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

9. Employee Benefit Expenses Including Directors' Emoluments

	2015 **RMB'000**	2014 RMB'000
Staff costs (including directors' emoluments)		
– Wages, salaries and allowance	**849,501**	814,281
– Pension costs – defined contribution plans (a)	**138,117**	97,435
– Share options granted to directors and employees *(Note 27)*	**9,317**	2,552
	996,935	914,268

(a) Pension costs – defined contribution plans

The employees of the Group's subsidiaries established in the PRC participated in defined contribution retirement benefit plans organised by the relevant provincial governments under which the Group was required to make monthly contributions to these plans at the percentages of the employees' monthly salaries and wages, subject to certain ceilings.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2015 include three directors (2014: five) whose emoluments are reflected in the analysis shown in Note 38. The emoluments payable to the remaining two (2014: Nil) individual during the year are as follows:

	2015 **RMB'000**	2014 RMB'000
Salaries and allowances	**2,956**	–
Pension costs – defined contribution plans	**56**	–
Share options granted	**7,296**	–
	10,308	–

For the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office.

The remunerations paid to the above non-director individuals for the years ended 31 December 2015 and 2014 fell within the following bands.

	Number of individuals	
	2015	2014
Emolument bands (in HK dollar)		
HKD5,500,001 – HKD6,000,000	**1**	–
HKD6,000,001 – HKD6,500,000	**1**	–
	2	–

10. Research and Development Costs

The following amounts were recognised as expenses and charged to administrative expenses in the consolidated income statement:

	2015 *RMB'000*	2014 *RMB'000*
Raw materials and consumables used	**36,067**	37,008
Employee benefit expenses	**14,051**	11,076
Depreciation	**6,101**	9,212
Others	**7,989**	4,740
	64,208	62,036

All these research costs arose from internal development activities.

11. Finance Income and Costs

	2015 *RMB'000*	2014 *RMB'000*
Finance expenses:		
Interest expense		
– Bank borrowings	**85,171**	96,529
– Senior notes	**78,350**	149,186
– Medium-term notes	**32,492**	32,398
– Convertible bonds *(Note 29(c))*	**63,026**	59,349
– Corporate bonds	**7,377**	–
Net foreign exchange losses on financing activities	**66,361**	8,744
Loss on early redemption of senior notes *(Note 29(d))*	**35,335**	–
	368,112	346,206
Finance income:		
– Interest income on bank deposits and bank balances	**(14,412)**	(12,610)
Net finance expenses	**353,700**	333,596

Interest income on bank deposits and bank balances were recognised within 'finance income' in the consolidated income statement and comparative figures have been reclassified accordingly.

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

12. Subsidiaries

As at 31 December 2015, the Company has direct and indirect interests in the following wholly-owned subsidiaries:

Name	Place of incorporation/ establishment	Issued and paid capital	Principal activities & place of operation
Directly held:			
Acquest Honour	The British Virgin Islands ("BVI")	USD2	Investment holding in the BVI
Shenhua Health Holdings Limited (d)	Cayman Islands	USD1	Investment holding in Cayman Islands
Indirectly held:			
Summit Challenge	BVI	USD1	Investment holding in the BVI
Absolute Divine	BVI	USD1	Investment holding in the BVI
Expand Base	BVI	USD1	Investment holding in the BVI
Profit Champion International Ltd. ("Profit Champion")	Hong Kong	HKD2	Investment holding in Hong Kong
Full Profit Investment (Group) Ltd. ("Full Profit")	Hong Kong	HKD2	Investment holding in Hong Kong
Trans-Asia Capital Resources Ltd. ("Trans-Asia")	Hong Kong	HKD2	Investment holding in Hong Kong
Fufeng International Trade (Hong Kong) Limited ("Fufeng International")	Hong Kong	HKD2	Investment holding in Hong Kong
Shandong Fufeng Fermentation Co., Ltd. ("Shandong Fufeng")	PRC	RMB 370,500,000	Manufacture and sales of glutamic acid, monosodium glutamate, corn refined products, xanthan gum, fertilisers, starch sweetener and other related products in the PRC
Baoji Fufeng Biotechnologies Co., Ltd. ("Baoji Fufeng")	PRC	HKD 250,000,000	Manufacture and sales of glutamic acid, monosodium glutamate, corn refined products, fertilisers and other related products in the PRC

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

12. Subsidiaries *(Continued)*

Name	Place of incorporation/ establishment	Issued and paid capital	Principal activities & place of operation
Neimenggu Fufeng Biotechnologies Co., Ltd. ("IM Fufeng")	PRC	HKD640,000,000	Manufacture and sales of glutamic acid, monosodium glutamate, corn refined products, xanthan gum, fertilisers, starch sweeteners and other related products, autoclaved aerated concrete block in the PRC
Shandong Fufeng Biotechnology Development Company Limited	PRC	RMB5,500,000	Biological techniques research and development, promotion and industrialisation of new biological techniques and achievements, information services of biological technique in the PRC
Jiangsu Shenhua Pharmaceutical Co., Ltd. ("Shenhua Pharmaceutical")	PRC	RMB122,000,000	Manufacture and sales of eubacteria material medicine, preparations and food additives and other related products in the PRC
Beijing Huijinhuaying Commercial Co., Ltd.	PRC	RMB21,000,000	Own and operate self-used office building
Hulunbeir Northeast Fufeng Biotechnologies Co., Ltd. ("Hulunbeir Fufeng")	PRC	RMB1,000,000,000	Manufacture and sales of starch, starch sweeteners, amino acids, monosodium glutamate, glutamic acid, fertilisers, and other related products in the PRC
Fufeng (Singapore) Pte. Ltd. ("Fufeng Singapore")	Singapore	SGD1,300,000	Sales of monosodium glutamate and other related products in the Singapore
Jiangsu Fufeng Biotechnologies Co., Ltd.	PRC	RMB5,000,000	Biological techniques research and development, promotion and industrialisation of new biological techniques and achievements, information services of biological technique. Sales of xanthan gum, amino acids and starch sweeteners in the PRC
Hulunbeir Shengmin Agricultural Development Co., Ltd.	PRC	RMB10,000,000	Does not carry out any business activities currently
Xinjiang Fufeng Biotechnologies Co., Ltd. ("Xinjiang Fufeng")	PRC	RMB500,000,000	Manufacture and sales of amino acids, xanthan gum, and other related products in the PRC

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

12. Subsidiaries *(Continued)*

Name	Place of incorporation/ establishment	Issued and paid capital	Principal activities & place of operation
Shenhua Pharmaceutical (Jiangsu) Co., Ltd. ("Jiangsu Shenhua Medical")	PRC	RMB5,000,000	Manufacture and sales of fungal material medicine, preparations and food additives and other related products in the PRC
Junan Beicheng Properties Co., Ltd. (a)	PRC	RMB10,000,000	Does not carry out any business activities currently
Junan Beifang Properties Co., Ltd.	PRC	RMB5,000,000	Does not carry out any business activities currently
Junan Beibu Properties Co., Ltd.	PRC	RMB5,000,000	Does not carry out any business activities currently
Baoji Dingfeng Properties Co., Ltd.	PRC	RMB10,000,000	Does not carry out any business activities currently
Baoji Baofeng Properties Co., Ltd.	PRC	RMB10,000,000	Does not carry out any business activities currently
Fufeng Marketing and Sales Co., Ltd. (b)	PRC	RMB220,000,000	Sales of monosodium glutamate and other related products in the PRC
Fufeng (HongKong) Import and Export Company., Ltd. (c)	Hong Kong	HKD2	Sales of monosodium glutamate and other related products abroad
Full Health Global Limited (e)	BVI	USD100	Investment holding in the BVI
Full Health (Hong Kong) Limited (f)	Hong Kong	HKD100	Investment holding in Hong Kong
First Biotech Inc. (g)	US	USD500,000	Sales of biological products in the U.S.

12. Subsidiaries *(Continued)*

(a) Junan Beicheng Properties Co., Ltd. was established on 20 May 2014, with a registered capital of RMB10,000,000. It is wholly-owned by Shandong Fufeng. It was disposed of in June 2015 as disclosed in Note 33(b).

(b) Fufeng Marketing and Sales Co., Ltd was established on 28 May 2015, with a registered capital of RMB100,000,000. On 30 November 2015, its paid-in capital was increased to RMB220,000,000. It is owned by Shandong Fufeng and IM Fufeng at 45.45% and 54.55%, respectively.

(c) Fufeng (Hong Kong) Import & Export Company., Ltd was established on 12 August 2015, with a registered capital of HKD2. It is wholly-owned by Profit Champion.

(d) Shenhua Health Holdings Limited was incorporated on 19 August 2015 in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands.

(e) Full Health Global Limited was established on 20 August 2015, with an authorized share capital of USD50,000 divided into 50,000 shares of USD1 each, of which 100 shares were fully paid and issued. It is wholly-owned by Shenhua Health Holdings.

(f) Full Health (Hong Kong) Limited was established on 31 August 2015, with the registered capital of HKD100. It is wholly-owned by Full Health Global Limited. Pursuant to an equity transfer agreement dated 19 October 2015, Full Health (Hong Kong) Limited acquired 100% equity of Shenhua Pharmaceutical from its two then shareholders, including 88.11% equity interests from Profit Champion International Limited and 11.89% equity interests from Shandong Fufeng Fermentation Co., Ltd. for an aggregate cash consideration of RMB122,120,000.

(g) First Biotech Inc. was established on 23 September 2015, with a registered capital of USD500,000. It is wholly-owned by Trans-Asia.

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

13. Taxation

(a) Income tax expense

	2015 RMB'000	2014 RMB'000
Current income tax		
– PRC enterprise income tax ("EIT")	**199,709**	174,302
– Hong Kong income tax	**31**	–
– Singapore income tax	**218**	115
Total current income tax	**199,958**	174,417
Deferred income tax	**(36,445)**	(26,669)
	163,513	147,748

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 the Cayman Islands and is exempted from payment of the Cayman Islands income tax.

The Group's subsidiary in Hong Kong is subject to income tax at a rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the year ended 31 December 2015.

The Group's subsidiary in Singapore is subject to income tax at a rate of 17% (2014: 17%) for the year ended 31 December 2015.

The Group's subsidiary in United States is subject to income tax at a rate of approximately 39% (2014: not applicable) for the year ended 31 December 2015.

The Group's subsidiaries in the PRC are subject to PRC EIT which is calculated based on the applicable tax rate of 25% on the assessable profits of subsidiaries established in the PRC in accordance with PRC tax laws and regulations.

Two subsidiaries of the Group including Shandong Fufeng and Shenhua Pharmaceutical have obtained the approvals to become a new and high-technology enterprise and had been entitled to a preferential income tax rate of 15%. The qualification of new and high-technology enterprise is subject to renewal for each three years interval.

According to the Caishui (2011) No. 58 "The notice on the tax policies of further implementation of the western region development strategy issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs" (財税[2011]58號"關於深入實施西部大開發戰略有關稅收政策問題的通知"), companies set up in the western region and falling into certain encouraged industry catalogue promulgated by the PRC government will be entitled to a preferential tax rate of 15%. Four subsidiaries of the Group including Baoji Fufeng, IM Fufeng, Hulunbeir Fufeng and Xinjiang Fufeng, were set up in the western development region and fall into the encouraged industry catalogue, and therefore they are entitled to the above said preferential tax rate of 15% (2014: 15%).

13. Taxation *(Continued)*

(a) Income tax expense *(Continued)*

The other subsidiaries of the Group in the PRC are subject to an income tax rate of 25% (2014: 25%).

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	2015 *RMB'000*	2014 *RMB'000*
Profit before income tax	**679,774**	774,176
Tax calculated at tax rates applicable to profits of the Group's companies	**260,433**	239,704
Preferential tax of certain subsidiaries	**(103,552)**	(94,954)
Unrecognised tax losses	**1,519**	343
Expenses not deductible for tax purposes	**7,488**	4,610
Income not subject to tax	**(2,375)**	(1,955)
	163,513	147,748

(b) Value-added tax ("VAT")

Sales of self-manufactured products of the Company's PRC subsidiaries are subject to VAT. The applicable tax rates for domestic sales are 0%, 13% and 17%. Shandong Fufeng, Baoji Fufeng, IM Fufeng, Xinjiang Fufeng and Hulunbeir Fufeng have been approved to use the "exempt, credit, refund" method on goods exported. The tax refund rate is 13%.

Input VAT on purchases of raw materials, fuel, utilities, certain fixed assets and other production materials (merchandise, transportation costs) are deductible from output VAT. VAT payable/(recoverable) is the net difference between output VAT and deductible input VAT.

14. Earnings Per Share

(a) Basic

Basic earnings per share for the years ended 31 December 2015 and 2014 are calculated by dividing the profit attributable to the Shareholders by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company.

	2015 *RMB'000*	2014 *RMB'000*
Profit attributable to the Shareholders	**516,261**	626,428
Weighted average number of ordinary shares in issue excluding ordinary shares purchased by the Company (thousands)	**2,118,865**	2,089,554
Basic earnings per share (RMB cents per share)	**24.36**	29.98

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

14. Earnings Per Share *(Continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the year ended 31 December 2015, outstanding share options issued in April 2015 are anti-diluted which are not included in calculation of diluted earnings per share.

	2015 *RMB'000*	2014 *RMB'000*
Earnings		
Profit attributable to the Shareholders	**516,261**	626,428
Interest expense on convertible bonds (net of tax)	**62,842**	58,617
Profit used to determine diluted earnings per share	**579,103**	685,045
Weighted average number of ordinary shares in issue excluding ordinary shares purchased by the Company (thousands)	**2,118,865**	2,089,554
Adjustments for:		
– Assumed conversion of convertible bonds (thousands)	**280,049**	297,114
– Share options (thousands)	**–**	3,103
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,398,914**	2,389,771
Diluted earnings per share (RMB cents per share)	**24.14**	28.67

15. Net Foreign Exchange Losses

The exchange differences charged to the consolidated income statement are included as follows:

	2015 *RMB'000*	2014 *RMB'000*
Other gains – net *(Note 7)*	**(28,117)**	(2,599)
Net finance expenses *(Note 11)*	**66,361**	8,744
	38,244	6,145

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

16. Leasehold Land Payments

Leasehold land payments represent prepaid operating lease payments for the leasehold land (40 to 70 years) located in Shandong Province, Shaanxi Province, Inner Mongolia Autonomous Region, Xinjiang Uygur Autonomous Region, Jiangsu Province and Beijing in the PRC. Their net book values are analysed as follows:

	2015 *RMB'000*	2014 *RMB'000*
Cost		
At beginning of the year	**1,769,714**	531,053
Additions	**83,246**	1,353,564
Return of leasehold land to government	**–**	(114,903)
Disposal of a subsidiary *(Note 7)*	**(297,625)**	–
Transferred to disposal group classified as held for sale *(Note 23)*	**(9,316)**	–
At end of the year	**1,546,019**	1,769,714
Amortisation		
At beginning of the year	**(21,010)**	(24,764)
Charge for the year *(Note 8)*	**(16,493)**	(12,141)
Return of leasehold land to government	**–**	15,895
Transferred to disposal group classified as held for sale *(Note 23)*	**1,544**	–
At end of the year	**(35,959)**	(21,010)
Net book value		
At end of the year	**1,510,060**	1,748,704

As at 31 December 2015, the net book value of leasehold land pledged as security for the Group's borrowings amounted to approximately RMB110,195,000 (2014: RMB111,679,000).

Amortisation expense is recorded in "administrative expenses" in the consolidated income statement.

During the year ended 31 December 2014, the Group received RMB99,008,000 from the local PRC governments as a compensation for return of leasehold land. Therefore, no net gain or loss on the return of leasehold land was recognised in the consolidated income statement for the year ended 31 December 2014.

As at 31 December 2015, the Group was still in the process of applying for the ownership certificates for various parcels of leasehold land with a total carrying amount of RMB345,977,000 (2014: RMB804,118,000), of which RMB162,537,000 (2014: RMB590,556,000) have relevant signed contracts with the local government.

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

17. Property, Plant and Equipment

	2015					
	Plant and building *RMB'000*	Machinery *RMB'000*	Furniture and fixtures *RMB'000*	Vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost						
At 1 January 2015	2,667,071	6,573,751	184,961	48,307	578,863	10,052,953
Additions	62,589	330,346	1,599	9,919	637,754	1,042,207
Transfer upon completion	544,864	335,505	–	–	(880,369)	–
Disposals	(23,044)	(181,693)	(387)	(1,402)	–	(206,526)
Transferred to disposal group classified as held for sale *(Note 23)*	(48,847)	(55,937)	(1,883)	(807)	(12,705)	(120,179)
At 31 December 2015	3,202,633	7,001,972	184,290	56,017	323,543	10,768,455
Accumulated depreciation						
At 1 January 2015	(345,801)	(2,033,734)	(107,151)	(33,372)	–	(2,520,058)
Charge for the year *(Note 8)*	(124,538)	(591,889)	(26,347)	(4,039)	–	(746,813)
Disposals	644	73,244	257	1,148	–	75,293
Transferred to disposal group classified as held for sale *(Note 23)*	18,722	32,968	913	171	–	52,774
At 31 December 2015	(450,973)	(2,519,411)	(132,328)	(36,092)	–	(3,138,804)
Provision for impairment loss						
At 1 January 2015	(17,567)	(29,341)	(115)	(709)	(15,081)	(62,813)
Impairment charge *(Note 8)*	–	–	–	–	(60)	(60)
At 31 December 2015	(17,567)	(29,341)	(115)	(709)	(15,141)	(62,873)
Net book value						
At 31 December 2015	2,734,093	4,453,220	51,847	19,216	308,402	7,566,778

17. Property, Plant and Equipment *(Continued)*

	2014					
	Plant and building *RMB'000*	Machinery *RMB'000*	Furniture and fixtures *RMB'000*	Vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost						
At 1 January 2014	2,621,845	6,806,781	196,520	52,521	253,898	9,931,565
Additions	–	169,690	6,849	4,455	824,539	1,005,533
Transfer upon completion	324,821	454,805	–	–	(779,626)	–
Transfer for renovation	(30,895)	(540,782)	(9,670)	(1,299)	280,052	(302,594)
Disposals	(248,700)	(316,743)	(8,738)	(7,370)	–	(581,551)
At 31 December 2014	2,667,071	6,573,751	184,961	48,307	578,863	10,052,953
Accumulated depreciation						
At 1 January 2014	(305,475)	(1,905,114)	(94,500)	(34,189)	–	(2,339,278)
Charge for the year *(Note 8)*	(111,934)	(563,545)	(26,480)	(5,152)	–	(707,111)
Transfer for renovation	8,236	287,043	6,204	1,111	–	302,594
Disposals	63,372	147,882	7,625	4,858	–	223,737
At 31 December 2014	(345,801)	(2,033,734)	(107,151)	(33,372)	–	(2,520,058)
Provision for impairment loss						
At 1 January 2014	–	(16,171)	(72)	(69)	–	(16,312)
Impairment charge *(Note 8)*	(17,567)	(25,050)	(43)	(640)	(15,081)	(58,381)
Disposals	–	11,880	–	–	–	11,880
At 31 December 2014	(17,567)	(29,341)	(115)	(709)	(15,081)	(62,813)
Net book value						
At 31 December 2014	2,303,703	4,510,676	77,695	14,226	563,782	7,470,082

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

17. Property, Plant and Equipment *(Continued)*

(a) As at 31 December 2015, no plant and machinery was pledged as security for the Group's borrowings (2014: Nil).

(b) Depreciation expense included in the consolidated income statement is as follows:

	2015 *RMB'000*	2014 *RMB'000*
Cost of sales	**694,619**	640,970
Administrative expenses	**52,194**	66,141
	746,813	707,111

(c) During the year ended 31 December 2014, the Group received RMB635,791,000 from the local PRC governments as a compensation for disposal of property, plant and equipment related to plant relocation. As at 31 December 2014, RMB355,739,000 had been applied to compensate the disposal of property, plant and equipment during 2014 and the remaining balance of compensation received in advance of RMB280,052,000 was recorded in "trade, other payables and accruals" as at 31 December 2014 (Note 28). During the year ended 31 December 2015, further assets amount to RMB128,908,000 were disposed and remaining balance of compensation received in advance was RMB151,144,000 as at 31 December 2015 (Note 28).

(d) Certain machineries mainly used for Amino acid segment were impaired in 2015 because of substantial reduction in demand and the machineries remained idle. The Group did not expect any future benefits and a full impairment charge of RMB60,000 (2014: RMB58,381,000) (Notes 8) was recorded during the year ended 31 December 2015.

(e) As at 31 December 2015, plant and buildings of the Group with a total net book value of RMB44,815,000 are without real estate titles and the Group is in the process to get the relevant real estate certificates.

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

18. Intangible Assets

	Patents *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
At 1 January 2014			
Cost	18,050	–	18,050
Accumulated amortisation	(3)	–	(3)
Accumulated impairment	(17,996)	–	(17,996)
Net book amount	51	–	51
Year ended 31 December 2014			
Opening net book amount	51	–	51
Additions	878	2,733	3,611
Amortisation	(20)	(227)	(247)
Impairment charge *(Note 8)*	(861)	–	(861)
Closing net book amount	48	2,506	2,554
At 31 December 2014			
Cost	18,928	2,733	21,661
Accumulated amortisation	(23)	(227)	(250)
Accumulated impairment	(18,857)	–	(18,857)
Net book amount	48	2,506	2,554
Year ended 31 December 2015			
Opening net book amount	48	2,506	2,554
Additions	1,384	1,258	2,642
Amortisation	(75)	(2,713)	(2,788)
Write-off	861	–	861
Transferred to disposal group classified as held for sale *(Note 23)*	(2,113)	(105)	(2,218)
Closing net book amount	105	946	1,051
At 31 December 2015			
Cost	20,312	3,991	24,303
Accumulated amortisation	(98)	(2,940)	(3,038)
Accumulated impairment	(17,996)	–	(17,996)
Transferred to disposal group classified as held for sale *(Note 23)*	(2,113)	(105)	(2,218)
Net book amount	105	946	1,051

The carrying amount of the patents has been reduced to its recoverable amount through recognition of an impairment loss. This loss has been included in 'administrative expenses' in the consolidated income statement.

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

19. Credit Quality of Financial Assets

Trade and notes receivables

The credit quality of financial assets that are neither past due nor impaired can be assessed by types of the financial assets and by reference to historical information about counterparty default rates. The Group categorises its trade and notes receivables into the following:

Group 1 – Bank acceptance notes for which the repayments are guaranteed by large state-owned banks.
Group 2 – Trade receivables due from customers with no defaults in the past.
Group 3 – Trade receivables due from customers with some defaults in the past.

	2015 *RMB'000*	2014 *RMB'000*
Group 1	418,293	663,638
Group 2	399,614	348,422
Group 3	–	4,510
	817,907	1,016,570

Cash and bank balances

The management considers the credit risks in respect of cash and bank balances are relatively minimal as each counter party either has a high credit rating or is a state-owned PRC bank. The management believes the PRC government is able to support the state-owned PRC banks in the event of a liquidity difficulty.

The Group categorises its cash in bank and short-term bank deposits in banks into the following:

- Group 1 – Major international banks (Hang Seng Bank, ABN AMRO Bank N.V, The Hong Kong and Shanghai Banking Corporation Limited, The Royal Bank of Scotland, Citi Bank, United Overseas Bank and Standard Chartered Bank, Mizuho Bank)

- Group 2 – Top 4 banks in the Mainland China (China Construction Bank, Bank of China, Agricultural Bank of China and Industrial and Commercial Bank of China)

- Group 3 – Other state-owned banks in the Mainland China

	2015 *RMB'000*	2014 *RMB'000*
Group 1	70,497	97,097
Group 2	591,776	245,626
Group 3	356,262	618,291
	1,018,535	961,014

20. Trade and Other Receivables

	2015 **RMB'000**	2014 RMB'000
Trade receivables (a)	**399,614**	352,932
Less: provision for impairment of trade receivables (b)	**–**	(4,510)
Trade receivables – net	**399,614**	348,422
Notes receivable (c)	**418,293**	663,638
Deposits and others	**74,423**	18,690
Loans to employees	**1,402**	2,643
– Loans to key management	**–**	–
– Loans to other employees	**1,402**	2,643
Value-added tax for future deduction	**71,114**	99,607
Trade and other receivables excluding prepayments	**964,846**	1,133,000
Prepayments for raw materials	**248,941**	318,721
	1,213,787	1,451,721

(a) As at 31 December 2015 and 2014 the ageing analysis of trade receivables based on invoice date was as follows:

	2015 **RMB'000**	2014 RMB'000
Within 3 months	**348,549**	331,627
3–12 months	**48,562**	14,833
Over 12 months	**2,503**	6,472
	399,614	352,932

The Group generally sells its products to domestic customers and receives settlement either in cash or in the form of bank acceptance notes (Note (c)) upon delivery of goods. The bank acceptance notes usually have maturity dates within six months. Certain major customers in the PRC and overseas with good repayment history are offered credit terms of not more than three months.

20. Trade and Other Receivables *(Continued)*

(b) As at 31 December 2015, trade receivables of RMB27,795,000 (2014: RMB11,838,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	2015 *RMB'000*	2014 *RMB'000*
Past due within 3 months	**16,897**	8,795
Past due in 3–12 months	**10,898**	3,043
	27,795	11,838

As at 31 December 2015, trade receivables of RMB4,749,000 (2014: RMB4,510,000) were impaired and fully provided for impairment. The individually impaired receivables relate to customers who were in unexpectedly difficult economic situations and were therefore provided for. As at 31 December 2015, all impaired receivables were related to Shenhua Health Group and were transferred to assets of disposal group classified as held for sale.

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

	2015 *RMB'000*	2014 *RMB'000*
As at 1 January	**4,510**	4,510
Provision for receivables impairment	**239**	–
Transferred to disposal group classified as held for sale *(Note 23)*	**(4,749)**	–
At 31 December	**–**	4,510

20. Trade and Other Receivables *(Continued)*

(c) As at 31 December 2015, notes receivable were all bank acceptance notes aged less than six months, including a total amount of RMB353,519,000 (2014: RMB591,499,000) that have been endorsed.

(d) Trade and other receivables are unsecured and interest-free. The carrying amounts of trade and other receivables approximate their fair values as at the balance sheet date.

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

	2015 *RMB'000*	2014 *RMB'000*
– RMB	**629,939**	869,919
– USD	**334,907**	263,081
	964,846	1,133,000

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

21. Inventories

	2015 *RMB'000*	2014 *RMB'000*
Raw materials	**928,716**	729,492
Work-in-progress	**88,728**	107,808
Finished goods	**1,174,405**	1,108,714
	2,191,849	1,946,014

As at 31 December 2015, the Group had provision for finished goods write-down amounted to RMB4,133,000 (2014: RMB26,655,000). During 2015, the Group wrote off the opening provision for inventories write-down amounted to RMB26,655,000 and recorded a new provision of RMB4,133,000 (2014: RMB19,418,000), which was included in "cost of sales" in the consolidated income statement.

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

21. Inventories *(Continued)*

The cost of inventories recognised in the consolidated income statement is as follows:

	2015 RMB'000	2014 RMB'000
Cost of sales	**7,999,307**	7,766,680
Administrative expenses	**56,083**	51,255
	8,055,390	7,817,935

22. Cash and Bank Balances

	2015 RMB'000	2014 RMB'000
Cash and cash equivalents		
– Cash on hand	**534**	533
– Cash in bank	**740,753**	796,031
	741,287	796,564
Term deposits over 3 months and within one year	**145,000**	8,000
Cash and bank balances	**886,287**	804,564
Restricted bank deposits (a)	**132,782**	156,983
Total cash and bank balances (b)	**1,019,069**	961,547

(a) The restricted bank deposits were used for the following purposes:

	2015 RMB'000	2014 RMB'000
Issuance of bank acceptance notes	**121,777**	150,530
Others	**11,005**	6,453
	132,782	156,983

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

22. Cash and Bank Balances *(Continued)*

(b) Total cash and bank balances are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
– RMB	757,601	839,674
– USD	231,201	58,309
– HKD	29,832	61,959
– SGD	435	1,605
	1,019,069	961,547

(c) The Group's cash and bank balances denominated in RMB were deposited with banks in the PRC. Conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(d) The weighted average effective interest rate on cash and bank balances placed with banks by the Group was 0.49% per annum for the year ended 31 December 2015 (2014: 0.75%).

23. Current and Non-Current Assets Held for Sale

As at 31 December 2015, the assets and liabilities related to Shenhua Health Group have been presented as disposal group classified as held for sale following the approval via an extraordinary general meeting of the Group on 26 November 2015 to spin-off Shenhua Health Group. The transaction was not completed as at the date of the approval of these financial statements. The assets and liabilities of Shenhua Health Group were measured at carrying amount, which was lower than the fair value less cost to sell as at 31 December 2015.

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

23. Current and Non-Current Assets Held for Sale *(Continued)*

(a) Assets of disposal group classified as held for sale:

	2015 RMB'000	2014 RMB'000
ASSETS		
Non-current assets		
Leasehold land payments	7,772	–
Property, plant and equipment	67,405	–
Intangible assets	2,218	–
Deferred income tax assets	4,638	–
Long-term bank deposits	20,100	–
	102,133	–
Current assets		
Inventories	32,189	–
Trade and other receivables	30,597	–
Cash and bank balances	39,593	–
	102,379	–
Total Assets	204,512	–

(b) Liabilities of disposal group classified as held for sale:

	2015 RMB'000	2014 RMB'000
Liabilities		
Non-current liabilities		
Deferred income	584	–
Current liabilities		
Trade and other payables	28,966	–
Current income tax liabilities	1,148	–
Borrowings	20,100	–
Current portion of deferred income	5,673	–
	55,887	–
Total liabilities	56,471	–

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

24. Share Capital and Premium

	Number of shares (thousands)	Amount Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2014	2,087,561	203,644	702,873	906,517
Employee share option schemes:				
– Proceeds from shares issued	18,480	1,665	53,892	55,557
Repurchase of shares of the Company	(833)	(66)	(2,134)	(2,200)
Dividends	–	–	(115,645)	(115,645)
At 31 December 2014	2,105,208	205,243	638,986	844,229
Employee share option schemes:				
– Proceeds from shares issued	5,117	688	14,656	15,344
Conversion of convertible bonds	17,065	1,347	55,980	57,327
Repurchase of shares of the Company	(705)	(56)	(1,805)	(1,861)
Dividends	–	–	(152,660)	(152,660)
At 31 December 2015	**2,126,685**	**207,222**	**555,157**	**762,379**

The total number of authorised share capital of the Company comprised 10,000,000,000 ordinary shares with a par value of HKD0.10 each as at 31 December 2015 and 2014.

In November 2014, the Company acquired 833,000 of its own shares through purchases on the Stock Exchange of Hong Kong Limited. The total consideration of HKD2,777,000 (equivalent to RMB2,200,000) paid for repurchase of shares has been deducted from its share capital and share premium as the shares had been cancelled in November 2014.

In December 2014, the Company acquired 705,000 of its own ordinary shares through purchases on The Stock Exchange of Hong Kong Limited. The total consideration of HKD2,349,000 (equivalent to RMB1,861,000) paid for repurchase of these shares has been deducted from retained earnings as the shares have not been cancelled as at 31 December 2014. In January 2015, the shares were cancelled, therefore retained earnings were credited by RMB1,861,000 and the share capital and share premium decreased by the same amount.

According to the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands and the articles of association of the Company, dividends of the Company can be declared out of its share premium account subject to a solvency test.

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

25. Share-Based Payment

(a) Share options granted on 14 July 2009

The Company granted to certain eligible employees share options to subscribe for an aggregate of 64,110,000 ordinary shares of the Company on 14 July 2009. These options vest in tranches over a period of up to 4.5 years.

As a result of the completion of the rights issue in May 2013, the exercise price of the outstanding options was adjusted from HKD3.00 to HKD2.80, and the total number of shares to be issued upon exercise of the outstanding options was adjusted from 45,270,000 shares to 48,486,000 shares.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015		2014	
	Average exercise price in HKD per share option	**Options (thousands)**	Average exercise price in HKD per share option	Options (thousands)
At 1 January	**2.80**	**24,823**	2.80	45,809
Exercised	**2.80**	**(5,117)**	2.80	(18,480)
Expired	**2.80**	**(19,706)**	2.80	(2,506)
At 31 December		**–**		24,823

24,823,000 options were exercisable as at 31 December 2014. Options exercised in 2014 resulted in 18,480,000 ordinary shares being issued at a weighted average price of HKD2.80 each. The related weighted average share price at the time of exercise was HKD3.86 per share.

As at 31 December 2015, all the share options granted on 14 July 2009 were forfeited, which were reclassified from other reserves to retained earnings.

25. Share-Based Payment *(Continued)*

(b) Share options granted on 9 November 2010 and revised on 5 September 2013

The Company granted to a director share options to subscribe for an aggregate of 5,000,000 ordinary shares of the Company on 9 November 2010. These options vest in tranches over a period of up to 4.5 years.

As a result of the completion of the rights issue in May 2013, the exercise price of the outstanding options was adjusted from HKD8.20 to HKD7.66, and the total number of shares to be issued upon exercise of the outstanding options was adjusted from 5,000,000 to 5,355,000 shares.

On 5 September 2013, the Board resolved to revise the exercise price of share options granted to the director to subscribe for an aggregate of 5,355,000 shares to HKD3.20.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015		2014	
	Average exercise price in HKD per share option	**Options (thousands)**	Average exercise price in HKD per share option	Options (thousands)
At 1 January		**–**	3.20	5,355
Expired		**–**	3.20	(5,355)
At 31 December		**–**	–	–

In December 2014, the director resigned and thus all the 5,355,000 share options were forfeited during the year ended 31 December 2014, which were reclassified from other reserves to retained earnings.

No attributable amount was charged to the consolidated income statement during the year ended 31 December 2015. (2014: RMB2,552,000).

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

25. Share-Based Payment *(Continued)*

(c) Share options granted on 9 April 2015

The Company granted to certain eligible employees share options to subscribe for an aggregate of 16,600,000 ordinary shares of the Company on 9 April 2015. These options vest in tranches over a period of up to 5 years. Thus, there are no exercise options during the year ended 31 December 2015.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015 Average exercise price in HKD per share option	2015 Options (thousands)
At 1 January	–	–
Issued	5.69	16,600
At 31 December	5.69	16,600

The fair value, which was determined by an independent qualified appraiser using Black-Scholes option price model, of the options as at the grant date was approximately RMB30,216,000. The following assumptions were adopted to calculate the fair value of the options on the grant date:

	Granted on 9 April 2015
Average share price	HKD4.89
Exercise price	HKD5.69
Expected life of options	5.0 years
Expected volatility	43.11%
Expected dividend yield	2.26%
Risk free rate	0.99%

The expected volatility is determined by calculating the historical volatility of the price of listed companies with similar business to the Group. The expected dividend yield is determined by the Directors based on the expected future performance and dividend policy of the Group.

The attributable amount charged to the consolidated income statement during the year ended 31 December 2015 was approximately RMB9,317,000 (2014: Nil).

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

26. Retained Earnings

	The Group	
	2015 *RMB'000*	2014 *RMB'000*
At 1 January	**4,334,460**	3,729,696
Profit for the year	**516,261**	626,428
Profit appropriation to statutory reserves *(Note 27)*	**(46,154)**	(24,626)
Expiration of options issued	**10,597**	4,823
Repurchase of shares of the Company *(Note 24)*	**1,861**	(1,861)
At 31 December	**4,817,025**	4,334,460

27. Other Reserves

	Convertible bonds *(Note 29)* *RMB'000*	**Capital reserve** *(Note (a))* *RMB'000*	**Statutory reserve** *(Note (b))* *RMB'000*	**Share-based payment reserve** *(Note 25)* *RMB'000*	**Total** *RMB'000*
1 January 2014	63,198	(370,760)	458,687	31,448	182,573
Profit appropriation *(Note 26)*	–	–	24,626	–	24,626
Employee share options schemes					
– Value of employee services *(Notes 9, 25)*	–	–	–	2,552	2,552
– Expired of shares issued	–	–	–	(4,823)	(4,823)
– Proceeds from shares issued	–	–	–	(14,551)	(14,551)
31 December 2014	63,198	(370,760)	483,313	14,626	190,377
Profit appropriation *(Note 26)*	–	–	46,154	–	46,154
Conversion of convertible bonds	(3,567)	–	–	–	(3,567)
Employee share options schemes					
– Value of employee services *(Notes 9, 25)*	–	–	–	9,317	9,317
– Expired of shares issued	–	–	–	(10,597)	(10,597)
– Proceeds from shares issued	–	–	–	(4,029)	(4,029)
31 December 2015	**59,631**	**(370,760)**	**529,467**	**9,317**	**227,655**

27. Other Reserves *(Continued)*

(a) Capital reserve

It mainly represents reserve arising from the Group's reorganisation completed in July 2006.

(b) Statutory reserve

In accordance with the PRC regulations and the articles of the association of the PRC companies comprising the Group, before distributing the net profit of each year, each of the companies registered in the PRC is required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under the PRC accounting regulations to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares, provided that the balance of such reserve is not less than 25% of the entity's registered capital after the bonus issue.

28. Trade, Other Payables and Accruals

	2015 ***RMB'000***	2014 *RMB'000*
Trade payables (a)	**1,195,564**	987,197
Advances from customers (b)	**510,875**	213,476
Payables for property, plant and equipment *(Note 33(d))*	**866,878**	662,608
Bank acceptance notes payable	**47,606**	494,760
Government compensation related to property, plant and equipment disposal received in advance *(Note 17)*	**151,144**	280,052
Salaries, wages and staff welfares payables	**347,628**	276,788
Interest payables	**33,682**	61,152
Government grants received in advance	**15,005**	13,000
Dividends payable	**407**	407
Other payables and accruals	**142,404**	213,975
	3,311,193	3,203,415

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

28. Trade, Other Payables and Accruals *(Continued)*

(a) As at 31 December 2015 and 2014, the ageing analysis of trade payables based on invoice date was as follows:

	2015 RMB'000	2014 RMB'000
Within 3 months	798,319	762,492
3 to 6 months	263,308	140,307
6 to 12 months	87,786	49,692
1 to 2 years	36,410	27,737
Over 2 years	9,741	6,969
	1,195,564	987,197

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

(c) Trade and other payables are unsecured and interest-free. The carrying amounts of trade and other payables approximate their fair values and are mainly denominated in RMB.

29. Borrowings

	2015 RMB'000	2014 RMB'000
Non-current		
Bank borrowings, unsecured	635,477	–
Bank borrowings, secured	370,000	360,000
Corporate bonds (b)	986,744	–
Convertible bonds (c)	–	921,061
Senior notes (d)	–	1,823,875
Medium-term notes (e)	–	597,546
	1,992,221	3,702,482
Current		
Bank borrowings, unsecured	294,808	760,000
Bank borrowings, secured	50,000	40,000
Convertible bonds (c)	901,734	13,165
Medium-term notes (e)	599,378	–
	1,845,920	813,165
Total Borrowings	3,838,141	4,515,647

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

29. Borrowings *(Continued)*

(a) Borrowings

At 31 December 2015, the Group's borrowings were repayable as follows:

	The Group			
	Bank borrowings		Other loans	
	2015	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**344,808**	800,000	**1,501,112**	13,165
Between 1 and 2 years	**835,477**	40,000	**–**	2,421,421
Between 2 and 5 years	**170,000**	320,000	**986,744**	921,061
	1,350,285	1,160,000	**2,487,856**	3,355,647

As at 31 December 2015, the bank borrowings included RMB420,000,000 (2014: RMB400,000,000) borrowings which are secured by leasehold land of the Group (Note 16).

The weighted average effective interest rates at the balance sheet dates were as follows:

	2015	2014
Bank borrowings	**4.13%**	6.10%

The carrying amount and fair value of non-current borrowings are as follows:

	Carrying amount		Fair value	
	2015	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank borrowings, unsecured	**635,477**	360,000	**639,928**	371,834
Bank borrowings, secured	**370,000**	–	**378,430**	–
Corporate bonds (b)	**986,744**	–	**979,266**	–
Convertible bonds (c)	**–**	921,061	**–**	957,735
Senior notes (d)	**–**	1,823,875	**–**	1,860,188
Medium-term notes (e)	**–**	597,546	**–**	622,074
	1,992,221	3,702,482	**1,997,624**	3,811,831

The fair values of the non-current corporate bonds, medium-term notes and other bank borrowings at 31 December 2015 were RMB1,997,624,000 (2014: RMB993,908,000). The fair value measurement of them is categorised within level 2 of the fair value hierarchy.

The fair values of the non-current convertible bonds and senior notes at 31 December 2014 were RMB2,817,923,000 which values were calculated using the market price of the convertible bonds and senior notes on the date of statement of financial position. The fair value measurement of convertible bonds and senior notes issued by Fufeng Group Limited is categorised within the level 1 of fair value hierarchy as they are listed on The Singapore Exchange Securities Trading Limited.

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

29. Borrowings *(Continued)*

(a) Borrowings *(Continued)*

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	The Group	
	2015	2014
	RMB'000	*RMB'000*
6 months or less	**914,186**	423,165
6 to 12 months	**931,734**	390,000
1 to 5 years	**1,992,221**	3,702,482
	3,838,141	4,515,647

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	The Group	
	2015	2014
	RMB'000	*RMB'000*
RMB	**3,330,856**	2,691,772
USD	**507,285**	1,823,875
	3,838,141	4,515,647

(b) Corporate bonds

In November 2015, IM Fufeng issued corporate bonds at a par value of RMB1,000,000,000, which was denominated in RMB with a fixed interest rate of 3.98% per annum. The bonds will mature in three years from the issuance date. The value of the liability, net off transaction costs of RMB14,000,000, were determined at issuance of the bonds.

(c) Convertible bonds

Convertible bonds issued in April 2010 ("2010 CB")

The Company issued convertible bonds with a total par value of RMB1,025,000,000 in April 2010 at a fixed interest rate of 4.5%. The bonds will mature in five years from the issue date at their nominal value of RMB1,025,000,000 or can be converted into the Company's ordinary shares at the holder's option at the price of HKD7.03 per share. The values of the liability component and the equity conversion component, net of transaction costs of RMB25,679,000, were determined upon issuance of the bonds.

The fair value of the liability component, which was included in non-current borrowings, was calculated using a market interest rate of 5.08% for equivalent non-convertible bonds. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in other reserves.

The Company partially redeemed convertible bonds in October and November 2012 and March and April 2013. According to the conversion price adjustment term of the offering memorandum of 2010 CB, the conversion price is adjusted from HKD7.03 per share to HKD6.56 per share after the Company's rights issue in May 2013. The remaining outstanding principal amount of 2010 CB was fully repaid on 1 April 2015.

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

29. Borrowings *(Continued)*

(c) Convertible bonds *(Continued)*

Convertible bonds issued in November 2013 ("2013 CB")

The Company issued convertible bonds with a total par value of RMB975,000,000 in November 2013 at a fixed interest rate of 3.0%. The bonds will mature in five years from the issue date at an amount equal to 108.31% of their principal amount of RMB975,000,000, or can be converted into the Company's ordinary shares at the holder's option at the price of HKD4.173 per share. The values of the liability component and the equity conversion component, net of transaction costs of RMB23,597,000, were determined upon issuance of the bonds. During the year ended 31 December 2015, a total of RMB53,760,000 of such convertible bonds were converted to 17,065,033 ordinary shares. The carrying amount of the 2013 CB as at 31 December 2015 was RMB901,734,000 (2014: RMB923,499,000).

The fair value of the liability component, which was included in non-current borrowings, was calculated using a market interest rate of 6.06% for equivalent non-convertible bonds. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in other reserves.

The convertible bonds recognised in the balance sheet are calculated as follows:

	2010 CB *RMB'000*	2013 CB *RMB'000*	Total *RMB'000*
Liability component at 1 January 2014	13,176	894,132	907,308
Including:			
– Interest payable – current portion	149	2,438	2,587
– Carrying amount at 1 January 2014	13,027	891,694	904,721
Interest expense on convertible bonds *(Note 11)*	732	58,617	59,349
Interest paid	(594)	(29,250)	(29,844)
Liability component at 31 December 2014	13,314	923,499	936,813
Including:			
– Interest payable – current portion	149	2,438	2,587
– Carrying amount at 31 December 2014 – non current	13,165	921,061	934,226
Liability component at 1 January 2015	13,314	923,499	936,813
Interest expense on convertible bonds *(Note 11)*	184	62,842	63,026
Interest paid	(298)	(28,550)	(28,848)
Settlement of final principle and interest of convertible bonds	(13,200)	–	(13,200)
Conversion of convertible bonds	–	(53,760)	(53,760)
Liability component at 31 December 2015	–	904,031	904,031
Including:			
– Interest payable – current portion	–	2,297	2,297
– Carrying amount at 31 December 2015 – current	–	901,734	901,734

29. Borrowings *(Continued)*

(d) Senior notes

In April 2011, the Company issued senior notes with a total par value of USD300,000,000 (equivalent of approximately RMB1,892,160,000) which were denominated in USD with a fixed interest rate of 7.625%. The notes will mature in five years from the issue date and are secured by a pledge of the capital stock of certain subsidiaries of the Company, including Acquest Honour Holding Limited ("Acquest Honour"), Summit Challenge Limited ("Summit Challenge"), Absolute Divine Limited ("Absolute Divine") and Expand Base Limited ("Expand Base"). The Company had options to redeem all senior notes in whole or in part prior to their maturity at the redemption price as defined in the indenture agreements of these senior notes. The guarantors are all intermediate holding companies that collectively control the operation and assets of the PRC subsidiaries of the Group. The values of the liability, taking into account of the transaction costs of USD6,706,000, were determined upon issuance of the notes.

All senior notes contain a liability component and the early redemption options. Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives. The directors consider that the fair value of the above early redemption options was insignificant on initial recognition and at 31 December 2015 and 2014.

During 2015, the Company early redeemed all the USD300,000,000 outstanding notes at a redemption price equal to 101.90625% of the principal amount thereof, being USD305,718,750, plus accrued and unpaid interest on such notes to the redemption date of USD6,434,653, totalling USD312,153,403. A loss on early redemption of senior notes amounted to RMB35,335,000 was recorded under finance expenses (Note 11) for the year ended 31 December 2015.

(e) Medium-term notes

In April 2013, IM Fufeng issued medium-term notes at a par value of RMB600,000,000, which was dominated in RMB with a fixed interest rate of 5.11% per annum. The note will mature in three years from the issue date. The values of the liability, net off transaction costs of RMB5,310,000, were determined at issue of the notes.

30. Deferred Income

	2015 ***RMB'000***	2014 *RMB'000*
Government grants related to income tax credit from purchasing qualified equipment (a)	**100,139**	115,119
Government grants related to acquisition of environmental protection and technology improvement equipment (b)	**490,094**	325,328
Government grants related to urban planning of local PRC governments (c)	**162,054**	96,103
	752,287	536,550

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

30. Deferred Income *(Continued)*

The movements of the above government grants for the years ended 31 December 2015 and 2014 are as follows:

	2015 *RMB'000*	2014 *RMB'000*
At beginning of the year	**536,550**	360,121
Granted during the year	**453,495**	235,495
Amortised as income *(Note 33)*	**(231,501)**	(59,066)
Transferred to disposal group classified as held for sale *(Note 23)*	**(6,257)**	–
At end of the year	**752,287**	536,550

(a) Government grants related to income tax credit from purchasing qualified equipment represented reduction in income tax granted to Baoji Fufeng Biotechnologies Co., Ltd. ("Baoji Fufeng"), Neimenggu Fufeng Biotechnologies Co., Ltd. ("IM Fufeng"), Hulunbeir Northeast Fufeng Biotechnologies Co., Ltd. ("Hulunbeir Fufeng") and Xinjiang Fufeng Biotechnologies Co., Ltd. ("Xinjiang Fufeng") on the purchase of certain qualified equipment. Such income tax credits are recognised in the consolidated income statement on a straight-line basis over the expected lives of the related assets.

(b) Government grants related to acquisition of environmental protection and technology improvement equipment are recorded as deferred income and amortised in the consolidated income statement on a straight-line basis over the expected lives of the related assets.

(c) Government grants related to urban planning of local PRC governments represented grants from the governments related to acquisition of assets. These grants received are recorded as deferred income, and will be amortised in the consolidated income statement on future development of the related assets.

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

31. Deferred Income Tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxed levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The deferred tax assets and liabilities are as follows:

	2015 *RMB'000*	2014 *RMB'000*
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**72,701**	70,068
– Deferred income tax assets to be recovered within 12 months	**70,371**	43,587
	143,072	113,655
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**(16,650)**	(18,746)
– Deferred income tax liabilities to be settled within 12 months	**–**	(294)
	(16,650)	(19,040)
Deferred income tax assets, net	**126,422**	94,615

The gross movement on the deferred income tax account is as follows:

	2015 *RMB'000*	2014 *RMB'000*
Beginning balance of the year	**94,615**	67,946
Credited to consolidated income statement *(Note 13)*	**36,445**	26,669
Transferred to disposal group classified as held for sale *(Note 23)*	**(4,638)**	–
Ending balance of the year	**126,422**	94,615

31. Deferred Income Tax *(Continued)*

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets:

	Tax Losses *RMB'000*	Unrealised profit *RMB'000*	Deferred income *RMB'000*	Staff pension plan *RMB'000*	Impairment losses *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2014	8,263	9,235	29,217	17,880	1,713	21,924	88,232
(Charged)/Credited to consolidated income statement	(825)	(7,865)	16,359	8,896	7,044	1,814	25,423
At 31 December 2014	7,438	1,370	45,576	26,776	8,757	23,738	113,655
(Charged)/Credited to consolidated income statement	(3,413)	(348)	22,591	11,400	3,319	1,426	34,975
Transferred to disposal group classified as held for sale *(Note 23)*	–	–	(221)	(1,151)	(3,426)	160	(4,638)
At 31 December 2015	**4,025**	**1,022**	**67,946**	**37,025**	**8,650**	**25,324**	**143,992**

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profit is probable. The Group did not recognise deferred income tax assets in respect of losses amounted to RMB11,946,000 as at 31 December 2015 (2014: RMB7,393,000) that can be carried forward against future taxable income because it is uncertain whether there will be sufficient profit to offset in the near future. As at 31 December 2015 and 2014, the expiry date of such tax losses is as follows:

Expiry date	**2015** ***RMB'000***	2014 *RMB'000*
2015	**–**	1,602
2016	**1,697**	1,697
2017	**1,256**	1,256
2018	**1,468**	1,468
2019	**1,370**	1,370
2020	**6,155**	–
	11,946	7,393

31. Deferred Income Tax *(Continued)*

Deferred income tax liabilities:

	Capitalisation of borrowing costs *RMB'000*	Withholding tax *RMB'000*	Total *RMB'000*
At 1 January 2014	3,636	16,650	20,286
Credited to consolidated income statement	(1,246)	–	(1,246)
At 31 December 2014	2,390	16,650	19,040
Credited to consolidated income statement	(1,470)	–	(1,470)
At 31 December 2015	**920**	**16,650**	**17,570**

Withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC, in respect of earnings generated after 31 December 2007. The Group's certain subsidiaries in the PRC are held by companies incorporated in Hong Kong and are subject to 5% to 10% withholding tax. The Group is therefore liable to withholding taxes on dividends to be distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

Deferred income tax liabilities as at 31 December 2015 of RMB254,961,000 (2014: RMB211,928,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of the subsidiaries in the PRC, totalling RMB5,099,222,000 (2014: RMB4,238,565,000). The Group determined that no deferred withholding tax liabilities shall be recognised in respect of the retained profits of these PRC subsidiaries since the Group has no plan to distribute such profits in the foreseeable future.

32. Dividends

	2015 ***RMB'000***	2014 *RMB'000*
Interim, paid	**79,124**	49,720
Final, proposed	**23,223**	73,536
	102,347	123,256

The final dividends paid in 2015 were HKD92,823,000 (equivalent to RMB73,536,000) (2014: RMB65,925,000), representing HK4.4 cents (equivalent to RMB3.49 cents per share) (2014: 3.16 cents) per ordinary share of the Company.

At a meeting held on 15 March 2016, the Board proposed a final dividend of HKD27,647,000 (equivalent to RMB23,223,000) (2014: RMB73,536,000), representing HK1.3 cents (equivalent to RMB1.09 cents) (2014: RMB3.49 cents) per share to be distributed from the share premium account. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation from the share premium account for the year ended 31 December 2016.

33. Cash Generated from Operations

(a) Cash generated from operations

	2015 RMB'000	2014 RMB'000
Profit before income tax	**679,774**	774,176
Adjustments for:		
– (Reversal of)/ provision for inventory write-down *(Note 21)*	**(22,522)**	19,418
– Provision for trade receivables *(Note 20)*	**239**	–
– Impairment charge for property, plant and equipment *(Note 17)*	**60**	58,381
– Impairment charge for intangible assets *(Note 18)*	**–**	861
– Depreciation *(Note 17)*	**746,813**	707,111
– Amortisation of intangible assets *(Note 18)*	**2,788**	247
– Amortisation of leasehold land payments *(Note 16)*	**16,493**	12 ,141
– Amortisation of deferred income *(Note 30)*	**(231,501)**	(59,066)
– Gain on disposal of a subsidiary – net *(Note (b))*	**(1,125)**	–
– Gain on compensation from insurance company after offsetting losses *(Note 7)*	**(32,789)**	–
– Loss/(gain) on disposal of property, plant and equipment – net *(Note (c))*	**2,248**	(9,900)
– Employee share option schemes *(Notes 9, 25)*	**9,317**	2,552
– Interest income *(Note 11)*	**(14,412)**	(12,610)
– Interest expenses *(Note 11)*	**301,751**	337,462
– Foreign exchange losses on financing activities *(Note 11)*	**66,361**	8,744
Changes in working capital:		
– Inventories	**(255,503)**	(448,554)
– Trade and other receivables	**242,118**	591,630
– Restricted bank deposits	**17,748**	(142,578)
– Trade, other payables and accruals	**76,337**	229,985
Cash generated from operations	**1,604,195**	2,070,000

(b) Disposal of a subsidiary

	2015 RMB'000	2014 RMB'000
Proceeds from disposal of a subsidiary	**298,750**	–
Net book amount for disposal of a subsidiary *(Note 16)*	**(297,625)**	–
Gain on disposal of a subsidiary – net *(Note 7)*	**1,125**	–

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

33. Cash Generated from Operations *(Continued)*

(c) Proceeds from disposal of property, plant and equipment

	2015 *RMB'000*	2014 *RMB'000*
Net book amount for disposals *(Note 17)*	**131,233**	345,934
(Loss)/gain on disposal of property, plant and equipment – net *(Note 7)*	**(2,248)**	9,900
Government compensation related to property, plant and equipment disposal received in advance included in "other payables" *(Notes 17, 28)*	**–**	280,052
Decrease in other payables for government compensation related to property, plant and equipment received in advance *(Note 17, 28)*	**(128,908)**	–
Proceeds from disposal of property, plant and equipment	**77**	635,886

(d) Major non-cash transactions

During the year ended 31 December 2015, the Group purchased property, plant and equipment which were recorded in payables without cash outflow in the amount of RMB866,878,000 (2014: RMB662,608,000) (Note 28).

34. Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2015 *RMB'000*	2014 *RMB'000*
Purchase of property, plant and equipment – Contracted but not yet incurred	**71,329**	53,155

34. Commitments *(Continued)*

(b) Operating lease commitments – the Group as lessee

The Group leases properties under non-cancellable lease agreements. The Group's future aggregate minimum lease payments under these non-cancellable operating leases were as follows:

	2015 **RMB'000**	2014 RMB'000
No later than 1 year	**3,036**	4,079
Later than 1 year and no later than 5 years	**1,117**	14
	4,153	4,093

35. Related Party Transactions and Balances

(a) Key management compensation

	2015 **RMB'000**	2014 RMB'000
Salaries and allowances	**18,859**	19,986
Pension costs – defined contribution plan	**733**	748
Share options granted to key management *(Note 27)*	**9,317**	2,552
	28,909	23,286

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, including directors and executive officers.

36. Events After the Balance Sheet Date

(a) On 9th September 2015, the Company submitted a proposal to the Stock Exchange in accordance with Practice Note 15 of Listing Rules for the spin-off of Shenhua Health Group by way of listing by introduction to be achieved by distribution in specie of the entire shares of Shenhua Health Holdings Limited. On 27th October 2015, Shenhua Health Holdings Limited submitted the listing application form (Form 5A) to the Stock Exchange to apply for the listing of, and permission to deal in, the shares of Shenhua Health Holdings Limited on The Stock Exchange of Hong Kong Limited. As at the date of approval of these financial statements, the listing application is still in process.

(b) On 19 January 2016, IM Fufeng, a subsidiary of the Company, obtained an approval from the National Association of Financial Market Institutional Investors to issue new medium-term notes amounted to RMB600,000,000 with a repayment term of three years. As at the date of approval of these financial statements, such medium-term notes have not been issued.

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

37. Balance Sheet and Reserve Movement of the Company

Balance sheet of the Company

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**65**	125
Investment in subsidiaries		**453,788**	427,933
		453,853	428,058
Current assets			
Loans to subsidiaries		**869,698**	1,703,565
Due from subsidiaries		**1,016,249**	1,410,368
Deposits and other receivables		**575**	625
Cash and cash equivalents		**34,516**	53,811
		1,921,038	3,168,369
Total assets		**2,374,891**	3,596,427
EQUITY			
Capital and reserves attributable to the Shareholders			
Share capital		**207,221**	205,243
Share premium		**555,157**	638,986
Other reserves	*Note (a)*	**68,948**	77,824
Retained earnings	*Note (a)*	**(222,133)**	(136,561)
Total equity		**609,193**	785,492
LIABILITIES			
Non-current liabilities			
Borrowings		**635,477**	2,744,936
Current liabilities			
Borrowings		**1,096,542**	13,165
Due to subsidiaries		**14,174**	14,174
Other payables and accruals		**19,505**	38,660
		1,130,221	65,999
Total liabilities		**1,765,698**	2,810,935
Total equity and liabilities		**2,374,891**	3,596,427

The balance sheet of the Company was approved by the Board of Directors on 15 March 2016 and was signed on its behalf.

Li Xuechun
Director

Wang Longxiang
Director

37. Balance Sheet and Reserve Movement of the Company *(Continued)*

(a) Reserve movement of the Company

	Retained earnings *RMB'000*	**Other reserves** *RMB'000*
At 1 January 2014	(46,281)	94,646
Loss for the year	(93,242)	–
Proceeds from shares issued	–	(14,551)
Expiration of options issued	4,823	(4,823)
Value of employee services	–	2,552
Repurchase of shares of the Company	(1,861)	–
At 31 December 2014	(136,561)	77,824
At 1 January 2015	(136,561)	77,824
Loss for the year	(98,030)	–
Value of employee services	–	9,317
Repurchase of shares of the Company	1,861	(4,029)
Expiration of options issued	10,597	(10,597)
Conversion of convertible bonds	–	(3,567)
At 31 December 2015	(222,133)	68,948

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

38. Benefits and Interests of Directors

(a) Directors' and chief executive's emoluments

The emoluments of every director for the years ended 31 December 2015 and 2014 are set out as below:

	2015			
Name of Director	**Fees** *RMB'000*	**Salary** *RMB'000*	**Employer's contribution to pension scheme** *RMB'000*	**Total** *RMB'000*
Executive Directors:				
Li, Xuechun	–	2,746	25	2,771
Wang, Longxiang	–	1,901	42	1,943
Feng, Zhenquan	–	1,100	42	1,142
Li, Deheng	–	1,100	42	1,142
Xu, Guohua	–	995	16	1,011
Li, Guangyu	–	803	42	845
Independent Non-executive Directors:				
Choi, Tze Kit, Sammy (i)	221	–	–	221
Chen, Ning (ii)	44	–	–	44
Zheng, Yu	193	–	–	193
Sun, Yuguo (iii)	17	–	–	17
Qi, Qingzhong	100	–	–	100
	575	8,645	209	9,429

Notes to the Consolidated Financial Statements *(Continued)*
For the year ended 31 December 2015

38. Benefits and Interests of Directors *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

			2014		
Name of Director	Fees	Salary	Other benefits (iv)	Employer's contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
Li, Xuechun	–	2,749	–	55	2,804
Wang, Longxiang	–	2,234	–	37	2,271
Chen, Yuan	–	1,385	2,552	13	3,950
Feng, Zhenquan	–	1,300	–	37	1,337
Li, Deheng	–	1,301	–	37	1,338
Xu, Guohua	–	1,150	–	37	1,187
Li, Guangyu	–	671	–	37	708
Independent Non-executive Directors:					
Choi, Tze Kit, Sammy	238	–	–	–	238
Chen, Ning	75	–	–	–	75
Liang, Wenjun	58	–	–	–	58
Zheng, Yu	190	–	–	–	190
Qi, Qingzhong	17	–	–	–	17
	578	10,790	2,552	253	14,173

(i) Resigned on 9 November 2015.
(ii) Resigned on 8 June 2015.
(iii) Appointed on 23 November 2015.
(iv) Other benefits include share option.

There was no bonus paid to the directors of the Company for the years ended 31 December 2015 and 2014.

No director waived or agreed to waive any remuneration for the years ended 31 December 2015 and 2014.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE INFORMATION

Stock Code 546

Board lot 1,000 Shares

Price and turnover

2015	Share price		Turnover
	High	Low	Share
	(HKD)	*(HKD)*	*('000)*
January	4.03	3.25	100,599
February	4.25	3.82	45,378
March	4.91	3.86	139,612
April	6.47	4.61	185,646
May	6.82	5.10	124,973
June	6.65	5.25	112,587
July	5.75	3.70	182,724
August	5.25	3.35	160,364
September	3.60	3.10	147,947
October	4.25	3.14	106,130
November	4.09	3.56	70,089
December	3.84	3.32	49,414

Issued capital at 31 December 2015 2,126,684,633 Shares

Closing price at 31 December 2015 HKD3.50 per Share

GLOSSARY

Absolute Divine	Absolute Divine Limited, an indirect wholly-owned subsidiary of the Company
Acquest Honour	Acquest Honour Holdings Limited, a wholly-owned subsidiary of the Company
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) in the Shaanxi Province, the PRC
Beijing Huijinhuaying	Beijing Huijinhuaying Commercial Co., Ltd, an indirect wholly-owned subsidiary of the Company
Board	the board of Directors
Code	Code on Corporate Governance Practice under Appendix 14 of the Listing Rules
Company	Fufeng Group Limited
Director(s)	the director(s) of the Company
Expand Base	Expand Based Limited, an indirect wholly-owned subsidiary of the Company
Fufeng Singapore	Fufeng (Singapore) Pte. Ltd, an indirect wholly-owned subsidiary of the Company
Group	the Company and its subsidiaries
Hero Elite	Hero Elite Limited, a company with limited liability, the issued share capital of which is owned as the 14.3% by 王龍祥 (Wang Longxiang), 14.3% by 來鳳堂 (Lai Fengtang), 14.3% by 劉振余 (Liu Zhenyu), 14.3% by 趙蘭坤 (Zhao Lankun), 10.7% by 王俊任 (Wang Junren), 10.7% by 嚴紅偉 (Yan Hongwei), 10.7% by 李曼山 (Li Manshan) and 10.7% by 沈德權 (Shen Dequan)
HKFRS	Hong Kong Financial Reporting Standards
HKICPA	Hong Kong Institute of Certified Public Accountants
Hong Kong	the Hong Kong Special Administrative Region of the PRC

Glossary *(Continued)*

Hulunbeir Fufeng	呼倫貝爾東北阜豐生物科技有限公司 (Hulunbeir Northeast Fufeng Biotechnologies Co., Ltd.), an indirect wholly-owned subsidiary of the Company
Hulunbeir Plant	the production plant of the Group located at Hulunbeir, Inner Monogolia Autonomous Region, the PRC
Hulunbeir Shengmin	呼倫貝爾市晟敏農業開發有限責任公司 (Hulunbeir Shengmin Agriculture Development Co., Ltd.), an indirect wholly-owned subsidiary of the Company
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
Jiangsu Fufeng	江蘇阜豐生物科技有限公司 (Jiangsu Fufeng Biotechnologies Co., Ltd.), an indirect wholly-owned subsidiary of the Company
Listing Date	8 February 2007, the date on which the Company was listed on the Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
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 annual report exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
Shandong Fufeng	山東阜豐發酵有限公司 (Shandong Fufeng Fermentation Co., Ltd.), an indirect wholly-owned company of the Company
Shandong Plant	the production plant of the Group located at 莒南縣 (Junan County), Shandong Province, the PRC
Shenhua Pharmaceutical	江蘇神華藥業有限公司 (Jiangsu Shenhua Pharmaceutical Co., Ltd.), a company with limited liability established in the Jiangsu Province of the PRC, an indirect wholly-owned subsidiary of the Company
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Glossary *(Continued)*

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
Summit Challenge	Summit Challenge Limited, an indirect wholly-owned subsidiary of the Company
Xinjiang Fufeng	新疆阜豐生物科技有限公司 (Xinjiang Fufeng Biotechnologies Co., Ltd.), and indirect wholly-owned subsidiary of the Company
Xinjiang Plant	the production plant of the Group located in Urumqi, Xinjiang Uygur Autonomous Region
U.S.	the United States of America
RMB	Renminbi, the lawful currency of the PRC
HKD	Hong Kong dollars, the lawful currency of Hong Kong
USD	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
SGD	Singapore dollars, the lawful currency of Singapore
%	per cent