Fufeng Group Limited
阜豐集團有限公司

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

Interim Report
2014

CONTENTS

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ADRs Information

US Exchange: OTC
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ADR: Ordinary shares 1:20

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Business and Financial Review

Overview

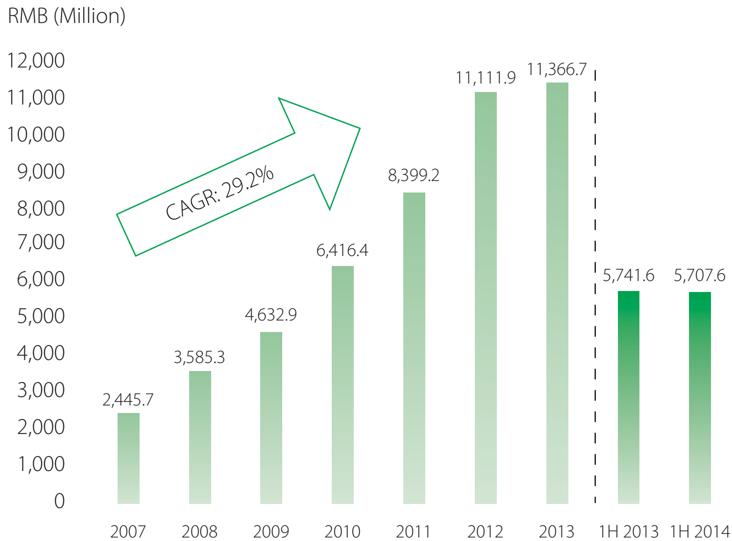
Despite ongoing challenges in the MSG market, the Group was able to register a moderate increase in its overall gross profit and net profit during the period ended 30 June 2014 compared to the same period last year. Even though overall revenue of the Group remained fairly stable during the period under comparison, the Group was able to rely on new products such as high-end amino acids and implement effective cost control to increase overall profitability. In terms of production capacity, except for the relocation of the Baoji Plant, the overall production capacity of the Group in the first half of 2014 remained almost fully operational.

For the period ended 30 June 2014, the Group recorded a slight decrease of approximately 0.6% in revenue to approximately RMB5,707.6 million from approximately RMB5,741.6 million for the six months ended 30 June 2013. Such a decrease was primarily caused by a decrease in the average selling price of MSG and xanthan gum products. However, the Group was able to increase the sales volume of xanthan gum due to an increase in production capacity, with the commencement of operations of xanthan gum at the Xinjiang Plant, in the second half of 2013.

In terms of MSG business, after continued market consolidation in 2013, the unbalanced demand and supply situation for MSG improved slightly in the first half of 2014. The market demand of MSG remained relatively stable during this period even though average selling price of MSG still remained at a relatively low level. The Group faced lackluster conditions in the domestic catering and consumer market as well as pricing pressure due to market competition. Despite the 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 competitive pricing. Despite a slight decrease in revenue for its MSG, the Group registered an increase in gross profit and gross profit margin in MSG segment, mainly due to raw material cost tax relief increase, a new tax relief policy of agricultural products processing industries in Inner Mongolia was launched at the end of 2013, as well as the increasing contribution of the sales of high-end amino acid products and starch sweeteners. The high-end amino acid products, a relatively new product of the Group, continued to increase its revenue contribution to the Group especially after the commencement in operation of the new production facility in the Xinjiang Plant towards the end of 2013. The MSG market has witnessed a slight upward trend in the average selling price of MSG since June 2014.

In terms of the Xanthan gum business, another key business segment of the Group, a new production facility of xanthan gum in Xinjiang commenced operation towards the end of 2013 which resulted in the Group being able to maintain an increase in the sales volume of xanthan gum during the period ended 30 June 2014. After a significant increase in recent years, the average selling price of xanthan gum retreated to a more reasonable level during the period ended 30 June 2014.

The table below illustrates the growth trend of the Group's revenue:



The Group's gross profit increased from approximately RMB926.2 million in the first half of 2013 to approximately RMB1,027.7 million in the first half of 2014. This represents an increase of 11.0% and is primarily due to raw material cost tax relief increase, the new tax relief policy of agricultural products processing industries in Inner Mongolia was launched at the end of 2013, and an increase in gross profit contribution of the sales of high-end amino acid products, which have a higher profit margin than our traditional MSG products, as well as the revenue of starch sweeteners increase as our production capacity has increased since the end of 2013.

In the first half of 2014, the average selling price of the Group's MSG decreased by 0.1% compared to the corresponding period of 2013. Moreover, the average selling price of the Group's xanthan gum also decreased by 17.0% compared to the corresponding period of 2013 as the market demand gradually returned to a more stable situation after a significant increase which drove prices up substantially in the past. Production costs of the Group, including the prices of corn kernels and chemical products, generally increased in line with market rates, but the price of coal decreased as compared with the corresponding period in 2013 due to general weakness in commodity prices as market demand decreased. The Group's overall gross profit margin increased from 16.1% in the first half of 2013 to 18.0% in the first half of 2014 primarily due to the new tax relief policy, the ability of the Group to implement effective cost controls and the growing sales of high-end amino acid products, which have higher profit margin than traditional MSG products.

In view of the challenging market conditions, the Group also has had to continue actively implement cost controls. The increase in gross profit margin of the Group in the first half of 2014 demonstrated the Group's ability to leverage on its economy of scale and production capability to manage its costs effectively.

The production and sales volume of MSG decreased by 3.1% and 2.0% in the first half of 2014 as compared to the same period in 2013, respectively. The production volume of MSG decreased slightly primarily as the Group was in the process of relocating its Baoji Plant. The production and sales volume of xanthan gum, however, increased by 34.9% and 9.9% over the same period in 2013, respectively, in the first half of 2014. The production volume of xanthan gum increased mainly as the production capacity of xanthan gum in the Xinjiang Plant has increased to 30,000 tonnes per annum since the end of 2013. The diversity of the Group's product portfolio has allowed the Group to maintain its overall revenue growth momentum in the first half of 2014.

High-end Amino Acid Business

The high-end amino acid business, as part of our MSG business segment, is the Group's new growth driver. The Group's high-end amino acid products are developed by 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 period, the total sales volume and sales amount of high-end amino acid products reached 1,824 tonnes and RMB146.2 million, respectively. Our high-end amino acid products generally enjoy higher profitability and focus on healthcare and pharmaceutical materials industries.

In addition, the sales revenue of high-end amino acid products increased by 55.5% as the new production line of high-end amino acid products in Xinjiang Plant commenced operation at the end of 2013. 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 increase and further diversify 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 to bulk trade of those of high-end products.

Threonine and Lysine

In addition, we have also continued the development of our threonine and lysine products. Threonine and lysine are different types of amino acid which are used as animal feed additives. In the first half of 2014, the revenue of threonine amounted to RMB236.3 million as compared to that of RMB131.6 million in the same period of 2013, representing growth of 79.6%.

The group completed the new production capacity of xanthan gum and high-end amino acid with 30,000 tonnes and 4,000 tonnes respectively in our Xinjiang Plant at the end of 2013. The annual production capacity of high-end amino acid reached an annual production capacity of 5,000 tonnes in the first half of 2014.

Market Overview

The Group continued to face challenges in both production and the operating environment in the first half of 2014. The overall demand for MSG in the industry in the first half of 2014 remained relatively stable whilst market demand of xanthan gum began to stabilise in early 2014 with the ASP of xanthan gum returning to a more reasonable level. Costs of major raw materials including corn kernels and soybeans witnessed slight increases during the period as compared to the first half of 2013. On the other hand, the average price of coal decreased during the period as compared to the first half of 2013. The Group will continue to review and adjust its pricing strategy and production capacity planning in order to further its market share going forward.

MSG segment

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

The MSG market in the PRC has become increasingly concentrated recently after waves of consolidation and the Group has adopted competitive pricing strategy and utilised our production capacity scale to win market share in recent years and continue as the world's leading producer in the MSG industry.

Xanthan gum segment

The global market demand for xanthan gum has increased continuously in recent years. The Group has increased its production capacity and has continued to increase its market share since 2009. The total supply of the top three xanthan gum producers continues to dominate the global market.

Operational Review of the Group

The new Xinjiang Plant has been fully operational since the end of 2013, allowing the Group to increase its production capacity and keep level of sales in the first half of 2014. Certain indicative operational figures of the Group are set out below:

Turnover/Gross profit/Gross profit margin of the Group

	Six months ended 30 June		Change
	2014	2013	**%**
Turnover (RMB'000)	**5,707,636**	5,741,553	(0.6)
Gross profit (RMB'000)	**1,027,685**	926,237	11.0
Gross profit margin (%)	**18.0**	16.1	1.9 ppts.

The improvement in the performance of the Group in terms of gross profit and gross profit margin was mainly due to raw material costs of production decreased as the new tax relief policy was launched in Inner Mongolia and the increase in sales volume and selling prices of high-end amino acid products. On the other hand, the ASP of MSG continued to decrease as a result of competitive pricing amidst market consolidation. These are discussed in more details in the following sections.

Profit attributable to the Shareholders

	Six months ended 30 June		
	2014 RMB'000	2013 RMB'000	**Change %**
As reported	**274,729**	206,326	33.2

As a result of implementation of cost controls and the increase in gross profit margin as discussed above during the period, profit attributable to shareholders increased by about 33.2% in the first half of 2014 as compared to the same period in 2013.

Segment Highlights

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

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

	Six months ended 30 June 2014			Six months ended 30 June 2013			Increase/(Decrease)		
	MSG RMB'000 Unaudited	**Xanthan gum RMB'000 Unaudited**	**Group RMB'000 Unaudited**	MSG RMB'000 Unaudited	Xanthan gum RMB'000 Unaudited	Group RMB'000 Unaudited	MSG % Unaudited	Xanthan gum % Unaudited	Group % Unaudited
Revenue	**5,030,395**	**677,241**	**5,707,636**	4,998,521	743,032	5,741,553	0.6	(8.9)	(0.6)
Gross profit	**650,891**	**376,794**	**1,027,685**	490,317	435,920	926,237	32.7	(13.6)	11.0
Gross profit ratio	**12.9%**	**55.6%**	**18.0%**	9.8%	58.7%	16.1%	3.1 ppts.	(3.1) ppts.	1.9 ppts.
Segment results	**196,112**	**340,964**		2,108	392,227		9,203.2	(13.1)	
Segment net assets									
Assets	**10,021,454**	**3,086,963**		10,431,097	1,998,112		(3.9)	54.5	
Liabilities	**4,860,729**	**713,289**		5,087,037	330,572		(4.4)	115.8	
Net assets	**5,160,725**	**2,373,674**		5,344,060	1,667,540		(3.4)	42.3	

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

MSG Segment

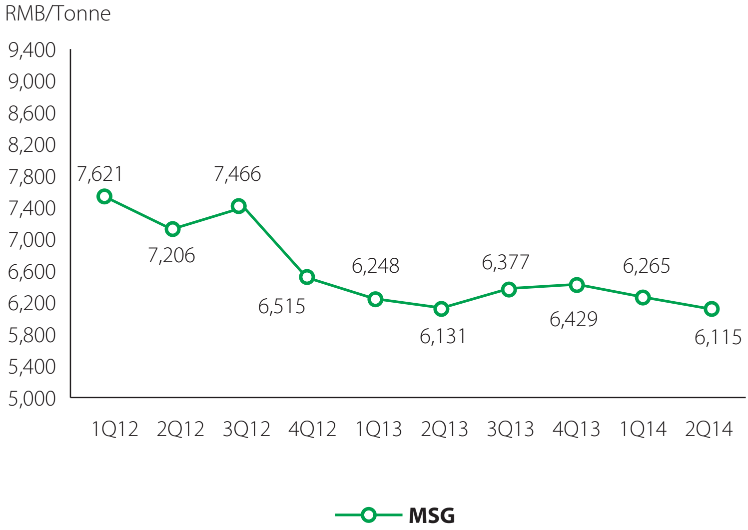
Revenue and average selling price ("ASP")

Revenue generated from the sale of the MSG segment products increased to RMB5,030.4 million in the first half of 2014, representing an increase of RMB31.9 million, or 0.6%, as compared with that in the corresponding period of 2013, which was mainly attributed to the increase in the revenue of high-end amino acid products and starch sweeteners. However, the revenue of MSG decreased which was primarily due to the decrease in the ASP and sales volume of MSG. The sales volume of MSG was 497,989 tonnes in the first half of 2014, representing a decrease of 2.0% as compared with that in the corresponding period of 2013, mainly attributed to the relocation of the Baoji Plant during the period and a strategic decision to maintain our competitive pricing policies in order to maintain market share.

The table below sets out the revenue of the products in this segment for the six months ended 30 June 2014 and 2013:

	Six months ended 30 June		
Product	**2014** **RMB'000**	2013 RMB'000	**Change** **%**
MSG	**3,086,665**	3,151,313	(2.1)
Glutamic acid	**26,909**	29,830	(9.8)
Fertilisers	**256,393**	468,869	(45.3)
Corn refined products	**861,177**	873,148	(1.4)
Starch sweeteners	**333,334**	193,452	72.3
Threonine and Lysine	**247,272**	131,598	87.9
High-end amino acid products	**146,159**	94,007	55.5
Corn oil	**8,206**	20,081	(59.1)
Compound seasoning	**5,241**	3,002	74.6
Others	**59,039**	33,221	77.7
	5,030,395	**4,998,521**	0.6

Set out below is a chart showing the ASP of the Group's major products of MSG for each quarter from the first quarter of 2012 to the second quarter of 2014:



MSG

The Group maintained its market leadership in the MSG industry through increases in production capacity, increased marketing efforts, and competitive pricing. While the ASP decreased 0.1%, from RMB6,189 per tonne in the first half of 2013 to RMB6,181 per tonne in the first half of 2014, turnover of MSG in the first half of 2014 decreased by 2.1% and sales volume decreased by 2.0% compared to the first half of 2013, to 497,989 tonnes.

In the first half of 2014, the Group also strengthened exports of MSG products and sales and marketing efforts in the promotion of its U Fresh Series products to retail customers. The Group increased exports of MSG products from about RMB344.4 million in the first half of 2013 to about RMB403.7 million in the first half of 2014.

Fertilisers

The general market demand for fertilisers decreased significantly due to adverse market conditions. The sales volume decreased by 59.6% compared to the first six months of 2013. However, the ASP of fertilisers increased from approximately RMB709 per tonne in the first half of 2013 to approximately RMB794 per tonne in the first half of 2014, representing an increase of about 12.0%. The ASP increase resulted from the Group changing its business strategy to target the high-end market of chemical fertilisers.

Corn refined products

In line with the cost of corn kernels, the ASP of corn refined products remained fairly stable during the period. The revenue of corn refined products decreased by about 1.4% for the six months ended 30 June 2014 when compared with that in 2013, as a result of decreased sales volume.

Starch sweeteners

Turnover of starch sweeteners increased by about 72.3% in the first half of 2014, primarily due to the production capacity of starch sweeteners increased to 240,000 tonnes per annum at the second half of 2013 as the new production line of starch sweeteners commenced operation in the Hulunbeir Plant. In addition, ASP decreased by about 5.5% to approximately RMB2,859 per tonne in the first half of 2014 from approximately RMB3,026 per tonne in the corresponding period of 2013.

Threonine

Threonine is a relatively new product of the Group. The annual threonine production capacity is approximately 40,000 tonnes. Threonine is an essential amino acid which maintains body protein balance and promotes the growth of living things. Our threonine product is mainly used as an animal feed additive. The revenue of threonine amounted to approximately RMB236.3 million in the first half of 2014.

High-end amino acid products

The new high-end amino acid products commenced production in the new Xinjiang Plant in 2013. The high-end amino acid annual production capacity reached 5,000 tonnes at the end of 2013.

The total sales volume of high-end amino acid products including valine, leucine, isoleucine, glutamine and hyaluronic acid increased to 1,824 tonnes in the first half of 2014. The Group is striving to continuously develop these new products. Our objective is to strengthen the brand name of the Group and also continue developing new products for the industrial and retail markets, with a view to enhance market recognition of the Group's products and generate higher demand for such products.

Gross profit and gross profit margin

The gross profit of this segment is set out below:

	Six months ended 30 June		
	2014	2013	**Change**
Gross profit (RMB'000)	**650,891**	490,317	32.7%
Gross profit margin (%)	**12.9**	9.8	3.1 ppts.

Lower ASP of MSG resulted in lower revenue of MSG during the period. Such decrease was compensated by the increase in revenue contribution from high-end amino acid products which have higher gross margin. In addition, the new tax relief policy of agricultural products processing industries in Inner Mongolia was launched at the end of 2013, resulting in an increase in relevant tax relief. As a result, the overall gross profit and gross profit margin of the MSG segment increased. Gross profit increased to RMB650.9 million and gross profit margin increased by 3.1 percentage points to 12.9%.

Lower ASP of MSG was a key factor affecting gross profit margin, as the Group maintained its competitive pricing strategy in order to expand its market share. As the oversupply condition gradually returns to normal, we believe that ASP of MSG is stabilised due to a rebound of ASP noted in June 2014.

The Group expects that our pricing power and leading market position for MSG will be maintained or improved from the current levels in the second half of 2014.

Production costs

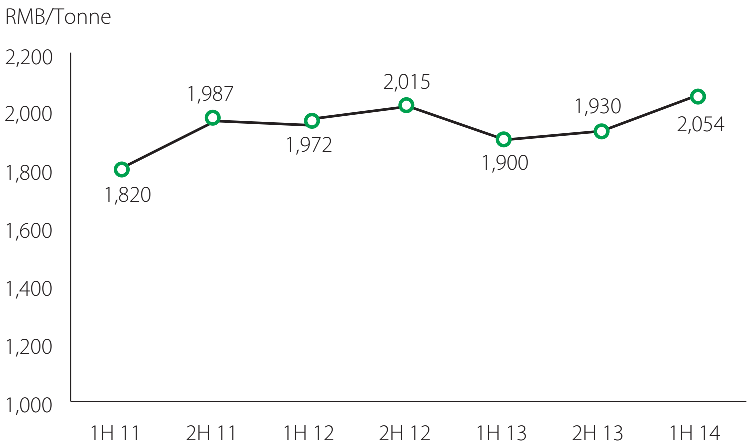
	Six months ended 30 June				
	2014		2013		**Change**
	RMB'000	**%**	RMB'000	%	**%**
Major raw materials					
Corn kernels	**2,753,783**	**60.1**	2,739,526	58.5	0.5
Liquid ammonia	**88,753**	**1.9**	199,369	4.3	(55.5)
Sulphuric acid	**67,312**	**1.5**	109,729	2.3	(38.7)
Energy					
Coal	**486,567**	**10.6**	540,579	11.5	(10.0)
Depreciation	**311,424**	**6.8**	279,367	6.0	11.5
Employee benefits	**260,142**	**5.7**	222,994	4.8	16.7
Others	**617,702**	**13.4**	590,400	12.6	4.6
Total cost of production	**4,585,683**	**100.0**	4,681,964	100.0	(2.1)

Corn kernels

During the first half of 2014, corn kernels accounted for approximately 60.1% (1H 2013: 58.5%) of the total production cost of this segment. Market demand remained stable whilst the price of corn kernels increased during the first six months of 2014. The average cost of corn kernels for the first half of 2014 was approximately RMB2,054 per tonne, which represents an increase of approximately RMB154 per tonne or 8.1% from that of the corresponding period in 2013. Part of the effect from the price increase of corn kernels were offset by the tax benefit from the new tax relief policy of the agricultural products processing industry in Inner Mongolia.

Although the average price of corn kernels increased during this period, such increase was mitigated by the tax relief in inner Mongolia. The cost of corn kernels as a percentage of total production costs increased by 1.6%.

Price Trend of Corn Kernel



Liquid ammonia

Liquid ammonia accounted for approximately 1.9% (1H 2013: 4.3%) of total production cost in this segment in the first half of 2014. The average unit cost of liquid ammonia for the first half of 2014 decreased to approximately RMB2,180 per tonne, which represents a decrease of approximately RMB315 per tonne or 12.6% from that of 2013. In addition, the Group had additional production capacity of composite 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 2.4%.

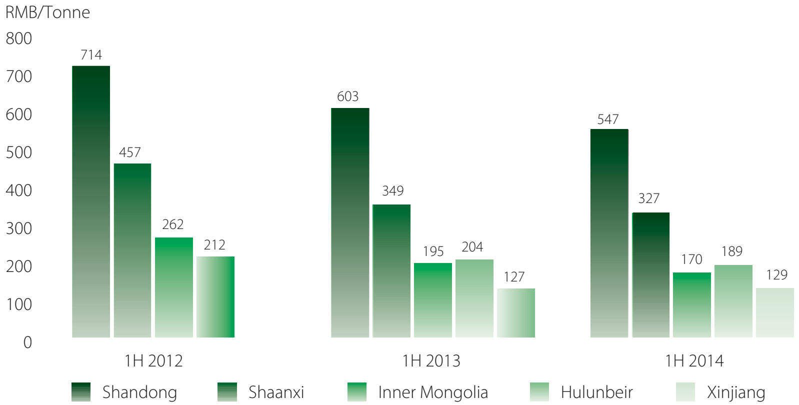
Sulphuric acid

Sulphuric acid accounted for approximately 1.5% (1H 2013 2.3%) of total production cost in this segment in the first half of 2014. The average unit cost of sulphuric acid decreased in the first half of 2014. The average unit cost of sulphuric acid decreased to approximately RMB247 per tonne as compared to that in the first half of 2013, which represents a decrease of approximately RMB115 per tonne or 31.8% from that of the first half of 2013.

Coal

Coal accounted for 10.6% of total production cost in this segment in the first half of 2014 (1H 2013: 11.5%). The average unit cost of coal for the first half of 2014 was RMB193 per tonne, a decrease of RMB27 per tonne or 12.3% from the first half of 2013. The decrease in coal prices reflects a general decrease in commodity prices.

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



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:

Product	Six months ended 30 June 2014 Tonnes	2013 Tonnes	Change %
MSG			
Annual designed production capacity (Note)	**525,000**	525,000	–
Actual production output	**523,424**	540,408	(3.1)
Utilisation rate	**99.7%**	102.9%	
Glutamic acid			
Annual designed production capacity (Note)	**410,000**	410,000	–
Actual production output	**408,620**	445,658	(8.3)
Utilisation rate	**99.7%**	108.7%	
Fertilisers			
Annual designed production capacity (Note)	**550,000**	550,000	–
Actual production output	**500,625**	555,601	(9.9)
Utilisation rate	**91.0%**	101.0%	
Starch sweeteners			
Annual designed production capacity (Note)	**120,000**	70,000	71.4
Actual production output	**122,440**	59,353	106.3
Utilisation rate	**102.0%**	84.8%	

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

Utilisation rates decreased slightly in the first half of 2014, as the Group was in the process of relocating its Baoji Plant. Except for fertilisers, utilisation rates for the other products of the Group are close to 100%, reflecting the Group's ability to fully utilises its new production capacity in the Hulunbeir Plant.

Xanthan Gum Segment

Operation results

The table below shows the sales amount, ASP, gross profit, gross profit margin and utilisation rate of xanthan gum for the six months ended 30 June 2014 and 2013:

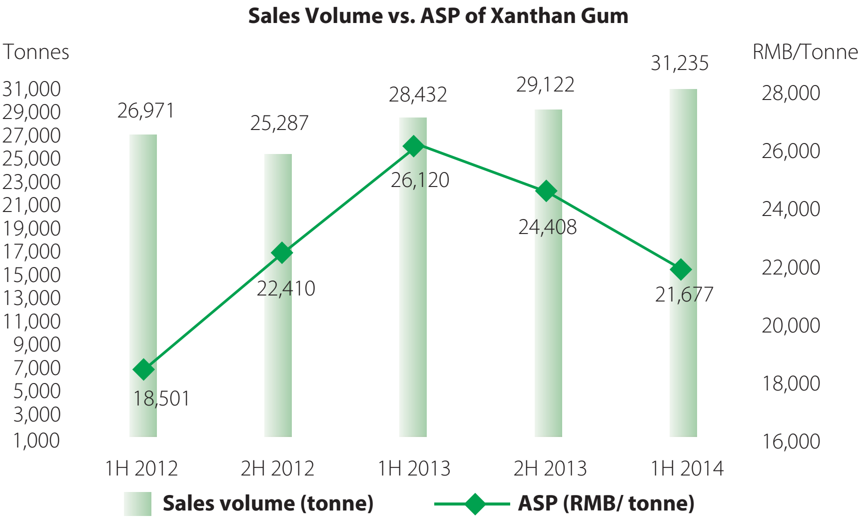
	Six months ended 30 June		Change
	2014	2013	**%**
Sales amount (RMB'000)	**677,241**	743,032	(8.9)
ASP (RMB/tonne)	**21,677**	26,120	(17.0)
Gross profit (RMB'000)	**376,794**	435,920	(13.6)
Gross profit margin (%)	**55.6**	58.7	(3.1) ppts.
Annual designed production capacity (tonnes) (Note)	**37,000**	29,500	25.4
Actual production output (tonnes)	**40,431**	29,978	34.9
Utilisation rate	**109.3%**	101.6%	7.7 ppts.

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

Revenue generated from xanthan gum decreased by 8.9% to RMB677.2 million in the first half of 2014, from RMB743.0 million in the first half of 2013. The decrease in revenue was due to the decrease in ASP, but the sales volume continued to increase during the period, representing the Group's ability to increase production capacity to meet market demand.

The Group's exports of xanthan gum increased slightly in terms of the percentage contribution to total sales. Export sales of xanthan gum contributed 90.5% and 90.7% of total sales of xanthan gum in the first half of 2013 and 2014, respectively.

Sales volume and ASP



Sales volume increased by 9.9% in the first half of 2014, reflecting expanded production capacity, while sales amount decreased by 8.9% over the same period. Such decrease in the ASP of xanthan gum was due to the gradual return to a more reasonable market demand and supply situation after significant increase in recent years. The market demand of xanthan gum continued to increase nonetheless during the period.

Global industry-wide demand growth has been a strong driver in the higher sales volumes of xanthan gum in the first half of 2014, and we expect this to continue in the foreseeable future as demand continues to grow in the oils and gas industry as well as other sectors.

Gross profit and gross profit margin

Gross profit of the xanthan gum segment decreased by about 13.6% from approximately RMB435.9 million in the first half of 2013 to approximately RMB376.8 million in the first half of 2014. Gross margin decreased as well, by only 3.1 percentage points in the first half of 2014, reflecting our pricing strategy and our competitive costs advantage at the IM Plant and new Xinjiang Plant, and also benefit from the new tax relief policy of agricultural products processing industries in Inner Mongolia which was launched at the end of 2013.

Production costs

	Six months ended 30 June				
	2014		2013		**Change**
	RMB'000	**%**	RMB'000	%	**%**
Major raw materials					
Corn kernels	**169,760**	**43.1**	142,271	44.1	19.3
Soybeans	**39,717**	**10.1**	27,445	8.5	44.7
Energy					
Coal	**64,686**	**16.4**	64,465	20.0	0.3
Depreciation	**30,077**	**7.6**	21,657	6.7	38.9
Employee benefit	**44,724**	**11.4**	25,621	7.9	74.6
Others	**44,754**	**11.4**	41,002	12.8	9.2
Total cost of production	**393,718**	**100.0**	322,461	100.0	22.1

Corn kernels

During the first half of 2014, corn kernels represented approximately 43.1% (1H 2013: 44.1%) of the total production cost of this segment. The price of corn kernels increased during the first six months of 2014. The average price of corn kernels for the first half of 2014 was approximately RMB2,148 per tonne, which represents an increase of approximately RMB248 per tonne or 13.1% from that of the corresponding period in 2013. Part of the effect from the increasing price of corn kernels were offset by the tax benefit from the new tax relief policy of the agricultural products processing industry in Inner Mongolia. The cost of corn kernels as a percentage of total production costs decreased by 1.0%.

Soybeans

During the first half of 2014, soybeans accounted for approximately 10.1% (1H 2013: 8.5%) of the total production cost of this segment. The increase in proportion was mainly due to the increase in soybeans price from approximately RMB4,583 per tonne in the first half of 2013 to approximately RMB4,890 per tonne in the first half of 2014, representing an increase of 6.7%.

Coal

During the first half of 2014, coal accounted for approximately 16.4% (1H 2013: 20.0%) of the total production cost of this segment. The Group took full advantage of the relatively low coal costs in its IM Plant and Xinjiang Plant. The average unit cost of coal for the first half of 2014 was approximately RMB162 per tonne, which represents a decrease of approximately RMB29 per tonne or 15.2% from that of the first half of 2013.

Other production costs

The cost of depreciation in the first half of 2014 increased relative to the corresponding period of 2013 mainly due to the new Xinjiang Plant, which became fully operational at the end of 2013.

Other Financial Information

Selling and marketing expenses

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

Administrative expenses

Administrative expenses decreased by approximately RMB18.5 million or 7.5% for the six months ended 30 June 2014. The decrease was mainly due to the reduction of expenses of research and development and relocation of the Baoji Plant.

Finance costs (net)

The Company successfully raised RMB975 million at the end of 2013 through a 3.0% convertible bonds due 2018, which was mainly used for repayment of the syndicated bank loan at the end of 2013.

The net finance costs of the Group for the six months ended 30 June 2014 increased by approximately RMB62.6 million, or about 49.2%, when compared with the first six months of 2013. The interest expenses of borrowings decreased by RMB13.7 million from RMB184.3 million for the six months ended of 2013 to RMB170.6 million for the six months ended of 2014. The net finance costs increased for the period was mainly due to the foreign exchange losses on the USD borrowings, such as senior notes, amounted to RMB19.3 million, while there were foreign exchange gains amount to RMB48.1 million for the six months ended of 2013. The Group expects that the level of capital expenditure for expansion of production facilities will decrease. The interest expenses are expected to be reduced as the expected borrowing level will be decreased in coming periods.

Income tax expense

The income tax expenses for the six months end of 2014 mainly represented the PRC Enterprise Income Tax ("EIT").

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%.

Some of the Group's subsidiaries in the PRC, namely 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 in 2014.

Shandong Fufeng was approved to be a new and high-technology enterprise and entitled to a 15% tax rate from 2008 to 2010. In 2011, its new and high-technology enterprise qualification was further extended for another three years. Accordingly, the effective tax rate for Shandong Fufeng for 2014 is 15% (2013: 15%).

Shenhua Pharmaceutical was approved to be a new and high-technology enterprise and entitled to a 15% tax rate from 2012 to 2014.

Outlook for Second Half of 2014

Plant relocation

Relocation of Shandong Plant

The Group relocated its Shandong production of MSG to Inner Mongolia in May 2011 and the Group had ceased production activities on the Shandong Land and had since utilised that Land for office use, before being notified by the Land Bureau that, as a part of the overall town planning and development of Junan County, the Land would be returned to Junan County Government and be put up for auction. As a result, the Group will receive a total compensation of approximately RMB439.2 million (the "Compensation"). The book value of the Shandong Land (including land and building) was estimated to be approximately RMB126 million as at 31 December 2013, and depending on certain factors which can only be ascertained in the future, such as the timing and the cost of the relocation and demolition of the existing buildings and equipments on the Land (which will be borne by the Group), the Group may record a gain in the Group's accounts as a result of the Compensation. The Company will inform the Shareholders and the investor public regarding such issue as and when necessary and in compliance with the Listing Rules.

On 20 June 2014, Junan Company, a wholly-owned subsidiary of the Company, won a bid for the land use right in respect of the Land at the consideration of RMB286.04 million, representing an average selling price of approximately RMB1,126.5 per square meter in terms of total site area through an auction (listing-for-sale) organized by Junan County Public Resources Service Center* (莒南縣公共資源交易服務中心). The Land has a total site area of 253,926.1 square metres and is located at Longshan Road (Northern section), Junan County, Shandong Province, the PRC* (莒南縣隆山路北段).

The Directors believe that the Acquisition represents a good opportunity to repurchase an old property of the Company at a reasonable price. Upon completion of the auction and the Land Transfer Contracts, the usage of the Land will be changed from industrial to commercial, of which the Directors expect the value of the Land will increase.

The Group is also expecting that the remaining plots of the Shandong Land will be put up for auction (listing-for-sale) some time in the future, however the Group has not been informed by the Land Bureau or the Junan County Government regarding its concrete timetable or the exact size of land to be put up for sale. Nonetheless, subject to the assessment of the then market situation and the terms of such auction, the Group will consider entering such bidding for the remaining part of the Shandong Land should the opportunity arise.

Relocation of Baoji Plant

Pursuant to the Framework Investment Agreement, Baoji Fufeng and Caijiapo Committee will, subject to the entering of further definitive agreement(s), establish new production facilities in the Caijiapo Economic and Technological Development Zone of Shaanxi Province (陝西省蔡家坡經濟技術開發區) (the "Framework Cooperative Investment"). Such new production facilities are planned to replace the existing production facilities of the Baoji Plant.

According to the Framework Investment Agreement, Caijiapo Committee will provide land, for the relocation of Baoji Plant, to Baoji Fufeng with a total site area of 500 mu (equivalent to approximately 333,335 square metres), with a land use right of 50 years for a consideration of RMB30 million, subject to the entering into of the definitive agreement. In addition, Baoji Fufeng would also enjoy certain preferential tax treatment and refund in the coming years.

The Directors expect that the entire construction and relocation of the Baoji Plant will be fully completed in 2016 and MSG production will be gradually rolled out at the new Baoji Plant. As a result, even though that it is expected that in 2014 and 2015, MSG production capacity at the Baoji Plant of the Group will be reduced by around 60,000 tonnes in each year, respectively, due to the relocation, the Group as a whole can still maintain an annual MSG production capacity of around 1,000,000 tonnes by utilising the existing facilities at the Baoji Plant (until full relocation) and other MSG plants of the Group.

It is currently expected that capital expenditure for the construction and relocation of the Baoji Plant will be approximately RMB300 million in 2014 and that such amount will be funded by the internal resources of the Group. Besides, the management of the Baoji Plant continue to negotiate the formal relocation agreement with the government. The Directors believe that the agreement will be reached shortly. The Directors consider that there will not be any material adverse effect on the operations and financials of the Group as a result of the relocation of the Baoji Plant.

Overseas market expansion

The Group has made vigorous efforts on market expansion by establishing sales branches and offices in overseas markets. In the first half of 2014, the Group continuously strengthened promotion activities in Middle East, Europe, Africa and South America, focusing on providing customers with better after-sales services, improving customer relationships, and enhancing our reputation.

Future Plan and Recent Development

Despite the challenging macro-economic environment and operating environment in the first half of the year, the Group was still able to record impressive profit growth whilst maintaining the overall revenue level. We expect the operating environment will continue to improve in the second half of the year.

MSG segment

MSG business

The MSG market in China is on a track of sustainable long term development after recent three years of industry consolidation and elimination of excess production capacities. This can be demonstrated by: 1) the majority of the market share being occupied by only several leading corporations in the industry, led by the Group; 2) the withdrawal of a number of weak corporations and inferior production capacities from the market; 3) gradual stabilisation of price as a result of a more balanced market demand and supply situation, reducing pricing pressure in the industry, and thereby increasing the prospects of profit margin returning gradually to normality going forward.

The Group is in a good position to benefit from such potential upturn in market situation and will seize the opportunities and increase the MSG price in due course in order to enhance the efficiency of the MSG business as well as consolidate and expand the Group's leading position and competitive strength in the industry. We expect the steady recovery trend of the MSG market will continue in the second half of the year. If the average selling price of the MSG products continue to stabilise or even increase in the second half of the year, it could mitigate the costs of production and the gross margin of the MSG business could improve as a result.

High-end amino acid business

The high-end amino acid business is the Group's new growth driver. In the second half of the year, we will focus on strengthening the sales teams and enhancing the marketing and development efforts while optimising the product mix and increasing the type of products, including hyaluronic acid. We will also strive to more effectively leverage on our cooperation with Shenhua Pharmaceutical to further increase sales of such products.

Xanthan gum segment

Xanthan gum business

The price of xanthan gum slipped in the first half of the year due to market demand returning to a more stable level after significant increase in recent years. It is expected that the price of the xanthan gum will slightly decrease in the second half of the year compared with that of the first half. The competitive strength of the Group in the xanthan gum market is significant, as demonstrated by: 1) the lower production cost compared with our counterparts; 2) the significantly higher sales price in the North America market compared with that of our counterparts due to the favorable anti-dumping ruling in the U.S.. The Group will fully capitalise on its strength, increase its market share in North America, continue to develop new products such as gellan gum, and fully capitalise on the efficiency level of the xanthan gum business in order to support the profit growth of the Group.

Liquidity and Financial Resources

As at 30 June 2014, the Groups cash and cash equivalent and restricted bank deposits were RMB868.3 million (2013: RMB862.4 million), whereas current bank borrowings and other current borrowings were approximately RMB1,535.6 million and RMB13.1 million respectively (2013: RMB1,167.9 million and Nil) and non-current other borrowings (including the balances of senior notes, convertible bonds and medium-term notes) were approximately RMB3,332.3 million (2013: RMB3,309.2 million).

Convertible Bonds

The Group issued RMB820.0 million in convertible bonds with a fixed rate of 4.5% per year on 1 April 2010, together with bond options of RMB205.0 million on 22 April 2010 ("2010 CB"). In November 2012, the Company repurchased a principal amount of RMB843.8 million of the 2010 CB resulting in an outstanding principal amount of 2010 CB of RMB182.2 million as at 31 December 2012. On 1 March 2013, certain holders of 2010 CB irrevocably exercised their right to request the Company to redeem RMB167 million principal amount of 2010 CB on 2 April 2013. The current outstanding principal amount of 2010 CB is RMB13.2 million.

The Group issued RMB975.0 million in new convertible bonds with a fixed coupon rate of 3.0% per year on 27 November 2013 with a 5-year term ("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 2013 CB was used to repay the syndicated bank loan at the end of 2013.

Senior Notes

The Company issued USD300.0 million senior notes for five years on 13 April 2011. The fixed interest rate is 7.625% p.a.. 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.

Medium-Term Note

In April 2013, IM Fufeng issued a medium-term note at a par value of total amounted to RMB600 million, which was denominated in RMB with a fixed interest of 5.11% per annum. The note matures 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 relatively stable and that the Group has sufficient banking facilities to repay or renew existing short term bank loans.

Material Acquisition or Disposal of Subsidiary and Associated Company

During the period, the Group had no other material acquisition or disposal of subsidiaries or associated companies for the six months ended 30 June 2014.

Employees

As at 30 June 2014, the Group had approximately 5,500 employees. Employees' remunerations are paid in accordance with relevant PRC policies. Appropriate salaries and bonuses 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 Schemes" under the "Other Information" section below for the share options granted to certain Directors and employees of the Group before and after the IPO.

Charges on Assets

As at 30 June 2014, certain leasehold land, property, plant and equipment and trade receivables of the Group with carrying value of approximately RMB163.6 million were pledged to certain banks to secure bank borrowings of RMB441 million of the Group.

The senior notes issued in April 2011 are secured by the pledge of the capital stock of certain subsidiaries of the Company, 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 30 June 2014, the total assets of the Group amounted to approximately RMB13,575.7 million (2013: RMB12,619.2 million) whereas the total borrowings amounted to RMB4,881.0 million (2013: RMB4,477.1million). The gearing ratio was approximately 36.0% (2013: 35.5%). The gearing ratio is calculated based on the Group's total interest-bearing 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 operated mainly in the PRC and most of the Group's transactions, assets and liabilities were denominated in RMB. Foreign currencies were, however, received for the export sales of products and the issuance of convertible bonds and senior notes. 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 issuance of convertible bonds and senior notes 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 period ended 30 June 2014.

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

The Board has resolved to pay an interim dividend of HK3 cents per share for the six months ended 30 June 2014, payable on or before Wednesday, 15 October 2014 to the shareholders whose names appear on the register of members of the Company on Friday, 19 September 2014.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 16 September 2014 to Friday, 19 September 2014 (both dates inclusive), during which no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer 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 Monday, 15 September 2014.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
ASSETS			
Non-current assets			
Leasehold land payments	7	**919,486**	506,289
Property, plant and equipment	7	**7,618,894**	7,575,975
Intangible assets	7	**50**	51
Deferred income tax assets		**104,812**	88,232
		8,643,242	8,170,547
Current assets			
Inventories		**1,528,911**	1,516,878
Trade and other receivables	8	**2,535,265**	2,069,339
Short-term bank deposits		**44,470**	56,405
Cash and cash equivalents		**823,788**	805,999
		4,932,434	4,448,621
Total assets		**13,575,676**	12,619,168
EQUITY			
Capital and reserves attributable to the Shareholders			
Share capital	9	**203,644**	203,644
Share premium	9		
– Proposed interim dividend		**49,720**	–
– Others		**587,228**	702,873
Other reserves		**195,535**	194,143
Retained earnings		**3,992,855**	3,718,126
Total equity		**5,028,982**	4,818,786

	Note	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
LIABILITIES			
Non-current liabilities			
Deferred income		**350,177**	360,121
Borrowings	10	**3,332,312**	3,309,187
Deferred income tax liabilities		**20,044**	20,286
		3,702,533	3,689,594
Current liabilities			
Trade, other payables and accruals	11	**3,254,628**	2,890,997
Current income tax liabilities		**40,854**	51,884
Borrowings	10	**1,548,679**	1,167,907
		4,844,161	4,110,788
Total liabilities		**8,546,694**	7,800,382
Total equity and liabilities		**13,575,676**	12,619,168
Net current assets		**88,273**	337,833
Total assets less current liabilities		**8,731,515**	8,508,380

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June **2014** **RMB'000** **Unaudited**	 2013 RMB'000 Unaudited
Revenue	6	**5,707,636**	5,741,553
Cost of sales	13	**(4,679,951)**	(4,815,316)
Gross profit		**1,027,685**	926,237
Other income	12	**76,652**	64,631
Selling and marketing expenses	13	**(343,137)**	(339,820)
Administrative expenses	13	**(228,463)**	(246,932)
Other operating expenses	13	**(2,528)**	(21,704)
Other gain		**–**	936
Operating profit		**530,209**	383,348
Finance income		**–**	48,061
Finance costs		**(189,871)**	(175,362)
Finance costs – net	14	**(189,871)**	(127,301)
Profit before income tax		**340,338**	256,047
Income tax expense	15	**(65,609)**	(49,721)
Profit for the period and attributable to the Shareholders		**274,729**	206,326
Earnings per share for profit attributable to the Shareholders during the period (expressed in RMB cents per share)			
– basic	16	**13.16**	11.12
– diluted	16	**12.74**	11.08
Dividends	17	**49,720**	33,259

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	Unaudited	Unaudited
Profit for the period	**274,729**	206,326
Other comprehensive income for the period	**–**	–
Total comprehensive income for the period	**274,729**	206,326
Total comprehensive income attributable to the Shareholders	**274,729**	206,326

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Attributable to the Shareholders				
	Share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013	175,921	240,518	58,972	3,319,597	3,795,008
Total comprehensive income for the six months	–	–	–	206,326	206,326
Employees share option scheme:					
– value of employee services	–	–	771	–	771
Issue of ordinary shares	27,858	465,324	–	–	493,182
Purchase of treasury shares	–	–	–	(3,104)	(3,104)
Redemption of convertible bonds	–	–	(13,923)	8,899	(5,024)
Balance at 30 June 2013	203,779	705,842	45,820	3,531,718	4,487,159
Balance at 1 January 2014	**203,644**	**702,873**	**194,143**	**3,718,126**	**4,818,786**
Total comprehensive income for the six months	**–**	**–**	**–**	**274,729**	**274,729**
Employees share option scheme:					
– value of employee services	**–**	**–**	**1,392**	**–**	**1,392**
Dividends	**–**	**(65,925)**	**–**	**–**	**(65,925)**
Balance at 30 June 2014	**203,644**	**636,948**	**195,535**	**3,992,855**	**5,028,982**

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	Unaudited	Unaudited
Cash flows from operating activities		
Cash generated from operations	**773,359**	486,708
Interest paid	**(166,822)**	(164,554)
Income taxes paid	**(68,203)**	(65,691)
Net cash flows generated from operating activities	**538,334**	256,463
Cash flows from investing activities		
Purchases of property, plant and equipment	**(621,640)**	(699,985)
Purchases of intangible assets	**–**	(805)
Payments of leasehold land	**(486,535)**	(36,294)
Compensation of plant relocation received from government	**256,453**	–
Assets-related government grants received	**28,940**	28,732
Proceeds from disposal of property, plant and equipment	**1,338**	10,276
Interest received	**3,327**	3,320
Proceeds from term deposits	**2,000**	–
Payment for term deposits	**(4,031)**	1,090
Net cash used in investing activities	**(820,148)**	(693,666)
Cash flows from financing activities		
Proceeds from bank borrowings	**1,401,000**	1,542,347
Repayments of bank borrowings	**(1,035,000)**	(1,639,670)
Proceeds from issuance of ordinary shares	**–**	501,452
Payments of issuance costs of ordinary shares	**–**	(8,270)
Purchase of treasury shares	**–**	(3,104)
Proceeds from issuance of medium-term notes	**–**	594,690
Redemption of convertible bonds	**–**	(168,630)
Dividends paid to the Company's shareholders	**(66,397)**	–
Net cash generated from financing activities	**299,603**	818,815
Net increase in cash and cash equivalents	**17,789**	381,612
Cash and cash equivalents at beginning of the period	**805,999**	481,126
Cash and cash equivalents at end of the period	**823,788**	862,738

1. General Information

Fufeng Group Limited (the "Company") and its subsidiaries (together, the "Group") manufacture and sell fermentation-based food additive and 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.

This condensed consolidated interim financial information is presented in RMB, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 19 August 2014.

This condensed consolidated interim financial information has not been audited.

Key Events

(a) Pursuant to the overall town development planning of Junan County, Shandong Fufeng will relocate to the Junan Economic Development Zone of Shandong Province, PRC. As at 30 June 2014, the relocation was still at the primary stage.

(b) On 16 January 2014, Baoji Fufeng entered into a framework investment agreement with Caijiapo Economic and Technological Development Zone Management Committee of Shaanxi Province. Pursuant to the framework investment agreement, Baoji Fufeng will relocate the existing production facilities to the Caijiapo Economic and Technological Development Zone of Shaanxi Province, PRC. As at 30 June 2014, the relocation of the Baoji Plant was still at the primary stage.

2. Basis of Preparation

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with HKAS 34, "Interim financial reporting". The condensed consolidated interim financial statements shall be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with HKFRSs.

2.1 Going-concern basis

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial information.

3. Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

3. Accounting Policies *(Continued)*

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:

		Effective for annual periods beginning on or after
Annual improvements 2012	HKFRS 2, 'Share-based payment'	1 July 2014
	HKFRS 3, 'Business combinations'	
	HKFRS 9, 'Financial instruments'	
	HKAS 37, 'Provisions, contingent liabilities and contingent assets'	
	HKAS 39, 'Financial instruments – Recognition and measurement'	
	HKFRS 8, 'Operating segments'	
	HKAS 16, 'Property, plant and equipment'	
	HKAS 38, 'Intangible assets'	
	HKAS 24, 'Related Party Disclosures'	
Annual improvements 2013	HKFRS 3, 'Business combinations'	1 July 2014
	HKFRS 13, 'Fair value measurement'	
	HKAS 40, 'Investment property'	
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	Mandatory effective date not yet determined

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

5. Financial Risk Management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no changes in the risk management department since year end or in any risk management policies.

5.2 Liquidity risk

Compared to year end, there were additional current borrowings of RMB367,677,000 in the contractual undiscounted cash out flows for financial liabilities.

5. Financial Risk Management *(Continued)*

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 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 30 June 2014 and 31 December 2013, 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 are assumed to approximate 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.

6. 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 executive directors have determined the operating segments based on these reports.

6. Segment Information *(Continued)*

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

Approximately 81% (30 June 2013: 82%) of the Group's revenue are generated from the PRC.

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 financial statements.

The revenue of the Group for the six months ended 30 June 2014 and 2013 are set out as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	Unaudited	Unaudited
MSG	**3,086,665**	3,151,313
Corn refined products	**861,177**	873,148
Xanthan gum	**677,241**	743,032
Starch sweeteners	**333,334**	193,452
Fertilisers	**256,393**	468,869
Threonine	**236,303**	131,598
High-end amino acid products	**146,159**	94,007
Glutamic acid	**26,909**	29,830
Corn oil	**8,206**	20,081
Others	**75,249**	36,223
	5,707,636	5,741,553

6. Segment Information *(Continued)*

The segment results for the six months ended 30 June 2014 are as follows:

	MSG RMB'000 Unaudited	Xanthan gum RMB'000 Unaudited	Unallocated RMB'000 Unaudited	Group RMB'000 Unaudited
Revenue	5,030,395	677,241	–	5,707,636
Segment results	196,112	340,964	(6,867)	530,209
Finance costs – net				(189,871)
Profit before income tax				340,338
Income tax expenses				(65,609)
Profit for the period				274,729

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

	MSG RMB'000 Unaudited	Xanthan gum RMB'000 Unaudited	Unallocated RMB'000 Unaudited	Group RMB'000 Unaudited
Depreciation of property, plant and equipment	345,240	30,650	799	376,689
Amortisation of leasehold land payments and intangible assets	3,796	2,310	43	6,149

The segment assets and liabilities at 30 June 2014 are as follows:

	MSG RMB'000 Unaudited	Xanthan gum RMB'000 Unaudited	Unallocated RMB'000 Unaudited	Group RMB'000 Unaudited
Total assets	10,021,454	3,086,963	467,259	13,575,676
Total liabilities	4,860,729	713,289	2,972,676	8,546,694

6. Segment Information *(Continued)*

The segment results for the six months ended 30 June 2013 are as follows:

	MSG RMB'000 Unaudited	Xanthan gum RMB'000 Unaudited	Unallocated RMB'000 Unaudited	Group RMB'000 Unaudited
Revenue	4,998,521	743,032	–	5,741,553
Segment results	2,108	392,227	(10,987)	383,348
Finance costs – net				(127,301)
Profit before income tax				256,047
Income tax expenses				(49,721)
Profit for the period				206,326

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

	MSG RMB'000 Unaudited	Xanthan gum RMB'000 Unaudited	Unallocated RMB'000 Unaudited	Group RMB'000 Unaudited
Depreciation of property, plant and equipment	313,885	22,663	797	337,345
Amortisation of leasehold land payments and intangible assets	3,936	348	43	4,327

The segment assets and liabilities at 30 June 2013 are as follows:

	MSG RMB'000 Unaudited	Xanthan gum RMB'000 Unaudited	Unallocated RMB'000 Unaudited	Group RMB'000 Unaudited
Total assets	10,431,097	1,998,112	246,059	12,675,268
Total liabilities	5,087,037	330,572	2,770,500	8,188,109

7. Leasehold Land Payments, Property, Plant and Equipment and Intangible Assets

	Leasehold land payments RMB'000 Unaudited	Property, plant and equipment RMB'000 Unaudited	Intangible assets RMB'000 Unaudited	Total RMB'000 Unaudited
Six months ended 30 June 2013				
Opening net book amount at 1 January 2013	366,764	7,258,851	54	7,625,669
Additions	36,294	491,609	805	528,708
Disposals	–	(6,564)	–	(6,564)
Depreciation and amortisation	(4,326)	(337,345)	(1)	(341,672)
Impairment charge	–	–	(805)	(805)
Closing net book amount at 30 June 2013	398,732	7,406,551	53	7,805,336
Six months ended 30 June 2014				
Opening net book amount at 1 January 2014	**506,289**	**7,575,975**	**51**	**8,082,315**
Additions	**486,535**	**421,017**	**–**	**907,552**
Disposals	**(67,190)**	**(1,409)**	**–**	**(68,599)**
Depreciation and amortisation	**(6,148)**	**(376,689)**	**(1)**	**(382,838)**
Closing net book amount at 30 June 2014	**919,486**	**7,618,894**	**50**	**8,538,430**

8. Trade and Other Receivables

	As at 30 June 2014 RMB'000 Unaudited	As at 31 December 2013 RMB'000 Audited
Trade receivables (a)	**424,607**	373,923
Less: provision for impairment of trade receivables	**(4,510)**	(4,510)
Trade receivables, net	**420,097**	369,413
Notes receivables (b)	**1,584,456**	1,444,119
Deposits and others	**55,739**	58,190
Value-added tax for future deduction	**81,835**	126,134
Trade and other receivables excluding prepayments	**2,142,127**	1,997,856
Prepayments for raw materials	**393,138**	71,483
	2,535,265	2,069,339

8. Trade and Other Receivables *(Continued)*

a) The ageing analysis of the trade receivables was as follows:

	As at	
	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
Within 3 months	**383,737**	328,651
3–12 months	**33,708**	37,395
Over 12 months	**7,162**	7,877
	424,607	373,923

The Group sells its products to customers and received settlement either in cash or in form of bank acceptance notes upon delivery of goods. The bank acceptance notes are usually with maturity dates within six months. Major customers with good payment history are normally offered credit terms for no more than three months.

b) As at 30 June 2014, notes receivables were all bank acceptance notes aged less than six months, including amount of RMB1,025,872,000 (31 December 2013: RMB1,058,737,000) applied for settling the amounts payable to the Group's suppliers.

9. Share Capital and Premium

	Number of authorised shares '000 Unaudited	Number of issued and fully paid shares '000 Unaudited	Amount: Ordinary shares RMB'000 Unaudited	Amount: Share premium RMB'000 Unaudited	Amount: Total RMB'000 Unaudited
Opening balance at 1 January 2013	10,000,000	1,741,048	175,921	240,518	416,439
Issue of ordinary shares	–	348,210	27,858	465,324	493,182
At 30 June 2013	10,000,000	2,089,258	203,779	705,842	909,621
Opening balance at 1 January 2014	**10,000,000**	**2,087,561**	**203,644**	**702,873**	**906,517**
Dividends	**–**	**–**	**–**	**(65,925)**	**(65,925)**
At 30 June 2014	**10,000,000**	**2,087,561**	**203,644**	**636,948**	**840,592**

10. Borrowings

	As at	
	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
Non-current		
– Convertible bonds	**906,142**	904,721
– Senior notes	**1,829,508**	1,808,658
– Medium-term note	**596,662**	595,808
	3,332,312	3,309,187
Current		
– Bank borrowings, unsecured	**910,000**	985,000
– Bank borrowings, secured	**625,584**	182,907
– Convertible bonds	**13,095**	–
	1,548,679	1,167,907
	4,880,991	4,477,094

10. Borrowings *(Continued)*

Movements in borrowings were analysed as follows:

	RMB'000 Unaudited
Six months ended 30 June 2013	
Opening amount as at 1 January 2013	4,452,640
New borrowings	2,137,037
Repayments of borrowings	(1,804,212)
Amortisation of transaction cost:	
– Senior notes	4,008
– Convertible bonds – liability component	467
– Syndicated bank loan	11,328
– Medium-term note	335
Exchange differences	(47,576)
Closing amount as at 30 June 2013	4,754,027
Six months ended 30 June 2014	
Opening amount as at 1 January 2014	**4 477,094**
New borrowings	**1,401,000**
Repayments of borrowings	**(1,035,000)**
Amortisation of transaction cost:	
– Senior notes	**4,253**
– Convertible bonds – liability component	**14,516**
– Medium-term note	**854**
Exchange differences	**18,274**
Closing amount as at 30 June 2014	**4,880,991**

Interest expenses on borrowings for the six months ended 30 June 2014 were RMB170,569,000 (30 June 2013: RMB175,362,000).

11. Trade, Other Payables and Accruals

	As at 30 June 2014 RMB'000 Unaudited	As at 31 December 2013 RMB'000 Audited
Trade payables (a)	**1,568,345**	1,208,736
Advances from customers	**381,250**	370,121
Payables for property, plant and equipment	**625,228**	825,851
Government grants received in advance	**256,943**	46,870
Salaries, wages and staff welfares payables	**220,562**	200,478
Interest payable	**45,519**	58,192
Dividends payable	**407**	407
Bank acceptance notes payable	**–**	47,920
Other payables and accruals	**156,374**	132,422
	3,254,628	2,890,997

a) The ageing analysis of the trade payables was as follows:

	As at 30 June 2014 RMB'000 Unaudited	As at 31 December 2013 RMB'000 Audited
Within 3 months	**962,018**	853,823
3 to 6 months	**486,134**	243,161
6 to 12 months	**83,779**	88,416
1 to 2 years	**20,651**	16,959
Over 2 years	**15,763**	6,377
	1,568,345	1,208,736

12. Other Income

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	Unaudited	Unaudited
Sales of waste products	**27,645**	24,336
Amortisation of deferred income	**27,308**	25,024
Foreign exchange gains	**6,892**	–
Government grants relating to expenses	**3,100**	3,896
Others	**11,707**	11,375
	76,652	64,631

13. Expenses by Nature

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	Unaudited	Unaudited
Amortisation of leasehold land payments and intangible assets	**6,149**	4,327
Depreciation of property, plant and equipment	**376,689**	337,345
Value on employee services for the share option schemes	**1,393**	771
Foreign exchange losses	**–**	15,255
Inventory write-down/(Reversal of inventory write-down)	**37,142**	(35)

14. Finance Costs – Net

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	Unaudited	Unaudited
Interest expense:	**170,569**	184,281
Net foreign exchange losses on financing activities	**19,302**	–
Finance costs	**189,871**	184,281
Less: amounts capitalised on qualifying assets	**–**	(8,919)
Finance costs	**189,871**	175,362
Finance income:		
Net foreign exchange gains on financing activities	**–**	(48,061)
Finance income	**–**	(48,061)
Net finance costs	**189,871**	127,301

15. Income Tax Expense

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	Unaudited	Unaudited
Current income tax		
– PRC enterprise income tax ("EIT")	**82,431**	59,775
Deferred income tax	**(16,822)**	(10,054)
	65,609	49,721

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.

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profit in Hong Kong for the six months ended 30 June 2014 and 2013.

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

16. Earnings Per Share

	Six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
Earnings per share for profit attributable to the Shareholders (RMB cents per share)		
– basic	**13.16**	11.12
– diluted	**12.74**	11.08

Basic earnings per share is calculated by dividing the profit attributable to the Shareholders of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company and held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming the conversion of all dilutive potential ordinary shares.

Earnings per share – basic and diluted for the first half of 2014 was RMB13.16 cents and RMB12.74 cents respectively (equivalent to HK16.58 cents and HK16.05 cents) (1H 2013: RMB11.12 cents and RMB11.08 cents (equivalent to HK13.96 cents and HK13.91 cents)).

17. Dividends

On 18 March 2014, the Board proposed a final dividend in respect of the year ended 31 December 2013 of HKD83,502,000 (equivalent to RMB65,925,000), representing HK4 cents (equivalent to RMB3.16 cents) per share. The final dividend was paid in May 2014.

At a meeting held on 19 August 2014, the Board proposed an interim dividend of HKD62,627,000 (equivalent to RMB49,720,000) (2013: HKD41,751,000 (equivalent to RMB33,259,000)), representing HK3 cents (equivalent to RMB2.38 cents) (2013: HK2 cents (equivalent to RMB1.59 cents)) per share. This interim dividend has not been recognised as a dividend payable in this interim financial information, but will be recognised as an appropriation of share premium for the year ended 31 December 2014.

18. Contingent Liabilities – the Group

As at 30 June 2014 and 2013, the Group had no material contingent liabilities.

19. Related Party Transactions

Key management compensation is set out below:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	Unaudited	Unaudited
Salaries and allowances	**10,837**	8,040
Pension costs-defined contribution plan	**333**	281
Share options granted	**1,392**	1,262
	12,562	9,583

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

20. Events Occurring After the Balance Sheet Date

Details of the interim dividend proposed are given in Note 17.

21. Approval on the Condensed Consolidated Interim Financial Information

The condensed consolidated interim financial information was reviewed by the audit committee of the Company and approved by the Board on 14 August 2014 and 19 August 2014, respectively..

Corporate Governance

The Company is committed to establishing and ensuring a high standard of corporate governance practices which place emphasis on quality of the board, sound and efficient internal control and accountability as well as transparency to equity holders. The Directors are in the opinion that the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules since the Listing Date to 30 June 2014 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. Liang Wenjun did not attend the annual general meeting of the Company held on 8 May 2014. 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.

The audit committee of the Company has reviewed the Group's unaudited interim financial statements for the six months ended 30 June 2014.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made with all Directors who have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the period under review.

Purchase, Redemption or Sale of 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 six months ended 30 June 2014.

Share Option Scheme

The Company granted options to subscribe for an aggregate of 64,110,000 Shares and 5,000,000 Shares on 14 July 2009 and 9 November 2010 respectively to a Director and 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 Share Options granted on 9 November 2010 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. On 5 September 2013, the Board resolved to revise the exercise price of share options granted to a director to subscribe for an aggregate of 5,355,000 Shares to HKD3.20. Details of the share options granted and outstanding for the six months ended 30 June 2014, are as follows:

	Number of share options						
Director and eligible employees	**At 1 January 2014**	**Granted during the period**	**Lapsed during the period**	**At 30 June 2014**	**Date of grant**	**Revised/ Adjusted Exercise price (HKD)**	**Exercise period**
Chen Yuan (executive Director)	5,355,224	–	–	5,355,224	9/11/2010	3.20	5/9/2014 – 4/9/2018
Eligible employees	45,808,585	–	(149,946)	45,658,639	14/7/2009	2.80	14/1/2012 – 13/1/2015
	51,163,809	–	(149,946)	51,013,863			

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:

	Revised on 5 September 2013	**Granted on 9 November 2010**	**Granted on 14 July 2009**
Average share price	HKD2.99	HKD8.14	HKD2.81
Exercise price	HKD3.20	HKD8.20	HKD3.00
Expected life of options	1.0–5.0 years	3.0–5.0 years	3.0–5.0 years
Expected volatility	46.85%	51.30–55.63%	46.04–51.34%
Expected dividend yield	1.33%	3.14%	3.56%
Risk free rate	1.088%	0.506–1.021%	1.032–1.745%

Interest of Directors and Chief Executive

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 30 June 2014, 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	46.15%
Wang Longxiang	The Company	Beneficial interests (Note 2)	8,292,000 Shares	0.40%
Chen Yuan	The Company	Beneficial interests (Note 3)	5,355,224 Shares	0.26%

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. These shares represented the Shares which might be allotted and issued to Mr. Chen Yuan, an executive Director who was appointed on 9 November 2010, upon the exercise in full of the option granted to him.

Save as disclosed above, for the six months ended 30 June 2014, 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.

Interest of Persons Holding 5% or More Interests

As at 30 June 2014, 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	46.15%
Shi Guiling (Note 2)	The Company	Interests of spouse	963,342,461 Shares	46.15%
Ever Soar Enterprises Limited (Note 3)	The Company	Beneficial interests	222,134,400 Shares	10.64%

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.

3. Ever Soar Enterprises Limited is owned as to 15% by Mr. Feng Zhenquan, 15% by Mr. Xu Guohua, 15% by Mr. Li Deheng (all of whom are executive Directors), 25% by Mr. Wu Xindong (a former executive Director who resigned with effect from 9 March 2010), 15% by Mr. Yan Ruliang (a former executive Director who resigned with effect from 15 May 2009) and 15% by Mr. Guo Yingxi.

Save as disclosed above, for the six months ended 30 June 2014, 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.

GLOSSARY

Acquisition	the acquisition of the land use right in respect of the Land by Junan Company under the auction (listing-for-sale) process
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 in Baoji City in the Shaanxi Province, the PRC
Board	the board of Directors
CAGR	cumulative average growth rate
Company	Fufeng Group Limited
Director(s)	the director(s) of the Company
Group	the Company and its subsidiaries
HKFRS	Hong Kong Financial Reporting Standards
Hong Kong	Hong Kong Special Administrative Region of the PRC
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 Mongolia Autonomous Region, the PRC
IM Fufeng	內蒙古阜豐生物科技有限公司 (Neimenggu Fufeng Biotechnologies Co., Ltd.), an indirect wholly-owned subsidiary of the Company

IM Plant	the production plant of the Group located at Inner Mongolia Autonomous Region, the PRC
IPO	Initial public offering of the Shares on 8 February 2007
Junan Company	Junan North City Property Company Limited* (莒南北城置業有限公司), a PRC incorporated company and a wholly-owned subsidiary of the Company
Land	Seven plots of land located at Longshan Road (Northern section) Junan County, Shandong Province, PRC (land lot no.: Junan 2014-G05/06/07/08/09/10/14) (莒南縣縣城隆山路北段), occupying a total site area of approximately 253,926.1 square metres
Land Bureau	莒南縣國土資源局 (Junan County Bureau of Land and Resources*)
Land Transfer Contracts	seven contracts for the transfer of land use right of seven plots of state-owned construction land (國有建設用地使用權出讓合同) in respect of the land use right of the Land to be entered into between the Land Bureau as transferor and Junan Company as transferee for a consideration of RMB286.04 million (equivalent to approximately HKD354.69 million)
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

* *For identification purpose only*

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 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 Land	a parcel of land located at Longshan Road (Northern section) Junan County, Shandong Province, PRC (莒南縣縣城隆山路北段), occupying site area of approximately 509,857.4 square metres
Shandong Plant	the production plant of the Group located at 莒南縣 (Junan County), Shandong Province, the PRC
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
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
HKD	Hong Kong dollars, the lawful currency of Hong Kong
RMB	Renminbi, the lawful currency of the PRC
USD	United States dollars, the lawful currency of the United States of America
%	per cent