

On behalf of the board of directors (the "Directors" or the "Board"), I am pleased to report the first set of annual results of Fufeng Group Limited ("Fufeng" or the "Company") together with its subsidiaries (collectively known as the "Group") after the listing of its shares.

The year 2006 carried a significant meaning to Fufeng. During the year, we devoted our efforts not only in growing our business, but also in laying all the groundwork for the listing. With the hard work of a team of dedicated staff, the shares of the Company (the "Shares") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 February 2007, setting a milestone for its corporate development and recognising its remarkable achievements. On behalf of the Company, I would like to express my heartfelt gratitude to all investors for their continuous support.

Strong Results

During the year under review, the Group's turnover surged 37.9% to RMB1,787 million compared with 2005. Profit attributable to shareholders amounted to RMB240 million which has met the profit estimate as set out in our prospectus, representing an increase of 1.8% year-on-year. Earnings per share was RMB20 cents.

The growth in turnover was mainly due to the full year contribution from the Baoji Plant Phase II and the increase in production capacity of xanthan gum in September 2006. However, the decrease in average unit selling price and increase in price of corn kernels during the year led to decline in gross profit margin. Corn prices rose to a historical high of approximately RMB1,275 per metric tonne in the third quarter of 2006. The overall profit margin was also narrowed as a result of the decrease in gross profit margin and the increase in finance cost which was in line with the increase in bank borrowing.

Despite the challenging environment in the industry, thanks to our highly vertically integrated production process and large-scale production capacity, the Group still managed to maintain our profitability.

The Board has recommended the payment of a final dividend of RMB5.79 cents per share for the year ended 31 December 2006 to our shareholders (including public shareholders) whose names appear on the register of members of the Company on Friday, 1 June 2007. The dividend payout ratio is approximately 40%. Subject to approval at the forthcoming annual general meeting, the dividend will be paid on or about 13 June 2007.

Leading Market Position

Established in 1999, the Group is now a leading vertically integrated manufacturer of corn-based biochemical products principally utilising fermentation technology in the People's Republic of China (the "PRC").

According to the China Fermentation Industry Association, the Group was the largest glutamic acid manufacturer and the second largest xanthan gum manufacturer in the PRC in terms of production volume in 2006.

The brand of "福瑞" was awarded the Most Market Competitive Brand for the year 2006 by the Ministry of Commerce in January 2007.

Chairman's Statement

Successful initial public offer (the "IPO")

The Group's placing and public offer were well-received by both institutional and retail investors. In particular, the public offer was over subscribed by 638 times. The satisfactory results of the IPO reflected the investors' confidence in the future growth of the Group and the food additive market in the PRC.

The net proceeds from the placing and public offer (including the shares issued upon the exercise of the over-allotment option) amounted to approximately HK\$957 million. This has further strengthened our financial position for expansion and capturing the upcoming business opportunities.

Prospects and Future Plans

We are cautiously optimistic about the outlook for 2007. The Group will focus on increasing productivity and exercising effective cost control measures to minimise the negative impact which resulted from the fluctuation in raw material prices.

We understand that the growth of the Group was mainly attributable to (i) the growing demand for the Group's products, especially glutamic acid and xanthan gum and (ii) the Group's increased production output. After the listing of the Shares, the increase in reputation and brand awareness of our Group's products will certainly help our export operations to better promote our products to overseas market. We aim at maintaining our leading position in the PRC and increasing our overseas market share by leveraging our competitive strengths and implementing the following strategies:

- 1. Further develop corn-based biochemical products.** To develop new value-added products further along the production chain. We are conducting research on other corn-based biochemical products in cooperation with universities.
- 2. Expand sales and marketing team and explore new markets.** To expand sales and marketing team and to establish points of sales in the PRC with particular focus on the markets in the Northern region. We will also develop overseas market by setting up sales offices in Southeast Asia, the United States of America, Middle East and Africa to cater for overseas sales and marketing of xanthan gum and potentially glutamic acid, monosodium glutamate ("MSG") and starch sweeteners.
- 3. Improve R&D capabilities.** The Group recognises the importance of using advanced technology to improve our production process and enhance our production efficiency. We consolidated our research and development ("R&D") team into a R&D department in Junan, Shandong Province in January 2006 which focuses on improving the Group's fermentation technology, production efficiency as well as new products development.

R&D building in Junan completed in the first quarter of 2007, this signifies the Group's intention on ongoing long-term investment in the Group's R&D activities. Moreover, the R&D team will also continue to collaborate with universities and consultants in exploring means of refining the Group's production technologies and developing new products.

- 4. Pursue strategic acquisitions and investments.** We are looking for acquisition opportunities within the biochemical industry in order to further expand our business. Meanwhile, the Group will seek targets that have potential to complement the Group's existing sales and marketing regime and vertically integrated production model.

Through turning the above strategies into actions, our ultimate goal is to deliver solid return for our shareholders.

Appreciation

We take much pride in having a team of esteemed and professional Directors and management talents. I would like to take this opportunity to express my gratitude towards the Directors for their invaluable input throughout the year, to the shareholders and customers for their continuing support to the Group, and last but not the least to those professional parties who have contributed to the Group's successful listing and our dedicated employees for their hardwork and enthusiasm to the strong financial performance in 2006. We endeavour to maintain Fufeng's leading market position in the PRC fermentation industry, to create value for customers and to generate satisfactory return to shareholders.

LI Xuechun

Chairman

Shandong, The PRC

24 April 2007