TARGET

Intelligence Report

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FUFENG GROUP LTD:
GOOD TIMES, BAD TIMES,
COMING IN VERY CLOSE PROXIMITY

In respect of the 2022 Financial Year of Fufeng Group Ltd (阜豐集團有限公司) (Code: 546, Main Board, The Stock Exchange of Hongkong Ltd), ended December 31, Management was able to record its best Financial Year of the past five Financial Years, going back to the 2018-Year.

The Turnover, with regard to the 2022 Financial Year, came in at **r**en**m**in**b**i (**RMB**)27,474,639,000, an increase, compared with the 2018 Financial Year, of 99.60 percent.

The Net Profit Attributable To Shareholders in respect of the 2022 Financial Year, was RMB3,861,078,000, representing an increase, compared with the 2018 Financial Year, of 109.27 percent.

The Chairman of the Board of Directors of Fufeng Group Ltd, Mr Li Xue Chun (李學純), in his Letter to Shareholders, found at Pages Two and Three of the 2022 Annual Report with regard to the 12 months, ended December 31, had this to impart to shareholders:

> '*2022 was a landmark year for the Group as we continued on our strong growth trajectory and achieved remarkable operating results, despite a host of global economic and geopolitical challenges, including high inflation, monetary tightening policies and interest rate rises by key central banks, the resurgence of the COVID pandemic in China as well as the Russia-Ukraine conflict.*
>
> '*I am incredibly proud of our outstanding team to deliver better than expected results in 2022. Revenue of key business segments (including food additives, animal nutrition and colloid) increased significantly during the Year. Turnover and net profit of the Group increased by 27.6% and 201.5% respectively, reaching approximately RMB27.5 billion and RMB3.9 billion, all at new highs. Gross profit margin increased by 8.2 percentage points to 26.3%. These results are a culmination of a well-ingrained performance culture focused on continuous improvement,*

profitable growth, active pricing, cost management and strong capital discipline.

'*During the Year, we accumulated a high level of US dollar position generating from our export sales. In order to lower our borrowing costs, we fully repaid the USD400 million syndicated bank loan. We took the RMB loans with lower borrowing costs instead. We also posted FX gains from our USD cash position and the termination of the USD swap for the syndicated bank loan.*

'*Reflecting strong confidence in our financial position and rewarding your support, the Board has proposed a final dividend of HK29.0 cents and a special final dividend of HK4.1 cents per share. This results in a full-year dividend of HK69.7 cents per share (including the interim dividend of HK32.0 cents and a special interim dividend of HK4.6 cents per share), with a full-year dividend payout ratio of 40% (2021: 35%).*

'*Of course, our measure of success is defined by more than financial numbers. We further strengthened our ESG* (**E**nvironmental, **S**ocial, and **G**overnance) *strategy under the leadership of the ESG Committee. We believe that the integration of ESG considerations throughout our operations is essential for our sustainable development.*

'*Moving forward, we will continue our internationalisation plan notwithstanding the delay of the US construction project and will launch three strategic regional sales offices in America, Europe and Southeast Asia with an aim to serve our overseas customers directly…'.*

At Pages Five through to 25, under the heading, '***MANAGEMENT REVIEW***,' one was told of the following intelligence:

'Major Raw Materials

'*During the Year, the continuous impact of the Russia-Ukraine conflict on the global food market, and export restrictions imposed by many countries on staple foods (such as corn), led to a global food shortage, causing an increase in food prices. However, the foreign environment had limited impact on domestic corn prices as China is mostly self-sufficient in corn, with only about 10% relying on imports. Corn prices maintained at a high level throughout the Year due to (1) the recovery of the breeding industry and the significant increase in feed demand (after the end of the African swine fever epidemic in China in 2020, the breeding industry recovered in 2021 and maintained its active trend in 2022); (2) high demand from corn processing; and (3) the hindered transportation and logistics disruption caused by the impact of the pandemic…*

'***Major Products***

'*According to reports from domestic media, China accounted for over 70% of global MSG* (**m**ono**s**odium **g**lutamate) *consumption, with the* *main demand from the food processing and catering sectors. Although some regions in China were affected by the lockdown and control measures due to the resurgence of the COVID pandemic during the Year (the scale and duration of lockdown were reduced as compared with 2021), social activities, with the cancellation of the lockdown and control measures, gained a recovery in an orderly manner, leading to gradual demand recovery in the food processing and catering sectors. In addition, MSG price maintained at a high level during the Year, driven by factors such as high raw material costs…*

'The increase in Group's revenue and gross profit during the Year were principally due to the contribution from food additives, animal nutrition and colloid segments…

'Other Financial Information

'Other Income

'*In the Year, other income amounted to RMB261.0 million, which was mainly comprised of the income from the sales of waste products, amortisation of deferred income and government grants…*

'Finance Income

'Finance income mainly … CLICK TO ORDER FULL ARTICLE

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