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Fufeng Group Limited
阜豐集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 546)

ANNOUNCEMENT
CONNECTED TRANSACTIONS
PROCUREMENT OF CONSTRUCTION AND RENOVATION SERVICES

THE LONGJIANG CONSTRUCTION AGREEMENT

On 1 December 2017, Qiqihar Longjiang Fufeng, a wholly-owned subsidiary of the Company, entered into the Longjiang Construction Agreement with Linyi Zhang Yuan Construction, pursuant to which Qiqihar Longjiang Fufeng appointed Linyi Zhang Yuan Construction as the contractor for the construction of office units, dormitory units and other ancillary buildings on the site of the new corn processing plant of the Group at Qiqihar, Heilongjiang Province for a maximum contract amount of RMB67,000,000.

As stated in the 2016 annual report and 2017 interim report of the Company, to meet ongoing business demand, the Company is constructing the Longjiang Project. The planned production capacity of the first phase is expected to be 200,000 tonnes of starch sweeteners and 100,000 tonnes of threonine. The construction of office units, dormitory units and other ancillary buildings under the Longjiang Construction Agreement will primarily be used by the administrative and manufacturing staff of the Group upon the completion of the Longjiang Project.

THE HULUNBEIR CONSTRUCTION AGREEMENT

On 1 December 2017, Hulunbeir Northeast Fufeng, a wholly-owned subsidiary of the Company, entered into the Hulunbeir Construction Agreement with Linyi Zhang Yuan Construction, pursuant to which Hulunbeir Northeast Fufeng appointed Linyi Zhang Yuan Construction as the contractor for the civil construction works in relation to reclaimed water reuse facility and office building, and renovation works for a building floor on the site of the Hulunbeir Plant, Inner Monogolia Autonomous Region, for a maximum contract amount of RMB8,200,000.

AGGREGATION OF TRANSACTIONS

On 15 February 2017, Hulunbeir Northeast Fufeng, a wholly-owned subsidiary of the Company entered into a construction agreement with Linyi Zhang Yuan Construction for the construction of a dormitory at Hulunbeir Plant (the "**First Construction Agreement**"). The contract amount was RMB4.0 million and the construction work was completed in September 2017. The Company confirms that the transaction amount under the First Construction Agreement is below the *de minimis* threshold under Chapter 14A of the Listing Rules. Given that the Longjiang Construction Agreement and the Hulunbeir Construction Agreement are also entered into with Linyi Zhang Yuan Construction, the transactions contemplated under the Construction Agreements are required to be aggregated with the transaction contemplated under the First Construction Agreement, pursuant to Rule 14.22, Rule 14.23 and Rule 14A.81 of the Listing Rules.

LISTING RULES IMPLICATIONS

At the date of this announcement, 86.57% of Linyi Zhang Yuan Construction was ultimately held by Ms. Li Hongyu, the daughter of Mr. Li Xuechun, an executive Director and chairman of the Board, and sister of Mr. Li Guangyu, an executive Director; 2.57% by the daughter of Mr. Li Deheng, an executive Director; 0.86% Mr. Pan Yuehong, an executive Director; and 2.57% by Mr. Xu Guohua, a former executive Director who resigned in June 2017. The remaining 7.43% is held by independent third parties of the Group. Therefore accordingly, Linyi Zhang Yuan Construction is a connected person of the Company and the transactions contemplated under the Longjiang Construction Agreement and the Hulunbeir Construction Agreement constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable aggregated percentage ratios of the Construction Agreements exceed 0.1% but less than 5%, the Longjiang Construction Agreement and the Hulunbeir Construction Agreement constituted connected transactions of the Company and subject to the reporting and announcement requirements but was exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 1 December 2017, the Independent Board Committee comprising of the independent non-executive Directors was established to review and approve the Longjiang Construction Agreement and the Hulunbeir Construction Agreement, and are of the view that the Longjiang Construction Agreement and the Hulunbeir Construction Agreement are entered into in the ordinary and usual course of business, the terms under the Longjiang Construction Agreement and the Hulunbeir Construction Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTRODUCTION

The Board wishes to announce that on 1 December 2017, Qiqihar Longjiang Fufeng, a wholly-owned subsidiary of the Company, entered into the Longjiang Construction Agreement with Linyi Zhang Yuan Construction, pursuant to which Qiqihar Longjiang Fufeng appointed Linyi Zhang Yuan Construction as the contractor for the construction of office and dormitory units on the site of the new corn processing plant of the Group at Qiqihar, Heilongjiang Province for a contract amount of RMB67,000,000. On the same date, Hulunbeir Northeast Fufeng, a wholly-owned subsidiary of the Company, entered into the Hulunbeir Construction Agreement with Linyi Zhang Yuan Construction, pursuant to which Hulunbeir Northeast Fufeng appointed Linyi Zhang Yuan Construction as the contractor for the civil construction works in relation to reclaimed water reuse facility and office building, and renovation works for a building floor on the site of the Hulunbeir Plant of the Group, Inner Monogolia Autonomous Region, for a contract amount of RMB8,200,000.

THE LONGJIANG CONSTRUCTION AGREEMENT

Date	:	1 December 2017
Parties	:	Qiqihar Longjiang Fufeng as the project employer; and
		Linyi Zhang Yuan Construction as the contractor

Subject matter

Qiqihar Longjiang Fufeng will engage Linyi Zhang Yuan Construction to provide construction services for the building units for office and dormitory uses. Such construction services shall satisfy the requirements of the project employer and relevant standards required by the PRC government.

Term

The term of the engagement shall be from 10 December 2017 to 9 August 2018.

Consideration and Payment Term

The total maximum consideration payable by Qiqihar Longjiang Fufeng to Linyi Zhang Yuan Construction will be RMB67,000,000. The total consideration will be paid in various stages depending on actual work done throughout the construction services period and Qiqihar Longjiang Fufeng shall pay the progress payment to Linyi Zhang Yuan Construction, in accordance with construction progress. Linyi Zhang Yuan Construction should submit a monthly progress report and relevant invoices to Qiqihar Longjiang Fufeng, and Qiqihar Longjiang Fufeng shall pay the progress payment in proportion to construction progress. Within 14 days of project acceptance or use according to the monthly report, Qiqihar Longjiang Fufeng shall pay the progress payment in full and any balance of the total consideration shall be settled within 28 days upon project completion.

The total consideration was determined by the parties after arm's length negotiations with reference to quotations from other qualified contractors, the complexity of the construction work, the experience of the contractor, the skill level required for the construction work, the prevailing labour cost, where the Longjiang Project is located, and the expected costs for acquiring construction raw materials.

THE HULUNBEIR CONSTRUCTION AGREEMENT

Date : 1 December 2017

Parties : Hulunbeir Northeast Fufeng as the project employer; and

Linyi Zhang Yuan Construction as the contractor

Subject matter

Hulunbeir Northeast Fufeng will engage Linyi Zhang Yuan Construction to provide civil construction works in relation to reclaimed water reuse facility and office building, and renovation works for a building floor on the site of the Hulunbeir Plant, Inner Monogolia Autonomous Region. Such construction services shall satisfy the requirements of the project employer and relevant standards required by the PRC government.

Term

The term of the engagement shall be from 18 December 2017 to 18 May 2018.

Consideration and Payment Term

The total maximum consideration payable by Hulunbeir Northeast Fufeng to Linyi Zhang Yuan Construction will be RMB8,200,000, of which RMB2,200,000 is for the construction works of reclaimed water reuse facility; RMB3,200,000 for the construction works of office building; and RMB2,800,000 for the renovation works of a building floor. The consideration will be paid when the relevant work is completed for the various workflow during the service term.

The total consideration was determined by the parties after arm's length negotiations with reference to the quotations from other qualified contractors, the complexity of the construction and renovation work, the experience of the contractor, the skill level required for the construction and renovation work, the prevailing labour cost, where the Hulunbeir Plant is located, and the expected costs for acquiring construction raw materials.

INFORMATION ON THE PARTIES

The Company is a limited liability company incorporated in the Cayman Islands and has been listed on the Main Board of the Stock Exchange since 8 February 2007. The Company is one of the leading vertically integrated manufacturers of glutamic acid, monosodium glutamate (MSG) and xanthan gum in the PRC and in the world.

Qiqihar Longjiang Fufeng is a limited liability company incorporated in the PRC on 3 March 2017 with registered capital of RMB1 billion. It is an indirect wholly-owned subsidiary of the Company. Qiqihar Longjiang Fufeng is mainly engaged in manufacturing and sales of starch sweeteners and threonine in the PRC.

Hulunbeir Northeast Fufeng is a limited liability company incorporated in the PRC on 14 May 2010 with registered capital of RMB1 billion. It is an indirect wholly-owned subsidiary of the Company. Hulunbeir Northeast Fufeng is mainly engaged in manufacturing and sales of starch, starch sweeteners, amino acids, monosodium glutamate, glutamic acid, fertilisers, and other related products in the PRC.

Linyi Zhang Yuan Construction is a real estate construction company incorporated in the PRC with limited liability on 20 November 2013. Its principal activity is provision of construction services for residential, commercial and industrial properties in the PRC. 86.57% of Linyi Zhang Yuan Construction was ultimately held by Ms. Li Hongyu, the daughter of Mr. Li Xuechun, an executive Director and chairman of the Board, and sister of Mr. Li Guangyu, and executive Director; 2.57% by the daughter of Mr. Li Deheng, an executive Director; 0.86% Mr. Pan Yuehong, an executive Director; and 2.57% by Mr. Xu Guohua, a former executive Director who resigned in June 2017. The remaining 7.43% is held by independent third parties of the Group.

REASONS FOR ENTERING INTO THE CONSTRUCTION AGREEMENTS

As stated in the 2016 annual report and 2017 interim report of the Company, to meet ongoing business demand, the Company is constructing the Longjiang Project. The planned production capacity of the first phase is expected to be 200,000 tonnes of starch sweeteners and 100,000 tonnes of threonine. The project commenced construction in the first half of 2017 and is scheduled to begin pilot production at the end of 2017. The construction for units for office and dormitory uses under the Longjiang Construction Agreement are a necessary part of the Longjiang Project and would be utilised by the administrative staff and production workers of Qiqihar Longjiang Fufeng upon completion.

The construction and renovation works contemplated under the Hulunbeir Construction Agreement is necessary for the upgrade and maintenance of certain production and accommodation facilities at the Hulunbeir Plant. Hulunbeir Plant is one of the key manufacturing hubs of the Group and is engaged in manufacturing and sales of starch, starch sweeteners, amino acids, monosodium glutamate, glutamic acid, fertilisers, and other related products in the PRC.

AGGREGATION OF TRANSACTIONS

On 15 February 2017, Hulunbeir Northeast Fufeng, a wholly-owned subsidiary of the Company entered into a construction agreement with Linyi Zhang Yuan Construction for the construction of a dormitory at Hulunbeir Plant (the "**First Construction Agreement**"). The contract amount was RMB4.0 million and the construction was completed in September 2017. The Company confirms that the transaction amount under the First Construction Agreement is below the *de minimis* threshold under Chapter 14A of the Listing Rules. Given that the Longjiang Construction Agreement and the Hulunbeir Construction Agreement are also entered into with Linyi Zhang Yuan Construction, the transactions contemplated under the Construction Agreements are required to be aggregated with the transaction contemplated under the construction agreement dated 15 February 2017, pursuant to Rule 14.22, Rule 14.23 and Rule 14A.81 of the Listing Rules. The total aggregated contract amount under the Construction Agreements amounted to RMB79.2 million.

LISTING RULES IMPLICATION

At the date of this announcement, 86.57% of Linyi Zhang Yuan Construction was ultimately held by Ms. Li Hongyu, the daughter of Mr. Li Xuechun, an executive Director and chairman of the Board, and sister of Mr. Li Guangyu, and executive Director; 2.57% by the daughter of Mr. Li Deheng, an executive Director; 0.86% Mr. Pan Yuehong, an executive Director; and 2.57% by Mr. Xu Guohua, a former executive Director who resigned in June 2017. The remaining 7.43% is held by independent third parties of the Group. Therefore accordingly, Linyi Zhang Yuan Construction is a connected person of the Company and the transactions contemplated under the Longjiang Construction Agreement and the Hulunbeir Construction Agreement constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable aggregated percentage ratios of the Construction Agreements exceed 0.1% but less than 5%, the Longjiang Construction Agreement and the Hulunbeir Construction Agreement constituted connected transactions of the Company and subject to the reporting and announcement requirements but was exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 1 December 2017, the Independent Board Committee comprising of the independent non-executive Directors was established to review and approve the Longjiang Construction Agreement and the Hulunbeir Construction Agreement, and are of the view that the Longjiang Construction Agreement and the Hulunbeir Construction Agreement are entered into in the ordinary and usual course of business, the terms under the Longjiang Construction Agreement and the Hulunbeir Construction Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

"Board"	the board of Directors
"Company"	Fufeng Group Limited (Stock Code: 546), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"Construction Agreements"	the Longjiang Construction Agreement, the Hulubeir Construction Agreement and the First Construction Agreement
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the legal currency of Hong Kong
"Longjiang Construction Agreement"	the provision of construction services agreement entered into between Qiqihar Longjiang Fufeng and Linyi Zhang Yuan Construction on 1 December 2017
"Longjiang Project"	a new corn processing project of the Group in Qiqihar City, Heilongjiang Province, PRC for the development of the animal nutrition and food additive businesses
"Linyi Zhang Yuan Construction"	Linyi Zhang Yuan Construction Co., Ltd.* (臨沂長源建設有限公司), a real estate construction company incorporated in the PRC with limited liability
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hulunbeir Construction Agreement"	the provision of construction services agreement entered into between Hulunbeir Northeast Fufeng and Linyi Zhang Yuan Construction on 1 December 2017

"Hulunbeir Plant"	the production plant of the Group located at Hulunbeir, Inner Monogolia Autonomous Region, the PRC
"Hulunbeir Northeast Fufeng"	Hulunbeir Northeast Fufeng Biotechnologies Co., Ltd.* (呼倫貝爾東北阜豐生物科技有限公司), an indirect wholly-owned subsidiary of the Company
"Independent Board Committee"	the independent board committee of the Company comprising all independent non-executive Directors
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Qiqihar Longjiang Fufeng"	Qiqihar Longjiang Fufeng Biotechnologies Co., Ltd.* (齊齊哈爾龍江阜豐生物科技有限公司), an indirect wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent.

By order of the Board
Fufeng Group Limited
Li Xuechun
Chairman

Shandong, the PRC
1 December 2017

* *The English names of the PRC entities referred to in this announcement are transliterations from their Chinese names and are for identification purposes only, and should not be regarded as the official English name(s) of such Chinese name(s). If there is any inconsistency, the Chinese name shall prevail.*

As at the date of this announcement, the executive directors of the Company are Mr. Li Xuechun, Mr. Zhao Qiang, Mr. Li Deheng, Mr. Pan Yuehong and Mr. Li Guangyu and the independent non-executive directors of the Company are Mr. Xiao Jian Lin, Mr. Qi Qing Zhong and Ms. Zheng Yu.