

4 August 2016

ASX CODE: BFC

FY16 FULL YEAR UPDATE

Beston Global Food Company Limited ('BFC' or the 'Company') advises that the preparation of preliminary accounts for the twelve months to 30 June 2016 ('FY16', or 'the 2016 financial year') has enabled the provision of the following guidance in relation to the dividend distribution for the 2016 financial year.

While the Company did not provide any guidance on FY16 financial results in its Prospectus issued on 1 August 2015 for the IPO of the Company, investors were advised that the Directors intended to target a dividend of 1.50 cents to 2.0 cents per share for the period to 30 June 2016, representing a full year yield of 4.2% to 5.7%.

The Prospectus stated that in determining whether to declare dividends the Directors would have regard to the Company's earnings, overall financial conditions and requirements, the outlook for sales, the taxation position of the Company, future capital requirements and other factors which the Board considered relevant.

Preliminary accounts for the 2016 financial year are still to be finalised and in particular the company is yet to receive advice on the final earnings of the investee companies in which it holds minority interests and from which BFC derives equity accounted earnings. This process is proceeding according to schedule for calculation of the Company's full year results.

BFC expects to record an underlying net profit after tax for FY16 and that a dividend distribution will be made consistent with the distribution ratios outlined in the Prospectus.

However, on the basis of information that has been received to date, it is expected that the dividend per share will be lower than the target range outlined for FY16 in the Prospectus.

As the Company is yet to receive final details of investee companies' earnings, the revised dividend expectations comprise a range from 0.35 cents per share to 0.65 cents per share according to assumptions on the equity accounted earnings to be brought to account. As such, the expected dividend yield is likely to be broadly equivalent to the returns earned on cash deposits over the period.

Principal Factors

The reasons for a lower dividend expectation are predominantly due to shortfalls on revenue in three areas:

1. Pedra Branca

As announced on 4 February 2016, BFC terminated the lease over the "Pedra Branca" dairy farm following a default by the lessee and brought the operations of the farm under internal company management. The short-term impact of this decision has been a reduction in revenues of approx. \$1.6 million in the second half of FY16.

While this decision has contributed to a shortfall in revenue in FY16, the benefits of bringing Pedra Branca "in house" has been a significant uplift in productivity which is expected to be reflected in the operating results of the farm in FY17.

2. Dashang

Purchase commitments by Dashang Limited, one of the Company's initial key distribution relationships, were not confirmed by purchase order by the close of the financial year on 30 June 2016.

The commitments, which were signed by Dashang under company seal in June 2015, entailed the purchase of food and beverage products from BFC in the 2016 financial year. Sales anticipated from these commitments were incorporated into the Company's budget for FY16.

The Company is continuing to engage with Dashang on these outstanding sales commitments. While BFC is yet to receive formal advice on the timing of firm orders, the Company believes the opportunity remains for Dashang to be one of the Company's key distribution channels in its supply of food to the Chinese and that the relationship continues to hold great potential for BFC.

Dashang is a 14.99% shareholder in BFC and a leading retailer in China, operating over 200 retail stores in 150 cities with an annual turnover of around AUD 6.5 billion.

3. Regulatory Constraints

Notwithstanding the Free Trade Agreements which the Australian Government has put in place in recent years in the key markets in Asia, notably, in China, Korea and Japan, the export of Australian food and beverage products to these and other markets in the Asia region requires many different regulatory approvals including product registrations, export licences, FDA approvals and Customers and Quarantine products sample testing and approvals which often involve lengthy delays in delivery of products to the end consumers, and hence in revenue recognition.

The delays in regaining the export licences for the former UDP factories at Murray Bridge and Jervois were reported at the Half Year. Significant other regulatory hurdles were experienced during the second Half which affected the timing of deliveries and sales recognition of cheese and other food and beverage products in this period.

The Company has addressed each of these "regulatory hurdles" as they have arisen, such as by establishing a Manufacturing and Distribution Agreement with

Hondo Agricultural Company (as announced on 1 April 2016) when the export of allergen free ready-to-eat "Yarra Valley" meals to China was prevented by Chinese import and quarantine regulations. It is anticipated that products manufactured by Hondo under this Agreement will commence selling into supermarkets in China during November/December 2016.

The combined effect of these three factors account for the bulk of the Company's short fall on revenues.

Milk initiative

In recent months, the Company also made a decision to take in additional milk above budget forecasts at its factory at Murray Bridge (i.e. in excess of the milk produced at our own farms) in order to assist the dairy industry in coping with the "milk crisis" which emerged in the second half.

This decision has resulted in some build-up of cheese stocks above budget but is in line with the company's objectives to produce and release "aged" hard cheese products to the market in due course (which can earn significantly higher margins) and to build relationships and trust with independent dairy farmers for the longer term benefit of the Company. In establishing this "Cheese Bank", BFC announced that a portion of the profit earned on sales from these aged cheese products will be dedicated to assisting the welfare of dairy farmers and their families.

Broadening of China Footprint

The China market remains a key focus of the Company's export strategy with its 1.3 billion population, some 300 million of whom have been taken out of poverty and pulled into middle income classes over the past 20 years.

During the second half of FY16, the Company instituted a number of actions to mitigate the risks arising from our initial reliance on Dashang as the principal buyer of products for China by expanding our network of buyers in China.

A number of new agreements have been entered into by the Company for the supply, marketing and distribution of food and beverage products produced by BFC and its various investee companies.

The agreements include arrangements for direct supply to supermarkets, restaurants, gourmet food outlets and food service businesses as well as through associated e-commerce platforms and include the following companies:-

- China Commerce Co/Shihui E-business Co
- Asia Sea Supply Chain Management Co Ltd
- Ocean Fishing Company Ltd
- Greenland Group

A number of orders for seafood have already been received and an initial shipment of 176 tonnes of frozen kingfish has been shipped to China on the back of these new agreements, as reported to shareholders on 4 July 2016.

New orders and relationships secured by BFC, and other milestones in building sales into China since the half year announcement on 28 February 2016 have included:

- agreement with the Greenland Group to supply high value food and beverage products to Greenland's operations which include boutique supermarkets in China and hotels in China, USA, Australia and Germany
- seafood orders including Southern Blue Fin Tuna, South Australian Hiramasa King Fish and Southern Rock Lobster (over \$4 million in total)
- its first export shipment of Australian beef to China customers
- a strategic partnership with JM WOWO Limited a NASDAQ listed company (WOWO) which is China's first and largest catering industry B2B e-commerce platform. Under the Memorandum of Understanding signed with JM WOWO, BFC will become a foreign supplier of foodstuffs on the JM WOWO platform and provide access to BFC's OZIRIS technology, so that JM WOWO can assure integrity and safety of products sold on its B2B platform.

"The sales impacts of these new relationships are expected to first emerge in the current financial year and the progress we have made in China in broadening our customer networks is very promising" said the Chief Executive of BFC, Mr Sean Ebert. "It has affirmed the merit of our closed loop supply chain business model in addressing the needs of customers in China.

"The business model has provided us with the capacity to understand and respond to buyers' requirements as well as to meet concerns on food provenance and safety" he said. "This has also helped us to open up new markets for new products in other countries in the Asian region, such as Thailand and Korea" Mr Ebert said.

Costs in some areas of the business were also above budget as a result of the decisions made to introduce the risk mitigation measures outlined above. These measures have helped to solidify the longer term viability of the company's operations.

The Directors of BFC believe that the company has made significant progress during the year in building out its business across all of BFC's operating divisions.

"The Board is confident that BFC will provide a rewarding investment for its shareholders through the further building of the Company as a preferred supplier of high quality safe and clean Australian food into the Asian Pacific dining boom". Dr Sexton said

"BFC has been strategically positioned to be a long-term growth business which builds sustainable economic value for shareholders while creating whole-of-life loyalty with customers via authentic, healthy, and nutritious food choices with its house of brands".

Total Shareholder Returns (TSR) for IPO investors (excluding dividends) was 17.14% to 30 June, 2016.

"We look forward to providing a more detailed account of the year's progress and our current position with the announcement of our full year results".