

31 August 2016

ASX CODE: BFC

SHARE PLACEMENT TO PRIVATE INVESTMENT COMPANY DALIAN HAIRUNLAI GROUP

Beston Global Food Company Limited ('BFC' or the 'Company') is pleased to announce the placement of 64,051,111 shares to a Singapore company, Kunteng Pte Ltd, which is a wholly owned subsidiary of the China based private company, Dalian Hairunlai Group ("DHG").

The placement has been made at a price of 45 cents per share and will provide net proceeds to BFC of \$28,289,775. This represents a 5.9% premium to BFC's 5 day VWAP share price as at 31 August 2016. The placement has been made utilising the Company's placement capacity under ASX Listing Rules, 7.1 and 7.1A.

The following sets out the background and reasons for the placement, its terms and conditions and the use of the funds raised via the placement.

1. Background

Dalian Hairunlai Group (DHG) is a private investment company which has investment interests in China, Korea and Singapore. DHG, which is headquartered in Dalian, China has built a portfolio of private investments from a long history of involvement in the construction industry in China. (Dalian is also the headquarters of BFC's operation in China).

DHG has a significant portfolio of property interests and has recently diversified its investment portfolio into agri-business and e-commerce.

As part of this diversification, DHG has acquired a controlling interest in Korean e-commerce company, Cheoum C & Co, which operates the leading B2B platform in South Korea.

DHG has identified food and e-commerce as two of the fastest growing industries in China and the Asia Pacific region in the future. The company developed a corporate strategy in 2015 to bring a "leading edge food business" and a "leading edge e-commerce business" to China and assist them to grow by utilising the network of contracts established by DHG over many years of operations in China as a construction company.

DHG determined that BFC met its requirements of "leading edge", as well as having world leading technologies which could interface with DHG's investments in e-commerce. DHG initiated discussions with BFC earlier this year, through an intermediary, on the basis of its ability to accelerate the growth objectives of BFC in China (and elsewhere) and the synergistic benefits which it could bring to BFC through its investment in Cheoum C & Co in Korea.

Cheoum C and Co. (CC&C) was established in 2006 in South Korea and is the leading B2B e-commerce platform in Korea. The Company has over 90,000 clients and processes around AUD 6.0 billion of transactions annually.

Approximately 20% of these transactions are in food and beverage products.

CC&C provides business-to-business electronic payment services and an online market place for both purchasing agents and sales agents. CC&C also holds a financial services licence which enables it to provide finance to its customers to fund their B2B purchases.

The company is listed on the Korean Stock Exchange (KOSDAQ 111820).

2. Rationale for the Placement

The share placement to DHG has been made to capture a number of strategic benefits for BFC and assist our future growth.

2.1 A strategic alliance with the largest E-Commerce platform in Korea, Cheoum C & Co (CC&C)

As well as providing access to the Cheoum C & Co, E-Commerce platform, the alliance with CC&C will:

- Expedite the entry of BFC into the Korean market, a market of some 50 million consumers with relatively high disposable incomes.
- Provide access to a number of large supermarket chains and other food and beverage buyers in Korea with whom CC&C have partnership arrangements.

BFC has entered into an agreement with CC&C whereby CC&C will assist BFC to market BFC products in Korea and build our various brand names.

Cheoum C & Co. is a B2B Platform used by the Nongshim Group with whom BFC is currently engaged in trade discussions (as advised to the market on 22 July 2016).

2.2 Provides BFC with entry to new food and beverage customers in China

DHG has close relationships with a number of large supermarket chains in China, primarily as a result of their construction activities in China over a period of many years. These relationships will help to further diversify and expand the market presence of BFC in China.

As part of its commitments to assisting BFC to expand its presence in China more rapidly, DHG has provided introductions to a number of large supermarket chains across China with whom our BFC (China) team is now engaged in sales discussions.

DHG has already placed a purchase order for around AUD 400,000 of products from BFC to set up BFC product familiarisation outlets in China and is in the process of finalising the composition of additional orders (refer to "Obligations of DHG" as below).

3. Terms and Conditions the Placement

The terms and conditions of the placement to DHG are as follows:

- Number of Shares:
64,051,111 (being 14.99% of the post issue capital of BFC)
- Price of Shares:
45 cents (BFC will receive proceeds of \$28,289,775 net of transaction costs)
- Completion:
Settlement of the placement and allotment of the shares is currently scheduled to take place on Wednesday 31 August 2016 with quotation of shares expected to occur on the ASX on Thursday 1 September 2016.
- Restrictions on Shares:
 - (1) DHG has entered into a standstill agreement that it will not increase its shareholding beyond 19.9% of the capital of BFC for a period of two (2) years after the date of issue of the Placement Shares (unless this restriction is otherwise removed by the Board of BFC).
 - (2) No dividend will be payable for the 2015-16 financial year in respect of the Placement Shares.
 - (3) The Placement Shares do not create any rights or entitlement to a position on the Board of BFC or its related entities.

As the Placement Shares will not be eligible to participate in the 2015-16 financial year dividend, they will be quoted on the ASX under a separate code, expected to be "BFCN", until after the Record Date of 8 September 2016.

- Obligations of DHG:
 - (1) DHG has contracted to place firm orders, on terms acceptable to BFC, for two containers of BFC products, being one container for China and one container for Korea.
 - (2) DHG will use the products from these containers to promote BFC products in China and Korea
 - (3) DHG will utilise its controlling interest in Cheoum C & Co Ltd. to establish a formal relationship between CC&C and BFC for the sale of BFC's range of products in the jurisdiction of Korea/Republic of Korea and will use its best endeavours to introduce new customers to BFC.

4. Use of Funds

The \$28,289,775 in net proceeds from the placement will be used to further develop facilities in BFC's dairy, health and seafood businesses.

These include:

- Development of high value-add dairy nutrition products (including for the "Kids Nutrition" range of products, announced by BFC on 22 August 2016).
- Construction of a new Mozzarella cheese plant at Murray Bridge, South Australia capable of producing 5000 tonnes a year for export.

- Enhancement of the BFC production facilities at Jervois, South Australia (which houses the company's milk powder, lactoferrin and e-commerce fulfilment activities).
- Development a soft cheese plant at Murray Bridge to produce European style soft cheeses including the integration of a Cheese training facility in partnership with the TAFE Artisan Cheese Academy. As announced on 15 June 2016, these cheeses will be used for import replacement of European Cheese to Australia and be developed in conjunction with well-established domestic cheese distributors.
- Acquisition of additional seafood quota and assets in line with the buildout of the seafood division.

The Mozzarella cheese manufacturing line and "Caboolture" brand which previously operated at Murray Bridge and Jervois, South Australia was sold off separately by the Receivers from the sale of the United Dairy Power ("UPD") facilities acquired by BFC in September 2015. The Mozzarella line was a strong contributor to the earnings of the former UDP plants. Its re-instatement will enable BFC to meet orders and sales inquiries which have been received from former customers and enhance the overall operating efficiencies of Beston Pure Foods factories at Murray Bridge and Jervois.

The Chairman of Dalian Hairunlai Group Co. Ltd. (DHG), Mr Dequan Liu, said that he was delighted that the Board of Beston Global Food Company Limited (BFC) had accepted the proposal from his company to make a strategic investment in BFC.

"We identified BFC as a company which could not only meet our long term financial return objectives, but which could also have a lasting impact on the health and well-being of so many people not only in China but around the world".

"We applaud the work which BFC is doing to transform the food supply chain and deliver healthy, provenance based food and beverage products to global consumers", Mr Liu said.

"In China, as our economy continues to grow and diversify, food nutrition and health is becoming increasingly important among Chinese people. BFC offers alternative, more healthy food products for consumers right across the age spectrum and in our view will have a big impact on the market in a relatively short period. This is exactly what more and more consumers are looking for, not only in China but across the whole Asia Pacific region, and is a key reason behind our investment.

By the same token, we believe that our investment in BFC will bring a significant strategic benefit for all BFC shareholders by way of the e-commerce platforms and direct-to-market connections which we will provide to the company".

"We expect that BFC will grow into a very large global food company over time and will have a lasting impact on the lives of human beings as it penetrates into more consumer markets around the world with its healthy food solutions and smart internet-based food safety technologies", Mr Liu said.

The Chairman of BFC, Dr Roger Sexton said that the Board of BFC has formed the view that the share placement to Kunteng and the Dalian Hairunlai Group is of strategic significance to the business and brings with it a number of important attributes and benefits for other shareholders, including in terms of the implementation of the next stage of growth of BFC, the ability to capture greater returns from the company's existing assets through application of the placement proceeds, and the value add to BFC from the synergies with the existing investments of Kunteng and DHG in Singapore, Korea and China.

"As a general rule, it is the intention of the Board of BFC to undertake any requirements for additional capital in the future by way of a rights issue through which all shareholders would be invited to subscribe for additional capital", he said.