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BFC ANNOUNCES PRODUCT SUPPLY CONTRACT WITH HONDO FOOD COMPANY LIMITED

Beston Global Food Company Limited ('BFC', 'Beston' or the 'Company') advises that it has signed a Supply Agreement with the Chongqing Hondo Food Company Limited ('Hondo'), a part of the Hondo Group headquartered in Beijing, China, with a total supply contract value of RMB 120 million (approx. AUD 22 million) for BFC products.

The Supply Agreement comprises a range of products manufactured by BFC, either at its wholly owned factories or the factories of its investee companies. Shipments of products in the initial purchase order will start immediately and is expected to be substantially completed over the next eight months.

Hondo is one of the largest meat producers in China and commenced shipments of beef from Australia in 2015. Hondo is a private company, established in 1992 and has a well-established distribution network in China for its products, to both wholesale and retail outlets, including supermarkets, restaurants and food service channels.

The Director of Sales for Hondo, Mr Wei Wenxiao, said that the company wished to use its proven distribution network and loyal customer base to expand its product range using premium, healthy food and beverage products from BFC.

"We have been working with Beston for the past twelve months to put this deal together, and greatly value their integrated supply chain which provides us with the opportunity to take high quality, clean green, nutritious and safe products from Australia to our customers on a paddock-to-plate basis", he said.

We are expecting that the popularity of the Beston products will grow through the exposure to our traditional customers as well as new customers that we will bring on board, and that our orders will build overtime to around RMB 500 million per annum", he said.

The Chairman of BFC, Dr Roger Sexton said that the Supply Agreement and Purchase Order from Hondo built on the Joint Venture arrangements which BFC had put in place with the Hondo Food Company in April 2016 and underscored the benefits of the decisions made by BFC last year to work in conjunction with major distributors to develop long term markets for BFC products in China.

"The China market is complex and requires a patient, long term strategy", he said. "This can entail sacrificing short term sales opportunities, such as via "diagou" or grey channels in order to build long term, sustainable sales volumes," he said.

The Supply Agreement and initial purchase orders will operate separately from the manufacturing and distribution arrangements which BFC has put in place with the Hondo Food Company in relation to the production of ready-to-eat meat meals in China (as announced in April 2016).

A significant portion of the initial purchase order will comprise seafood products sourced in Australia including from BFC investee company, Ferguson Australia Pty Ltd.

Mr Sean Ebert, the Chief Executive Officer of BFC, said that the signing of the Agreement would enable BFC to proceed with confidence in expanding the production capacities in the Company's various factories.

"A key part of our management focus this year is to optimise the performance of our asset base, including our farms and factories, so as to increase our output of products," he said.

"China can constitute a substantial portion of BFC sales by 2020, when the tariffs on our products in China will have been reduced to zero under ChAFTA, and hence we are implementing a number of production optimisation and product initiatives to ensure that we take full advantage of this opportunity".

"Details on these initiatives will be advised progressively over the next few months, as they are put into effect," Mr Ebert said.

In announcing the transaction in Beijing in conjunction with this release by BFC, Mr Wei of Hondo, paid tribute to the hard work and cooperation of all the BFC management and staff in putting the Supply Agreement together, and in particular the BFC China team led by Mr Benjamin Ding.

Negotiations are well advanced with a number of other major customers and distributors in China, as well as in Australia, and additional purchase orders from these customers are expected to be received by BFC in the next 30 to 45 days.