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GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED

大成生化科技集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 00809)

INSIDE INFORMATION

POSSIBLE DISCLAIMER OF AUDIT OPINION FOR THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

This announcement is made by Global Bio-chem Technology Group Company Limited (the “**Company**” which, together with its subsidiaries, collectively the “**Group**”) pursuant to the Inside Information Provisions (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) of Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Listing Rules.

POSSIBLE DISCLAIMER OF AUDIT OPINION

The board (the “**Board**”) of directors of the Company (the “**Director**”) wishes to advise that based on the communication between the auditor of the Company, World Link CPA Limited (the “**Auditor**”) and the management of the Company, a disclaimer of audit opinion on the financial statements of the Company for the year ended 31 December 2016 (“**2016 Financial Statements**”) is probable due to, among others, the following principal reasons:

- (i) the continuance of certain audit issues as outlined in the Auditor’s report (“**2015 Auditor’s Report**”) dated 25 April 2016 in respect of the consolidated financial statements of the Group for the year ended 31 December 2015, such as (i) the inability to perform effective audit procedures and to obtain sufficient audit evidence to verify the financial information of two foreign subsidiaries; (ii) the inability to obtain sufficient appropriate audit evidence to assess the ownership of certain inventories, and (iii) the inability to obtain sufficient appropriate audit evidence to assess the adequacy and appropriateness of the Directors’ impairment assessment of non-current assets as at 31 December 2015;

* *for identification purpose only*

- (ii) the provision of financial guarantees (“**Financial Guarantee Contracts**”) to a bank by certain subsidiaries of the Company in connection with facilities granted to a former major supplier, with the maximum guaranteed amount of RMB 2.5 billion (Please refer to the announcement of the Company dated 8 August 2016 and the circular of the Company dated 6 September 2016 for further information about the Financial Guarantee Contracts). The Financial Guarantee Contracts had not been recognised in the Group’s financial statements, and the management of the Group has not determined the fair value of these guarantees at initial recognition and the carrying amount for subsequent measurement; and
- (iii) the validity of the going concern basis in the preparation of the 2016 Financial Statements. As disclosed in the 2015 Auditor’s Report, the Auditor expressed an emphasis of matter in relation to conditions indicating the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern. The validity of the going concern basis was dependent on the Group’s future profitable operation and the successful and favourable outcomes of the steps being taken by the management as outlined in the annual report of the Company for the year ended 31 December 2015.

The Directors have taken the following steps to improve the Group’s liquidity and solvency position as at the date of this announcement: (i) active negotiations with banks to obtain adequate bank borrowings to finance the Group’s operations; (ii) negotiations with a potential purchaser regarding possible disposal of lands and buildings of the Group’s production facilities in Luyuan District, Changchun; (iii) improvement of the Group’s operating cash flow; (iv) feasibility study on possible debt-equity swap with creditors of the Group, a proposal of which has been submitted to the Jilin Provincial Government for consideration; and (v) attaining financial support from an indirect controlling shareholder of the Company, Jilin Agricultural Investment Group Co., Ltd. (吉林省農業投資集團有限公司) (“**Nongtou**”), a company established in the People’s Republic of China which is controlled by the State-owned Assets Supervision & Administration Commission of the People’s Government of Jilin Province.

Despite the aforementioned steps undertaken by the Group, and the receipt of a written confirmation (“**Letter of Support**”) given by Nongtou in March 2017 that it would provide financial support to the Group for its operation on a going concern basis and undertake all liabilities that may arise from the Financial Guarantee Contracts, a disclaimer of opinion on the Group’s ability to continue as a going concern is expected to be raised by the Auditor in their audit opinion in respect of the 2016 Financial Statements, as: (i) the Group had continued to record a net loss during the year ended 31 December 2016 and, as of that date, the Group was in a net current liabilities and net capital deficiencies position; (ii) any potential liabilities or obligations arising from the Financial Guarantee Contracts may have a significant negative impact on the liquidity position of the Group; and (iii) Nongtou may not have sufficient financial strength in providing adequate financial support to the Group pursuant to the Letter of Support, in particular as Nongtou was newly established in August 2016 and its paid up registered capital amounted to only RMB461 million as at the date of this announcement.

Nevertheless, considering the strong background of Nongtou and its role in consolidating the state-owned investments in the agricultural sector in Jilin Province, the management of the Company is of the view that Nongtou would be able to support the operations of the Group and to provide synergistic effects among its various investments in the agricultural sector in Jilin Province. As such, the management of the Company believes Nongtou is able to provide adequate and sufficient financial support to the Group as a whole.

For further information, please refer to the announcement of the Company in relation to the final results of the Company for the year ended 31 December 2016.

The Board would also like to draw the attention of the investors and shareholders of the Company that a disclaimer of audit opinion on the financial statements of Global Sweeteners Holdings Limited (“GSH”), a major subsidiary of the Company whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 03889), for the year ended 31 December 2016 is also probable. Please refer to the announcement of GSH dated 20 March 2017 for further information.

GENERAL

The management of the Group will continue to provide further audit evidence to the Auditor in respect of the audit of the 2016 Financial Statement. The Board wishes to emphasise that, as the Company is still in the process of preparing the 2016 Financial Statement, the information contained in this announcement is only based on the Board’s preliminary assessment of the unaudited consolidated financial statements of the Group, and is subject to finalisation and necessary adjustments, and the audit thereof by the Auditor. The announcement of the Company in relation to the final results of the Company for the year ended 31 December 2016 is expected to be published on or around 29 March 2017.

The Board also wishes to emphasise that the Auditor may or may not express a disclaimer of audit opinion for the 2016 Financial Statements. Investors and shareholders of the Company are urged to exercise caution when dealing in the shares and/or securities of the Company.

By order of the Board
Global Bio-chem Technology Group Company Limited
Lee Chi Yung
Company Secretary

Hong Kong, 20 March 2017

As at the date of this announcement, the Board comprises three executive Directors, namely, Ms. Wang Qiu, Mr. Wang Jian and Mr. Li Shuguang; two non-executive Directors, namely, Mr. Qiu Zhuang and Mr. Xing Lizhu; and three independent non-executive Directors, namely, Mr. Ng Kwok Pong, Mr. Yeung Kit Lam and Ms. Chiu Lai Ling Shirley.