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北斗嘉藥業股份有限公司
BAYTACARE PHARMACEUTICAL CO., LTD.*

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 8197)

(1) CHANGE OF AUDITOR
(2) ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE
AND ENGAGEMENT OF INDEPENDENT FORENSIC ACCOUNTANT
AND
(3) ENGAGEMENT OF INTERNAL CONTROL CONSULTANT

(I) CHANGE OF AUDITOR

This announcement is made by Baytacare Pharmaceutical Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.50(4) of the GEM Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**GEM Listing Rules**”).

The board of directors (the “**Board**”) of the Company wishes to announce that Pan-China (H.K.) CPA Limited has resigned as the auditor of the Company with effect from 31 July 2019 as it was unable to reach a consensus with the Company on the audit fee for the financial year ended 31 December 2019.

Pan-China (H.K.) CPA Limited has confirmed that save for the audit fee of the Company for the financial year ended 31 December 2019 and the matters in the section entitled “Disclaimer of Opinion” set out in the auditor’s report and the annual report of the Company for the year ended 31 December 2018, there are no matters in connection with its resignation that need to be brought to the attention of the shareholders of the Company. The Board also confirmed that except for the above, there are no circumstances in respect of the change of auditor that need to be brought to the attention of the shareholders of the Company.

The Board, with the recommendation of the Audit Committee, has appointed KTC Partners CPA Limited as the new auditor of the Company with effect from 1 August 2019, to fill the casual vacancy following the resignation of Pan-China (H.K.) CPA Limited and to hold office until the conclusion of the next annual general meeting of the Company.

The Board would like to take this opportunity to express its sincere gratitude to Pan-China (H.K.) CPA Limited for its professional services and support to the Company during the past years. The Board would also like to extend its warm welcome to KTC Partners CPA Limited on their appointment as the auditor of the Company.

(II) ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND ENGAGEMENT OF INDEPENDENT FORENSIC ACCOUNTANT

Reference is made to the announcements of the Company dated 29 March 2018, 26 April 2018, 27 April 2018, 30 April 2018, 9 July 2018, 14 September 2018, 26 September 2018, 21 December 2018 and 26 March 2019.

The Board has recently established an independent board committee of board of directors of the Company (“**IBC**”), comprising all independent non-executive directors of the Company.

Grant Thornton Advisory Services Limited has also been engaged by Li & Partners, the legal advisor representing the IBC, as the independent forensic accountants to conduct an investigation of the following:

- i) the loan agreement dated 27 December 2016 entered into by the Company and Beijing Haigang Investment Development Co., Ltd.* (北京海港投資發展有限公司), its related arrangements as well as its disclosure requirements in respect of the GEM Listing Rules;
- ii) the acquisition agreement dated 20 January 2017 entered into between the Company, Beijing Shan Shi Media Technology Limited* (北京山石傳媒科技有限公司) (“**Beijing Shan Shi**”) and Zhonghe Beidou Information Technology Limited* (中和北斗資訊技術股份有限公司) in relation to the acquisition of school buses and monitoring systems and its related disclosure requirements in respect of the GEM Listing Rules;
- iii) the settlement arrangement dated 20 January 2017 amongst the Company, Mr. Wang Shaoyan, Mr. Wang Shaoyan’s father, Mr. Wang Yan, Zhong Xing Heng He Investment Group Company Limited* (中興恒和投資集團有限公司) and a third party, and its related disclosure requirements in respect of the GEM Listing Rules;
- iv) the five unauthorised transfers from the Company to Beijing Shengshi Yansen Technology Limited * (北京盛世岩森科技有限公司) (“**Beijing Shengshi**”) in March 2018; and
- v) the auditor of the Company opined in the auditor’s report issued on the consolidated financial statements of the Company for the year ended 31 December 2018 that the Company confirmed a sum of litigation liabilities (approximately RMB54,908,000) as at 31 December related to unrecorded financial guarantee provided by the Group and unrecorded loan borrowing incurred by the Group which arose from management override of controls. Due to the occurrence of the aforesaid events giving rise to the litigation liabilities, the auditor of the Company has been unable to obtain sufficient appropriate audit evidence to satisfy itself as to whether there were any further unrecorded financial liabilities that might have been arisen from further incidents of management override of controls yet to be revealed.

Further announcement will be made as and when appropriate.

(III) INTERNAL CONTROL REPORT

The Company earlier engaged NCN Risk Advisory Limited (“**NCN Risk**”) to conduct a review of the internal control system of the Company. NCN Risk has completed the internal control report on 5 December 2018.

Eternal Bright Consultants Limited has been engaged by the Company to follow up on the concerns raised by NCN Risk in the internal control report on 5 December 2018 and on whether the management of the Company has followed up and implemented remedial measures in relation thereof from 1 January 2019 to 30 June 2019.

Further announcement will be made as and when appropriate.

(IV) RESUMPTION OF TRADING

Trading in the shares of the Company has been suspended with effect from 9am on 27 September 2018. Thereafter, the Company received a letter from the Stock Exchange dated 4 October 2018, in which the Stock Exchange sets out the resumption guidance (“**Resumption Guidance**”) for the Company. The Company announced the contents of the Resumption Guidance on 10 October 2018. On 3 April 2019, the Company received another letter from the Stock Exchange, pursuant to which the Stock Exchange set out additional resumption guidance (“**Additional Resumption Guidance**”). The Company announced the contents of the Additional Resumption Guidance on 9 April 2019.

Currently, the Company is using its best endeavours to confirm the resumption plan and resumption timetable as soon as possible. Once the resumption plan and resumption timetable are confirmed, the Company will comply with the relevant GEM Listing Rules requirement, including announcing the relevant resumption plan and resumption timetable, obtaining the approval of the Stock Exchange, issuing a circular to shareholders and convening a special general meeting of shareholders to approve the transactions contemplated under the resumption plan.

The Company will keep the public informed of the progress on the fulfilment of the resumption conditions by making further periodic announcements.

By Order of the Board
Baytacare Pharmaceutical Co., Ltd.*
Executive Director
Cui Bingyan

Shenzhen, People’s Republic of China, 2 August 2019

As at the date of this announcement, the executive Directors are Cui Bingyan, Fang Yao, Guo Aiqun and Zheng Chunyan; the non-executive Directors are Shi Peng and Cao Yang; and the independent non-executive Directors are Chen Youfang, Zhu Tianxiang and Zhao Xiaomei.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the website of GEM at www.hkgem.com for at least 7 days from the date of the publication and the Company’s website at www.baytacare.com from the date of this announcement.

** for identification purposes only*