

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO UPDATE ON LISTING STATUS

Reference is made to the announcement of the Company dated 16 September 2018 in relation to, among others, the update on listing status of the Company (the “**Announcement**”). Unless otherwise stated herein, capitalised terms used in this supplemental announcement shall have the same meanings as those defined in the Announcement.

As mentioned in the Announcement, the Company has received the Letter, that the Stock Exchange has decided to suspend trading in the Shares under Rule 9.04 of the GEM Listing Rules and proceed with cancellation of the Company’s listing under Rule 9.14 of the GEM Listing Rules (the “**Decision**”). The Decision was made having considered, among others, the following:

1. the original principal businesses of the Group, including (i) development, manufacture and sale of medicines (the “**Medicines Business**”) at the time of listing; (ii) planting, cultivation and sale of Chinese herbs (mainly underground ginseng) (the “**Chinese Herbs Business**”) since 2011; (iii) trading of Chinese herbs and condiments (the “**Trading Business**”) since 2016; and (iv) development of civilian use of Beidou (北斗) and health related big data, healthcare management service, safety school bus monitoring and financial internet platform service (the “**Big Data Business**”) since 2016.
2. The Group had a low level of business operations for years. From 2013 to 2015, the Group only recorded minimal revenue. The Group generated revenue of RMB29.5 million, RMB 17.1 million and RMB 7.1 million with minimal net profit or net loss for 2016, 2017 and the first half of 2018, respectively. The Group’s businesses did not generate sufficient revenue to cover its corporate expenses and recorded net operating cash outflow in three of the last five years. This situation does not appear to be a temporary decline or downturn.
3. Medicines Business: The Group’s original business, the Medicines Business, recorded minimal or nil revenue from 2013 to 2017. As disclosed in the 2017 annual report, the Company was planning to gradually dispose of its original Medicines Business. The

Group has subsequently entered into new contracts but it is questionable how these new agreements can substantially improve the Company's business operations and revenue.

4. Chinese Herbs Business: The Company only generated minimal revenue with segment loss in 2017 out of the last five years. The Company has formulated a plan to develop this segment by planting Sehisandra and other Chinese herbs, and entered into two sales contracts to supply Sehisandra and ginseng to the same customer but the Stock Exchange considered that these plans are preliminary.
5. Trading Business: The revenue for 2016 and 2017 were generated from one to two customers only. In 2017, the Group recorded significant impairment on the related trade receivables, which represented about 96% of the revenue generated from the Trading Business during the same year. The Company did not disclose any details regarding these customers, including their background and relationship with the Company. This gives rise to a concern on the viability and sustainability of the Trading Business. The Company plans to expand this business by selling more products through the joint venture partner's established trading channels. However, there are no details on these trading channels or how they can expand its customer base.
6. Big Data Business: The Big Data Business is a new business with short operating history. It only generated minimal revenue in 2016 so far. The Stock Exchange has concerns that the Big Data Business is not viable and sustainable.
7. Assets: As at 30 June 2018, the Group's total assets were RMB 152.8 million. Out of these assets, RMB 69.7 million relates to investment properties and RMB 35.5 million relates to deposit paid for the proposed acquisition of property, plant and equipment (namely, the school buses and Beidou monitoring system). The proposed acquisition has not been completed yet, and the investment properties only generated minimal rental income of less than RMB 1 million for 2016 and 2017, respectively. It is considered that the Group's assets are insufficient to meet Rule 17.26 of the GEM Listing Rules because the operations of these assets could not enable the Company to substantially improve its operations and generate sufficient revenue and profits to warrant a continued listing of its shares.

The Company also wishes to clarify that (i) the Announcement was not made pursuant to Rule 9.17 of the GEM Listing Rules; and (ii) the Letter did not serve as a notice pursuant to Rule 9.15 of the GEM Listing Rules.

The Directors would remind the Shareholders and potential investors that (i) the Company may or may not proceed with the review by the GEM Listing Committee; and (ii) the outcome of such review is uncertain, if undertaken.

Further announcements will be made by the Company as and when appropriate and in accordance with the requirements of the GEM Listing Rules. Shareholders who have any

queries about the implications of the Stock Exchange's notice of proceeding to cancel the Company's listing are advised to obtain appropriate professional advice.

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

Beijing, People's Republic of China, 18 September 2018

As at the date of this announcement, the executive Directors are Cui Bingyan, Fang Yao and Guo Aiqun; the non-executive Directors are Shi Peng and Cao Yang; and the independent non-executive Directors are Hui Lai Yam, Gao Zhikai and Chen Youfang.

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*