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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)

2018 Third Quarterly Results Announcement For the nine months ended 30 September 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (the "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Baytacare Pharmaceutical Co., Ltd. (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") 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: - (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement in this announcement misleading.*

HIGHLIGHTS
(Unaudited)

- Turnover of the Group for the nine months ended 30 September 2018 was approximately RMB13,208,000 (2017: RMB17,087,000), representing a decrease of approximately 22.70% compared with the same period of last year.
- Total comprehensive expense attributable to owners of the Company (the “Shareholders”) for the nine months ended 30 September 2018 was approximately RMB16,329,000 (2017 total comprehensive expense: RMB15,110,000), representing an increase of approximately 8.07% compared with the same period of last year.
- Losses per share (“Shares”) of the Company for the nine months ended 30 September 2018 was approximately RMB1.90 cents (2017: approximately RMB1.76 cents).
- The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2018 (2017: nil).

RESULTS (UNAUDITED)

The board of Directors (“**Board**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months and three months ended 30 September 2018 (the “**Period under Review**”), together with the comparative figures for the corresponding periods of the previous financial year, as follows:

		Nine months ended		Three months ended	
		30 September		30 September	
		2018	2017	2018	2017
		RMB'000	RMB'000	RMB'000	RMB'000
		Notes (Unaudited)	(Unaudited)	Notes (Unaudited)	(Unaudited)
Turnover	c	13,208	17,087	6,111	1,993
Cost of sales		(12,491)	(15,361)	(5,746)	(1,976)
Gross profit		717	1,726	365	17
Other revenue	d	733	715	218	230
Reversal of / (impairment loss) on trade receivables		700	-	-	-
Reversal of / (impairment loss) on trade deposit		1,000	-	-	-
Research and development cost		(5,000)	-	(5,000)	-
Administrative and other operating expenses		(13,566)	(17,061)	(3,490)	(5,716)
Operating loss	e	(15,416)	(14,620)	(7,907)	(5,469)
Finance cost		(469)	(786)	(156)	(179)
Loss before income tax expense		(15,885)	(15,406)	(8,063)	(5,648)
Income tax expense	f	-	-	-	-
Loss after income tax expense		(15,885)	(15,406)	(8,063)	(5,648)
Other comprehensive income		-	-	-	-
Total comprehensive expense for the period		(15,885)	(15,406)	(8,063)	(5,648)

	Nine months ended		Three months ended	
	30 September		30 September	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
	Notes (Unaudited) (Unaudited)		(Unaudited) (Unaudited)	
Total comprehensive expense attributable to:				
Owner of the Company	(16,329)	(15,110)	(7,997)	(5,517)
Non-controlling interests	444	(296)	(66)	(131)
	<u>(15,885)</u>	<u>(15,406)</u>	<u>(8,063)</u>	<u>(5,648)</u>
Losses per share				
Basic (in RMB cents)	(1.90)	(1.76)	(0.93)	(0.64)
Diluted (in RMB cents)	N/A	N/A	N/A	N/A

Notes:

a. Basis of presentation and principal accounting policies

These condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standard (“HKAS”) and Interpretations issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing Securities on the GEM of The Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention except that investment properties are measured at fair value and biological assets are measured at fair value less costs to sell.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the nine months ended 30 September 2018 are the same as those in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

Application of the new and amendments to HKFRSs

In the current period, the Group has applied, for the first time the following new and amendments to HKFRSs which are mandatory effective for annual period beginning on or after 1 January 2018 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HKAS 40 (Amendments)	Transfers of Investment Property
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The application of the new and amendments to HKFRSs in the current period has had no material effect on the Group’s result and financial position.

b. Segment information

The following is an analysis of the Group's revenue and results by reportable segment:

For the nine months ended 30 September 2018 (unaudited)

	Medicine business RMB'000	Chinese herbs business RMB'000	Medicines sourcing/ trading business RMB'000	Big data business RMB'000	Total RMB'000
Results					
Reportable revenue from external customers	-	3,750	7,097	2,361	13,208
Reportable segment results	<u>(158)</u>	<u>(248)</u>	<u>1,109</u>	<u>(15,828)</u>	<u>(15,125)</u>
Unallocated corporate other income					-
Unallocated corporate expense					<u>(760)</u>
Loss before income tax expense					<u>(15,885)</u>
Income tax expense					-
Loss for the period					<u>(15,885)</u>

For the nine months ended 30 September 2017 (unaudited)

	Medicine business RMB'000	Chinese herbs business RMB'000	Medicines sourcing/ trading business RMB'000	Big data business RMB'000	Total RMB'000
Results					
Reportable revenue from external customers	-	-	17,087	-	17,087
Reportable segment results	<u>(1,463)</u>	<u>(465)</u>	<u>(724)</u>	<u>(11,044)</u>	<u>(13,696)</u>
Unallocated corporate other income					-
Unallocated corporate expense					<u>(1,710)</u>
Loss before income tax expense					<u>(15,406)</u>
Income tax expense					-
Loss for the period					<u>(15,406)</u>

c. Revenue

	For the 9 months ended		For the 3 months ended	
	30 September		30 September	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of goods	<u>13,208</u>	<u>17,087</u>	<u>6,111</u>	<u>1,993</u>

d. Other revenue

	For the 9 months ended		For the 3 months ended	
	30 September		30 September	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Rental income	724	715	217	230
Sundry income	8	-	-	-
Bank interest income	1	-	1	-
	<u>733</u>	<u>715</u>	<u>218</u>	<u>230</u>

e. Operating loss

Operating loss is stated after charging the following items:

	For the 9 months ended		For the 3 months ended	
	30 September		30 September	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Amortisation of land use rights	-	183	-	60
Amortisation of intangible assets	353	557	1	62
Depreciation of property, plant and equipment	470	1,251	39	424
Loss on disposal of property, plant and equipment	<u>1,103</u>	<u>-</u>	<u>1,103</u>	<u>-</u>

f. Income tax expense

The Company and its subsidiaries were established in The People's Republic of China (the "PRC"). They are subject to enterprise income tax ("EIT") at a rate of 25%.

According to the PRC tax laws and its interpretation rules, enterprises that engage in qualified agricultural business are eligible for exemption from payment of PRC EIT. The Group's principal subsidiary which is engaged in qualifying agricultural business is entitled to exemption of PRC EIT.

No provision for EIT has been made as the Company and the Company's subsidiaries has no taxable profits for the relevant periods.

g. Losses per Share

The calculation of basic losses per share for a relevant period is based on unaudited loss attributable to owners of the Company which is the same as unaudited total comprehensive expense attributable to owners of the Company during the relevant periods under review, divided by the respective weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares in issue for the nine months and three months ended 30 September 2018 are 858,054,240 and 858,054,240 respectively (2017: 858,054,240 and 858,054,240 respectively).

No diluted earnings per share were presented as there were no potential ordinary shares in existence during the relevant period.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Retained earnings	Non-controlling interests	Total
	Share premium	Others	Property revaluation reserve	Statutory revenue reserve			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2018	102,618	11,326	18,459	9,685	(110,627)	(6,950)	24,511
Total comprehensive (loss)/ income for the period	-	-	-	-	(16,329)	444	(15,885)
As at 30 September 2018	<u>102,618</u>	<u>11,326</u>	<u>18,459</u>	<u>9,685</u>	<u>(126,956)</u>	<u>(6,506)</u>	<u>8,626</u>

	Attributable to owners of the Company				Retained earnings	Non-controlling interest	Total
	Share premium	Others	Property Revaluation reserve	Statutory Revenue reserve			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017	102,618	11,326	7,934	9,865	(37,032)	7,874	102,585
Total comprehensive loss for the period	-	-	-	-	(15,110)	(296)	(15,406)
As at 30 September 2017	<u>102,618</u>	<u>11,326</u>	<u>7,934</u>	<u>9,865</u>	<u>(52,142)</u>	<u>7,578</u>	<u>87,179</u>

DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2018 (2017: nil).

BUSINESS REVIEW AND PROSPECTS

Business review

The Group's business is classified into four main segments: A. Chinese Herbs Business; B. Medicines Business; C. Medicines Sourcing/Trading Business; and D. Big Data Business.

A. Chinese Herbs Business

After thorough study and consideration of the Feasibility Study Report and the potential markets and costs of different Chinese herbs, the Company considered that in addition to ginseng, the plantation and harvesting of Sehisandra (五味子) would also be one of the key products of the Company under this segment. Sehisandra is a precious Chinese herb and considered as one of the 50 fundamental herbs which have multi-functions and wide application for health-related issues. Sehisandra can be harvested and ready for sales one year after the plantation and can be harvested over a period of 10 years while the third to fourth year after the plantation would be their rich harvesting period. According to market search of the Company, Sehisandra is in strong demand and its market price has been on an upward trend, increased from RMB50/kg in 2015 to RMB150/kg in 2017.

The Company has already employed two experienced plantation personnel who both have over 15 years of experience in the plantation of Sehisandra and have deep understanding in the local market for Sehisandra. The Company is currently working on the preparation work for the plantation and has been liaising with the potential suppliers of the sapling of Sehisandra and potential customers of Sehisandra so as to formulate our plantation plan. The Company has entered into a sales contract with 尚志市北方中药材种植专业合作社 (the "Co-Op") on 28 July 2018 for a term of five years and three months, pursuant to which the Co-Op would purchase 20,000kg to 30,000kg of Sehisandra each year from the Company at the prevailing market price. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, each of Co-Op and its ultimate beneficial owners is independent of the Company and its connected persons. The Company has already received a deposit of RMB100,000 from the Co-Op pursuant to the sales contract. It is currently contemplated that the sowing and plantation of Sehisandra will commence in March 2019 as the sowing season for Sehisandra is in March and April only. The Company intends to procure Sehisandra locally to satisfy the obligation under the sales contract for the years ended 31 December 2018 and 2019 and expects to sell the harvested self-planting Sehisandra beginning from 2020.

In respect of the sales of Ginseng, Antao County Northeast Tiger Xinxing New Product Co., Ltd. (安圖縣東北虎新興特產有限公司), a wholly-owned subsidiary of the Company, has entered into a supply contract with the Co-Op on 6 August 2018, pursuant to which the Co-Op would purchase the ginseng planted in the Forest Land from the Group at a price taking into account the quality of ginseng and the prevailing market price, for a term of three years. The Company has already received a deposit of RMB100,000 from the Co-Op.

B. Medicines Business

There is strong correlation between the original medicine business of the Group and the distribution business under the Agency Agreement and Framework Agreement, with Zhuhai Guangyuan Co., Ltd.* (珠海廣緣醫藥有限公司) (“Zhuhai Guangyuan”). The Group is originally a Chinese medicine manufacturer based in Jilin Province with extensive sales and distribution network covering various districts in Jilin Province, including Changchun, Jilin, Siping, Yanji and Jiutai, etc.. Although the Group has made a commercial decision to scale down its original manufacturing of Chinese medicine business in view of the high research and development costs and ever increasing raw materials and labor costs with no sign of slowing down, increasingly stringent government regulations on the medicines industry and large amount of capital required for medicine manufacturing, it still maintains good and close relationship with the downstream customers including Zhuhai Guangyuan, pharmacy stores and hospitals to distribute Chinese medicines or other relating products in Jilin Province.

Zhuhai Guangyuan does possess extensive distribution network with nationwide chain stores but given their existing network is principally focused in Southern China and they do not maintain an extensive network in Jilin Province, they entered into the Agency Agreement with the Company so that the product can be marketed in Jilin Province in a more cost-effective way.

It is the intention between the Company and Zhuhai Guangyuan that the distribution of the Product would serve as a starting point for future and more extended cooperation between them. Should the distribution of the Product by the Group in Jilin Province be proved to be successful, Zhuhai Guangyuan would consider to engage the Company to act as the authorized Zhuhai Guangyuan for its other medicines or medical products. Moreover, the Company can also take this opportunity to demonstrate its distribution capability in Jilin Province to other medical Zhuhai Guangyuans or manufacturers that are interested in marketing or distributing their products in Jilin Province. As such, the Company expects to generate more revenue and profit from this business segment after the transformation from the role of a manufacturer to Zhuhai Guangyuan.

C. Medicines Sourcing Management/Trading Business

On 12 May 2016, the Company has established a joint venture company named as 天津中合盛國際貿易有限公司 (the “JV Company”) with Beijing Shangzheng Technology Co., Ltd.* (北京上正科技有限公司) (“Beijing Shangzheng Technology”) with registered capital of RMB20,000,000 in which the Company holding 60% of the equity interest and Beijing Shangzheng Technology holding 40% of the equity interest respectively. The JV Company is a non-wholly owned subsidiary of the Group. As disclosed in the Company’s announcement dated 10 May 2016, Beijing Shangzheng Technology is principally engaged in the marketing operation, hardware and software application of navigation systems, and production and trading of commodities and has various business partners domestically and internationally and established extensive trading channels.

The Company has been conducting its Medicines Sourcing Management/Trading Business through the JV Company and Beijing Shangzheng Technology’s established trading channels and other long established trading channels.

On one hand, the Board will consider selling the Product through the aforesaid established Medicines Sourcing Management /trading channels. On the other hand, the Board will also consider sourcing medicines from other medicines manufacturers and Zhuhai Guangyuans and distribute or sell related medicines and products through the aforesaid established trading networks.

D. Big Data Business

Among the seven software products development commissioned by the company, the Beidou Satellite Intelligent Terminal Control and Management System Software (the “Software”), which is compatible with a wide range of mobile devices, including smartphones, tablets, smart watches and student cards, and is designed for both iOS and Android operating system and comprises location-based service related functions including global positioning system providing precise global location and velocity data, location security assistance services (early warning, rescue, alarm, etc.) as well as remote control of connection device functions, has been completed in August 2018 and delivered to the Group. Since then, the Group has been negotiating with potential business partners in view of commercializing the copyrights of the Software and generating revenue from this business segment.

Reference is made to the voluntary announcement of the Company dated 17 August 2018 in respect of the entering of (1) Strategic Cooperation Agreement; (2) Technical Development Service Agreement; (3) Sale and Purchase Agreement and (4) Proposed Procurement Cooperation Agreement. (the “Agreements”) Pursuant to the Agreements, pursuant to which the Group begin to commercialize the Software through providing the Software to install to the smart phones procured from independent third parties and on-sold them to the purchaser.

During the Period under Review, due to the stagnant business environment in China, turnover of the Group amounted to approximately RMB13,208,000 (2017: RMB17,087,000), representing a decrease of approximately 22.70% compared with the corresponding period in 2017. General, administrative and other operating expenses amounted to approximately RMB13,566,000 (2017: approximately RMB17,061,000), representing a decrease approximately 20.49%, due to the personnel simplification of the Group. Finance costs amounted to approximately RMB469,000 (2017: approximately RMB786,000). Total comprehensive loss attributable to owners of the Company amounted to approximately RMB16,329,000 (2017: approximately RMB15,110,000).

Prospects

Looking to the future, the Chinese economy growth will be stable but may change. The demand side will be affected the slowdown in domestic demand and foreign demand. In 2018, the Ministry of Industry and Information Technology of the PRC will adhere to the basic requirements for high quality development, adhere to new development concepts, implement in depth the industrial internet innovation and development strategy, carry out “323” actions for the development of industrial internet, build up network, platform and security three main systems, boost the integration of large scale enterprise innovation and the application of SMEs in two types of applications, build up industry, ecology and internationalization supports, and promote the development of industrial internet to a new level.

The Company formulated a feasible plantation plan for the cultivation of Chinese Herbs on the Forest Land in December 2017 which will be continued to put into execution in the fourth quarter of 2018. Whilst the cultivation of the Chinese Herbs requires time, the Company will harvest existing matured underground wild ginsengs grown on the Forest Land for sale in the interim if the market price is considered favourable to the Company.

The Company has entered into the Strategic Cooperation with Zhuhai Guangyuan on 8 June 2018 to enhance the sales and distribution channel of the Company’s products. As disclosed in the Announcement, by entering into the Framework Agreement, the Group can leverage on Zhuhai Guangyuan’s 3000 nationwide chain stores which would allow the Group to reduce the distribution costs of traditional Chinese medicine and expand its Medicines Business which will be mutually complementary to the Chinese Herbs Business.

The Company will act as the authorized distributor of the Product for Zhuhai Guangyuan in Jilin Province, China pursuant to the Agency Agreement as disclosed in the Announcement.

Apart from the long established medicines and related products' distribution channel and through Beijing Shangzheng Technology's established sourcing management /trading channels, the Board will consider selling the Product and other medicines sourced from other medicines manufacturers or distributors through these established trading channels on the way forward;

The Company has been developing its Big Data Business continuously. The Company has obtained copyrights for the seven software disclosed in its 2018 First Quarterly Report and the Company has identified suitable partners. One of seven software cooperation has been implemented on the third quarter of 2018.

The Board considers that there will be potential synergy effect between its Chinese Herbs Business, Medicines Business, Big Data Business and Medicines Sourcing Management/Trading Business as follows:-

- (a) the Chinese Herbs Business, Medicines Business, the Strategic Cooperation and health management services are all health related business;
- (b) the Chinese Herbs harvested from the Forest Land may be utilized to produce Chinese medicines and distributed under the Strategic Cooperation with Zhuhai Guangyuan and other distribution channels; and
- (c) established sourcing /trading channels of the Trading Business and other medicines and related products' distribution channels shall serve as a sourcing management or distribution outlet for the products from the Group's Chinese Herbs Business and Medicines Business.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2018, the Company had total assets of approximately RMB156,880,000 which were financed by current liabilities of approximately RMB25,416,000, deferred tax liability of approximately RMB14,533,000, long-term borrowings of approximately RMB22,500,000 and shareholders' equity of approximately RMB94,431,000.

The Company generally services its debts primarily through cash generated from its operations. The financial position of the Company remains healthy. As at 30 September 2018, the Company had cash and bank balances of approximately RMB616,000 and are denominated in Renminbi.

Except for the borrowings disclosed above, as at 30 September 2018, the Company did not have any committed borrowing facilities.

UPDATED ON LISTING STATUS

Reference is made to the announcements dated 14 September 2018, 18 September 2018 and 26 September 2018 of the Company in relation to, among others, the update on listing status of the Company.

The Company has received the Letter dated 14 September 2018(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").

Pursuant to the Letter, in view of the Decision, the Company is required to re-comply with Rule 17.26 of the GEM Listing Rules and it will have a remedial period of 12 months to re-comply with Rule 17.26 of the GEM Listing Rules. If the Company fails to do so by the expiry of the 12-month period (i.e., 13 September 2019), the Stock Exchange will proceed with cancellation of the Company's listing.

Under Rule 4.06(1) of the GEM Listing Rules, the Company has the right to have the Decision referred to the GEM Listing Committee for review on or before 26 September 2018. The Company did not lodge a request for the Decision be referred to the GEM Listing Committee of the Stock Exchange pursuant to Chapter 4 of the GEM Listing Rules for review by 26 September 2018. Based on the above, at the request of the Company, trading in the shares of the Company will be suspended with effect from 9:00 a.m. on 27 September 2018.

The Company is taking appropriate steps to remedy the issues causing its trading suspension and will use its best endeavours to resume trading in its shares as soon as practicable

LEGAL ACTIONS

Reference is made to the announcements dated 26 April 2018, 27 April 2018, 30 April 2018, 9 July 2018, 14 September 2018 and 26 September 2018 of the Company in relation to, among others, the arrest of Mr. Wang Shaoyan (a former executive director of the Company and the chairman of the Board)("Mr. Wang").

The Company instituted legal actions in mainland China against Mr. Wang for entering into the agreements on behalf of the Company without due authorisation of the Board, and failure to carry out his duties as a director of the Company. On 21 August 2018, Mr. Wang was arrested by the PRC Public Security Bureau for suspected misappropriation of funds. On 26 September 2018, Beijing Municipal Chaoyang District People's Procuratorate (北京市朝陽區人民檢察院) issued an approval for arrest of Mr. Wang for suspected misappropriation of funds in accordance with the Criminal Procedure Law of the People's Republic of China (中華人民共和國刑事訴訟法). The public security authority also included Mr. Wang Yan, the father of Mr. Wang, in the scope of investigation.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2018, none of the Directors, the supervisors (the "Supervisors") and the chief executive of the Company or their respective associates had interests and short positions in the shares (the "Shares"), underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors and Supervisors to be notified to the Company and the Stock Exchange.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

As at 30 September 2018, the Company was not a party to any arrangements to enable the Directors, Supervisors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the

Directors, Supervisors and chief executive of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director or Supervisor, as at 30 September 2018, the persons or companies (not being a Director, Supervisor or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follow:

Long positions in Shares

Name	Capacity	Number of domestic Shares held	Approximate percentage of total issued domestic Shares (%)	Approximate percentage of total issued Shares (%)
Beijing Baoying Chuangfu Investment Management Center (Limited Partnership)* (北京寶盈創富投資管理中心(有限合伙)) (Note 1)	Beneficial owner	398,534,660	65.37	46.44
Guo Feng (Note 1)	Beneficial owner	137,611,830	22.57	16.04
Wang Yu Qin (Note 2)	Interest of controlled corporation	31,500,000	5.17	3.67

Long positions in Shares (Continued)

Name	Capacity	Number of domestic Shares held	Approximate percentage of total issued domestic Shares (%)	Approximate percentage of total issued Shares (%)
Beijing Zhong Jia Hui Tong Investment Management Company Limited* (北京中嘉慧通投資管理有限公司) (Note 2)	Beneficial owner	31,500,000	5.17	3.67
Yu Bo (Note 3)	Interest of controlled corporation	31,500,000	5.17	3.67
Beijing Yue Sheng Investment Management Company Limited* (北京悅升投資管理有限責任公司) (Note 3)	Beneficial owner	31,500,000	5.17	3.67

Notes:

1. Pursuant to the letters of intent entered into among Beijing Baoying Chuangfu Investment Management Center (Limited Partnership) (“**Beijing Baoying**”), Guo Feng (“**Ms. Guo**”) and Zhang Yabin (“**Mr. Zhang**”) respectively (the “**Letters of Intent**”):

(i). Ms. Guo and Beijing Baoying have agreed to enter into (i) a share transfer agreement before 31 December 2016 pursuant to which Ms. Guo shall sell, and Beijing Baoying shall purchase, an aggregate of 137,611,830 domestic Shares at RMB0.1674 per domestic share for an aggregate consideration of RMB23,036,220, and (ii) a share pledge agreement pursuant to which Ms. Guo shall pledge an aggregate of 137,611,830 domestic Shares to Beijing Baoying; and

(ii). Mr. Zhang and Beijing Baoying have agreed to enter into (i) a share transfer agreement before 31 July 2016 pursuant to which Mr. Zhang shall sell, and Beijing Baoying shall purchase, an aggregate of 1,618,960 domestic Shares at RMB0.1674 per domestic share for an aggregate consideration of RMB271,014, and (ii) a share pledge agreement pursuant to which Mr. Zhang shall pledge an aggregate of 1,618,960 domestic Shares to Beijing Baoying. As at the date of this announcement, the aforesaid share transfer agreements have not been entered into.

Taking into account (i) the 137,611,830 domestic Shares held by Ms. Guo and the 1,618,960 domestic shares held by Mr. Zhang to be transferred to Beijing Baoying pursuant to the Letters of Intent; (ii) the 398,534,660 domestic Shares beneficially held by Beijing Baoying, Beijing Baoying shall hold an aggregate of 537,765,450 domestic Shares.

2. Wang Yu Qin (王玉琴) holds 100% equity interest in Beijing Zhong Jia Hui Tong Investment Management Company Limited* (北京中嘉慧通投資管理有限公司).

3. Yu Bo (于波) holds 95% equity interest in Beijing Yue Sheng Investment Management Company Limited* (北京悅升投資管理有限責任公司).

Save as disclosed above, as at 30 September 2018, the Directors were not aware of any other person who had an interest or short position in the Shares or the underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

COMPETING INTERESTS

During the nine months ended 30 September 2018 and as at the date of this announcement, none of the Directors and Supervisors, the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) has an interest in any business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has set up an audit committee. In compliance with Rule 5.29 of the GEM Listing Rules, the authority and responsibility of the audit committee has been properly written out. The primary duties of the audit committee are to review and supervise the financial reporting and internal control systems as well as risk management of the Company. The audit committee comprises Ms. Hui Lai Yam, Mr. Gao Zhikai and Mr. Chen Youfang and, all of whom are independent non-executive Directors.

The audit committee had conducted a meeting and reviewed the Company’s unaudited results for the nine months ended 30 September 2018 and was of the opinion that the preparation of the unaudited results for the nine months ended 30 September 2018 complied with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure had been made.

CORPORATE GOVERNANCE CODE

The Company is committed to maintain a high standard of corporate governance. The Board and the management of the Company have adopted the code provisions (the “**Code Provisions**”) of the Corporate Governance Code and the Corporate Governance Report set out in Appendix 15 of the GEM Listing Rules. During the Period under Review and up to the date of this announcement, the Company has fully complied with the Code Provisions.

STANDARD OF DEALINGS AND MODEL CODE OF PRACTICE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a model code of practice with standards not lower than those required as set out in Rules 5.48 to 5.67 of the GEM Listing Rules for securities transactions by Directors (the “Model Code”). The Company has confirmed after making due enquiries with the Directors in accordance with the Model Code, that all the Directors have complied with the standard of dealings and the Model Code in relation to securities transaction by Directors during the nine months ended 30 September 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

For the nine months ended 30 September 2018, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

EVENTS AFTER THE REOPRTING PERIOD

There was no important event affecting the Group after 30 September 2018 and up to the date of this announcement.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders for their full support to the Company.

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

Shenzhen, the PRC
13 November, 2018

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the day of its posting and the Company website at <http://www.baytacare.com> from the date of this announcement.

**for identification purpose only*