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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)**

**2019 FIRST QUARTERLY RESULTS ANNOUNCEMENT  
FOR THE THREE MONTHS ENDED 31 MARCH, 2019**

**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 three months ended 31 March 2019 was approximately RMB7,212,000 (2018: Nil).
- Loss attributable to owners of the Company (the “**Shareholders**”) for the three months ended 31 March 2019 was approximately RMB1,481,000 (2018: RMB8,343,000), representing a decrease of approximately 82.25% compared with the same period of last year.
- Loss per share of the Company for the three months ended 31 March 2019 was approximately RMB0.17 cents (2018: approximately RMB1.00 cents).
- The Directors do not recommend the payment of any dividend for the three months ended 31 March 2019 (2018: 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 three months ended 31 March 2019 (the “**Period under Review**”), together with the comparative figures for the corresponding periods of the previous financial year, as follows:

	<i>Notes</i>	<b>Three months ended 31 March</b>	
		<b>2019 RMB'000 (Unaudited)</b>	<b>2018 RMB'000 (Unaudited)</b>
<b>Turnover</b>	<i>c</i>	<b>7,212</b>	–
Cost of sales		<u><b>(6,525)</b></u>	<u>–</u>
Gross profit		<b>687</b>	–
Other revenue	<i>d</i>	<b>260</b>	243
Reversal of impairment loss on trade receivables		<b>1,200</b>	1,000
Distribution and selling expenses		–	(293)
Administrative and other operating expenses		<u><b>(2,968)</b></u>	<u>(9,342)</u>
<b>Operating loss</b>	<i>e</i>	<b>(821)</b>	(8,392)
Finance cost		<u><b>(123)</b></u>	<u>(40)</u>
Loss before income tax expense		<b>(944)</b>	(8,432)
Income tax expense	<i>f</i>	<u><b>(120)</b></u>	<u>–</u>
Loss after income tax expense		<b>(1,064)</b>	(8,432)
Other comprehensive income		<u>–</u>	<u>–</u>
<b>Total comprehensive expense for the period</b>		<u><u><b>(1,064)</b></u></u>	<u><u>(8,432)</u></u>
<b>Total comprehensive expense attributable to:</b>			
Owners of the Company		<b>(1,481)</b>	(8,343)
Non-controlling interests		<u><b>417</b></u>	<u>(89)</u>
		<u><u><b>(1,064)</b></u></u>	<u><u>(8,432)</u></u>
<b>Loss per share</b>	<i>g</i>		
Basic (in RMB cents)		<u><u><b>(0.17)</b></u></u>	<u><u>(1.00)</u></u>
Diluted (in RMB cents)		<u><u>N/A</u></u>	<u><u>N/A</u></u>

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 three months ended 31 March 2019 are the same as those in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

*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 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HKAS 28 (Amendments)	Long-term interest in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments

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 three months ended 31 March 2019 (unaudited)**

	<b>Medicine business RMB'000</b>	<b>Chinese herbs business RMB'000</b>	<b>Medicines sourcing/ trading business RMB'000</b>	<b>Big data business RMB'000</b>	<b>Total RMB'000</b>
Results					
Reportable revenue from external customers	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,212</u>	<u>7,212</u>
Reportable segment results	<u>41</u>	<u>(104)</u>	<u>1,041</u>	<u>(345)</u>	<u>633</u>
Unallocated corporate other income					-
Unallocated corporate expense					<u>(1,577)</u>
Loss before income tax expense					<u>(944)</u>
Income tax expense					<u>(120)</u>
Loss for the period					<u><u>(1,064)</u></u>

**For the three months ended 31 March 2018 (unaudited)**

	<b>Medicine business RMB'000</b>	<b>Chinese herbs business RMB'000</b>	<b>Medicines sourcing/ trading business RMB'000</b>	<b>Big data business RMB'000</b>	<b>Total RMB'000</b>
Results					
Reportable revenue from external customers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reportable segment results	<u>(488)</u>	<u>(155)</u>	<u>(981)</u>	<u>(6,414)</u>	<u>(8,038)</u>
Unallocated corporate other income					-
Unallocated corporate expense					<u>(394)</u>
Loss before income tax expense					<u>(8,432)</u>
Income tax expense					<u>-</u>
Loss for the period					<u><u>(8,432)</u></u>

**c. Revenue**

	<b>For the 3 months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Disaggregation of revenue from contract with customers:		
– Sales of goods – Smartphone with Beidou system	<u><b>7,212</b></u>	<u><b>–</b></u>

**d. Other revenue**

	<b>For the 3 months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Rental income	<b>253</b>	253
Others	<u><b>7</b></u>	<u>(10)</u>
	<u><b>260</b></u>	<u><b>243</b></u>

**e. Operating loss**

Operating loss is stated after charging the following items:

	<b>For the 3 months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest expenses	<b>123</b>	40
Amortisation of intangible assets	<b>113</b>	118
Depreciation of property, plant and equipment	<u><b>4</b></u>	<u><b>103</b></u>

**f. Income tax expense**

	<b>For the 3 months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current tax:		
– PRC Enterprise Income Tax	–	–
– Hong Kong Profits Tax	–	–
	<hr/>	<hr/>
	–	–
Deferred tax	<b>120</b>	–
	<hr/>	<hr/>
	<b>120</b>	–
	<hr/> <hr/>	<hr/> <hr/>

The Company and its subsidiaries in The People's Republic of China (the "PRC") are subject to Enterprise Income Tax ("EIT") at a rate of 25% (2018: 25%).

The Company's subsidiary in Hong Kong is subject to Hong Kong profits tax, which has been provided at the rate of 8.25% on assessable profits up to HKD2,000,000 and 16.5% on any part of assessable profits over HKD2,000,000.

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. Loss per Share**

The calculation of basic loss 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 three months ended 31 March 2019 are 858,054,240 respectively (2018: 858,054,240).

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

## CONSOLIDATED MOVEMENTS OF RESERVES (UNAUDITED)

	Attributable to owners of the Company						
	Share premium RMB'000	Others RMB'000	Property revaluation reserve RMB'000	Statutory revenue reserve RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2019	102,618	11,326	18,459	9,685	(226,032)	(6,462)	(90,406)
Total comprehensive (loss)/income for the period	-	-	-	-	(1,481)	417	(1,064)
As at 31 March 2019	<u>102,618</u>	<u>11,326</u>	<u>18,459</u>	<u>9,685</u>	<u>(227,513)</u>	<u>(6,045)</u>	<u>(91,470)</u>
	Attributable to owners of the Company						
	Share premium RMB'000	Others RMB'000	Property revaluation reserve RMB'000	Statutory revenue reserve RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2018	102,618	11,326	18,459	9,685	(110,628)	(6,950)	24,510
Total comprehensive loss for the period	-	-	-	-	(8,343)	(89)	(8,432)
As at 31 March 2018	<u>102,618</u>	<u>11,326</u>	<u>18,459</u>	<u>9,685</u>	<u>(118,971)</u>	<u>(7,039)</u>	<u>16,078</u>

## DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March 2019(2018: 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 issue. Sehisandra can harvest and ready for sales one year after the plantation and can harvest 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, the Sehisandra is in strong demand and its market price has been on an upward trend, increased from RMB50/kg in 2015 to RMB150/kg to 2018.

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 of 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 尚志市北方中藥材種植專業合作社 (the "Co-Op") on 28 July 2018 for a term of five years and three months, pursuant to which the Co-op would purchase 20,000 kg to 30,000 kg of Sinshandra 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. 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, 安圖縣東北虎新興特產有限公司, a wholly-owned subsidiary of the Company, has entered into 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 is 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 Purchasing Management/Trading Business

The Company has on 12 May 2016 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 are registered capital of RMB20,000,000 in which the Company holds 60% equity interest and Beijing Shangzheng Technology holds 40% 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 Business, Purchasing 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 Purchasing 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.

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.

The agreement for the sale and purchase of mobile devices entered into by Baytacare Trading Co., Ltd.\* (北斗嘉貿易有限公司) (“**Baytacare Trading**”) on 13 October 2018, a wholly-owned subsidiary of the Company, with a new customer, Ulefone Technology (HK) Co., Limited. The total transactional monetary amount under the sale and purchase agreement is USD1,071,000, and as of 20 December 2018, Baytacare Trading has received a deposit of USD321,300. As of 25 March 2019, the monetary amount (unaudited) received by Baytacare Trading under the sale and purchase agreement is USD1,071,000 (inclusive of the abovementioned deposit of USD321,300). All the transactions under the sale and purchase agreement have been completed.

During the Period under Review, compared with the corresponding period in 2018, due to the comprehensive development of the business by the Group, turnover amounted to approximately RMB7,212,000 (2018: nil). General, administrative and other operating expenses amounted to approximately RMB2,968,000 (2018: approximately RMB9,342,000) due to streamlined staffing structure and reduced rental cost of business premises. Finance income/(costs) amounted to approximately RMB(123,000) (2018: approximately RMB(40,000)). Total comprehensive income/(loss) attributable to owners of the Company amounted to approximately RMB(1,481,000) (2018: approximately RMB(8,343,000)).

## **Prospects**

With the slow growth of the pharmaceutical industry, continuous introduction of various new medical regulations and the gradual implementation of the “two-invoices system” policy, the environment of China’s pharmaceutical market has experienced significant change. The Board will focus on existing business growth and also will continue to explore and evaluate new businesses and investment opportunities which could be of good potential and/or long-term benefit to the Group and the shareholders of the Company (the “**Shareholders**”).

- (a) the cultivation of the Chinese Herbs requires time, the Company will harvest existing matured underground wild ginsengs grown on the Forest Land for sale if the market price is considered favourable to the Company;
- (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;

- (c) established purchasing management/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; and
- (d) the Company is also in negotiation with companies in the electricity industry and education industry regarding the application and sales of the Software. The Company will commercialize other six developed software products.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 March 2019, the Group had total assets of approximately RMB106,165,000 which were financed by current liabilities of approximately RMB73,867,000, long-term liabilities of approximately RMB22,500,000 and shareholders' deficit of approximately RMB5,664,000.

The Group generally services its debts primarily through cash generated from its operations. The financial position of the Group remains healthy. As at 31 March 2019, the Group had cash and bank balances of approximately RMB1,979,000. The Group expects to collect more outstanding accounting receivables back till the end of year. Meanwhile, substantial shareholders of the Company have expressed their intention to provide all necessary financial support to the Group. Taken into consideration of its current financial resources, the Directors believe that the Company shall have adequate fund for its continual operation and development.

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

As at 31 March 2019, none of the Directors, supervisors (the "**Supervisors**") and the chief executive 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 Exchange.

## SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director or Supervisor, as at 31 March 2019, 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 (有限合夥)) (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
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**”):
  - (1). 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
  - (2). 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\* (北京悦升投資管理有限責任公司).

Save as disclosed above, as at 31 March 2019, 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.

## **DIRECTORS’ AND SUPERVISORS’ RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES**

As at 31 March 2019, the Group was not a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Group or any other body corporate, and none of the Directors and Supervisors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Group, or had exercised any such right.



## **COMPETING INTERESTS**

During the three months ended 31 March 2019 and as at the date of this announcement, none of the Directors, Supervisors, the controlling shareholders of the Company and their respective 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 of the Group. The audit committee comprises Mr. Chen Youfang and Mr. Zhu Tianxiang, both are independent non-executive Directors.

The audit committee had conducted a meeting and reviewed the Company's unaudited results for the three months ended 31 March 2019 and was of the opinion that the preparation of results complied with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure had been made.

## **CORPORATE GOVERNANCE CODE**

The Directors considered that during the Period under Review, the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

## **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 three months ended 31 March 2019.



## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Since the commencement of trading of the H shares of the Company on GEM on 28 February 2002, the Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities.

## **CONTINGENT LIABILITIES**

Except for the disclosure on 2018 annual report of the Company, the Group has no other contingent liabilities.

## **LEGAL CASES**

### **Civil loan dispute lawsuit between the Company and Harbour Company**

In relation to the civil loan dispute lawsuit between the Company and Harbour Company, upon the inquiry of the Chinese lawyer of the Company to the Beijing Court of China in March 2019, the Beijing Court of China has not named the Company as the person subject to enforcement.

### **Seizure of the Company's property in Jilin City**

Upon inquiry at the Jiaohe People's Court of Jilin Province ("**Jiaohe Court of China**") in February 2019, the Company found that the property in Jilin City under the Company's name ("**Jilin City Property of the Company**") has been seized by Jiaohe Court of China.

According to the Company's inquiries so far, the background of the above case is as follows:

The case stemmed from that Jilin Gao Ke Mushroom Industry Development Co., Ltd. (吉林省高科食用菌產業有限公司) ("**Gao Ke**"), an affiliate of the original shareholder and the original de facto controller of the Company ("**original shareholder of the Company**") borrowed from Jiaohe State-owned Assets Management Co., Ltd. (蛟河市國有資產經營公司) ("**State-owned Assets Company**"), and the borrowing was guaranteed by the Company. Gao Ke still owes the State-owned Assets Company 10 million yuan in principal and related interest. On 13 June 2017, the State-owned Assets Company applied to the Jiaohe Court of China for enforcement on the basis of the (2014) JZMSZZ No. 37 Paper Of Civil Mediation issued on 21 April 2014. The Jiaohe Court of China seized the Company's Jilin City Property of the Company accordingly.

The debt was not disclosed when the original shareholder of the Company transferred its shares in the Company to the current shareholder of the Company in 2016. According to the agreement for the transfer of the shares of the Company at that time, the debt should be borne by the original shareholder of the Company.

On 9 August 2018, Jilin Shangpin Blueberry Enzyme Biotechnology Co., Ltd. (吉林尚品藍莓酵素生物科技有限責任公司) (“**Technology Company**”), an affiliate of the original shareholder of the Company, issued a Representation to the State-owned Assets Company and a Letter of Commitment to the Company, representing that the debts and corresponding liabilities should be borne by the Technology Company and ensuring that the case would not cause any negative impact on the normal operation and market credibility of the Company.

Jiaohu Court of China has not previously served any relevant papers on the case on the Company. At present, the Company is further following up on the case, and seeking to lift the seizure of Jilin City Property of the Company.

The above-mentioned seizure of Jilin City Property of the Company only restricts the usage of the Property for transfer purposes. Therefore, the above-mentioned seizure does not have any significant impact on the Company’s business operation, financial situation and solvency.

For details, please refer to the announcement of the Company dated 26 March 2019.

## **EVENTS AFTER THE REPORTING PERIOD**

### **Additional Resumption Guidance**

On 3 April 2019, the Company received another letter from the Stock Exchange, pursuant to which the Stock Exchange set out the following additional resumption guidance:

- publish all outstanding financial results and address any audit modifications.

In the same letter dated 3 April 2019, the Stock Exchange indicated that the Stock Exchange may modify the resumption conditions/guidance that have been given and/or give further guidance if the situation changes.

For additional details, please refer to the paragraph entitled “Update On Listing Status” in this section of the report, and to the announcement of the Company dated 9 April 2019.

### **Resignation of independent non-executive directors and insufficient number of independent non-executive directors**

Mr. Gao Zhikai (“**Mr. Gao**”) has resigned as an independent non-executive director of the Company, with effect from 12 April 2019 due to his other business commitments. Mr. Gao has also ceased to be the chairman of the remuneration committee (the “**Remuneration Committee**”) and a member of each of the audit committee (the “**Audit Committee**”) and nomination committee (the “**Nomination Committee**”) of the Company with effect from 12 April 2019.

Ms. Hui Lai Yam (“**Ms. Hui**”) has resigned as an independent non-executive director of the Company, with effect from 15 April 2019 due to her other business commitments Ms. Hui has also ceased to be a member of each of the audit committee (the “**Audit Committee**”) and nomination committee (the “**Nomination Committee**”) of the Company with effect from 15 April 2019.

Immediately after the resignation of Mr. Gao and Ms. Hui, and as at the date of the announcement dated 15 April 2019,

- (1) since the number of independent non-executive Directors are less than three and represent less than one-third of the Board, the Company is not in compliance with Rules 5.05(1) and 5.05(A) of the GEM Listing Rules;
- (2) since the number of members of the Audit Committee is less than three, the Company is not in compliance with Rule 5.28 of the GEM Listing Rules;
- (3) since the Remuneration Committee is not chaired by an independent non-executive director and does not comprise of a majority of independent non-executive Directors, the Company is not in compliance with Rule 5.34 of the GEM Listing Rules; and
- (4) since the Nomination Committee does not comprise of a majority of independent non-executive Directors, the Company is not in compliance with code provision A.5.1 of the Corporate Governance Code.

For details, please refer to the announcement of the Company dated 15 April 2019.

#### **Appointment of independent non-executive director**

Mr. Zhu Tianxiang has been appointed as an independent non-executive director of the Company with effect from 24 April 2019 until the date of the next annual general meeting of the Company. Mr. Zhu has also been appointed as the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee with effect from 24 April 2019 until the date of the next annual general meeting of the Company.

For details, please refer to the announcement of the Company dated 24 April 2019.

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

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

Shenzhen, the PRC  
15 May 2019

*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 Chen Youfang and Zhu Tianxiang.*

*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's website at <http://www.baytacare.com> from the date of this announcement.*

\* *for identification purpose only*