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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)

DISCLOSEABLE TRANSACTION
ACQUISITION OF 70% EQUITY INTERESTS IN THE TARGET

THE ACQUISITION

The Board is pleased to announce that after trading hours on 31 May 2019, the Company entered into a sale and purchase agreement (the “**Agreement**”) with Taofuan Holdings Co., Ltd.* (陶福安控股有限公司) (the “**Vendor**”) and Hubei Taofuan Electronics Commerce Co., Ltd.* (湖北陶福安電子商務有限公司) (the “**Target**”) pursuant to which Baytacare Pharmaceutical Co., Ltd.* (北斗嘉藥業股份有限公司) (the “**Company**”) conditionally agreed to acquire 70% equity interest in the Target (the “**Sale Shares**”) at an aggregate consideration of RMB1.5 million (the “**Acquisition**”).

Immediately after completion of the Acquisition, the Company will own 70% equity interest in the Target.

GEM LISTING RULES IMPLICATIONS

As the relevant percentage ratios as defined under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“**GEM Listing Rules**”) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition will constitute a discloseable transaction of the Company under the GEM Listing Rules.

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Immediately after completion of the Acquisition, the Company will own 70% equity interest in the Target and the financial results of the Target will be consolidated with the results of the Company and its subsidiaries (the “**Group**”).

The major terms of the Agreement are set out below.

Date:

31 May 2019

Parties:

Vendor: Taofuan Holdings Co., Ltd.* (陶福安控股有限公司), a limited liability company incorporated in the People’s Republic of China (“**PRC**”).

Purchaser: Baytacare Pharmaceutical Co., Ltd.* (北斗嘉藥業股份有限公司), a joint stock limited company incorporated in the PRC which shares are listed on GEM.

Target: Hubei Taofuan Electronics Commerce Co., Ltd.* (湖北陶福安電子商務有限公司), a limited liability company incorporated in the PRC.

To the best of the directors’ knowledge, information and belief after having made all reasonable enquiries, each of the Vendor and the Target and their ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Equity interest to be acquired:

70% equity interest of the Target.

Conditions Precedent:

- 1) the Vendor having proven that the Vendor has a good title to Sale Shares, without any encumbrance;
- 2) the Vendor having proven that the Vendor has obtained all necessary consents and authorizations required under any existing contractual arrangement or document to implement the Agreement; and
- 3) the Vendor having proven that the Vendor has obtained all authorizations, consents and approvals that the Purchaser reasonably considers necessary or required to be obtained from the government or regulatory authorities, agencies or organizations to carry out the transactions contemplated under the Agreement.

The Company may waive any of the above conditions precedent.

Consideration

The Consideration by the Company to the Vendor for the sale and purchase of the Sale Shares shall be RMB1.5 million of which:

- A) RMB0.5 million shall be payable in cash upon completion;
- B) conditional upon completion having taken place, RMB0.5 million shall be payable in cash on or prior to 30 September 2019; and
- C) conditional upon completion having taken place, RMB0.5 million shall be payable in cash on or prior to 31 December 2019.

The consideration was determined after arm's length negotiations between the Vendor and the Company after taking into account the total and net asset values of the Target and the potential contribution that the Target may make to the business and revenue growth of the Group after the completion of the Acquisition.

Completion

Completion will take place on or prior to 31 July 2019.

Immediately after completion, the Company will own 70% equity interest in the Target, and the financial results of the Target will be consolidated with the results of the Group.

INFORMATION ON THE TARGET

The Target is a limited liability company incorporated under the laws of the People's Republic of China and is engaged in the business of the planting, primary processing and trade of Chinese herbs, as well as the production and sales of important decoction pieces.

The total assets value, net assets value and net profits (both before and after taxation and extraordinary items) of the Target as at 31 December 2017 and 31 December 2018 are as set out below:

	Year ended 31 December 2017 (RMB) (unaudited)	Year ended 31 December 2018 (RMB) (audited)
Total assets value	792,964.96	3,025,600.85
Net assets value	790,834.92	859,633.93
Net profits (before taxation and extraordinary items)	-9,165.08	76,443.35
Net profits (after taxation and extraordinary items)	-9,165.08	68,911.01

INFORMATION ON THE VENDOR

The Vendor is a limited liability company incorporated under the laws of the People's Republic of China and is engaged in the business of TCM and Chinese herbs research, technology development, technology transfer and the wholesale and retail of primary agricultural and sideline products.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group's business is classified into four main segments, namely Chinese herbs business, medicines business, medicines sourcing and trading business and big data business.

The board of directors of the Company believes that the Acquisition will provide business and revenue growth opportunities for the Group through the business activities of the Target.

The directors of the Company (including the independent non-executive directors) are of the view that the terms of the Acquisition are fair and reasonable and in the interest of the Company and its shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the relevant percentage ratios as defined under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("**GEM Listing Rules**") in respect of the Acquisition are more than 5% but less than 25%, the Acquisition will constitute a discloseable transaction of the Company under the GEM Listing Rules.

SUSPENSION OF TRADING OF SHARES OF THE COMPANY

Trading in the shares of the Company has been suspended with effect from 9am on 27 September 2018, and will continue to be suspended until further notice.

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

Shenzhen, People's Republic of China, 31 May 2019

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 Chen Youfang and Zhu Tianxiang.

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*