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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 Third Quarterly Results Announcement**  
**For the nine months ended 30 September 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.*

\* for identification purposes only

**HIGHLIGHTS**  
**(Unaudited)**

- Turnover of the Group for the nine months ended 30 September 2019 was approximately RMB63,097,000 (2018: RMB13,208,000), representing an increase of approximately 377.72% 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 2019 was approximately RMB2,188,000 (2018: RMB16,329,000), representing a decrease of approximately 86.60% compared with the same period of last year.
- Loss per share (“Shares”) of the Company for the nine months ended 30 September 2019 was approximately RMB0.25 cents (2018: RMB1.90 cents).
- The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2019 (2018: nil).

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

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 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>Nine months ended</b>		<b>Three months ended</b>	
		<b>30 September</b>		<b>30 September</b>	
		<b>2019</b>	2018	<b>2019</b>	2018
		<b>RMB'000</b>	<i>RMB'000</i>	<b>RMB'000</b>	<i>RMB'000</i>
		<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
Revenue	3	<b>63,097</b>	13,208	<b>55,885</b>	6,111
Cost of sales		<u><b>(58,277)</b></u>	<u>(12,491)</u>	<u><b>(51,752)</b></u>	<u>(5,746)</u>
Gross profit		<b>4,820</b>	717	<b>4,133</b>	365
Other revenue	4	<b>293</b>	733	<b>1</b>	218
Reversal of impairment loss on trade receivables		<b>1,200</b>	700	–	–
Reversal of impairment loss on trade deposit		–	1,000	–	–
Research and development cost		–	(5,000)	–	(5,000)
Administrative and other operating expenses		<u><b>(7,935)</b></u>	<u>(13,566)</u>	<u><b>(2,873)</b></u>	<u>(3,490)</u>

		Nine months ended		Three months ended	
		30 September		30 September	
		2019	2018	2019	2018
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Notes</i>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Operating loss</b>		<b>(1,622)</b>	(15,416)	<b>1,261</b>	(7,907)
Finance cost		<u>(123)</u>	<u>(469)</u>	<u>–</u>	<u>(156)</u>
(Loss)/profit before taxation	5	<b>(1,745)</b>	(15,885)	<b>1,261</b>	(8,063)
Income tax expense	6	<u>(120)</u>	<u>–</u>	<u>–</u>	<u>–</u>
(Loss)/profit after taxation		<b>(1,865)</b>	(15,885)	<b>1,261</b>	(8,063)
Other comprehensive income		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Total comprehensive (expense)/ income for the period</b>		<b><u>(1,865)</u></b>	<b><u>(15,885)</u></b>	<b><u>1,261</u></b>	<b><u>(8,063)</u></b>
<b>Total comprehensive (expense)/ income attributable to:</b>					
Owner of the Company		<b>(2,188)</b>	(16,329)	<b>1,361</b>	(7,997)
Non-controlling interests		<u>323</u>	<u>444</u>	<u>(100)</u>	<u>(66)</u>
		<b><u>(1,865)</u></b>	<b><u>(15,885)</u></b>	<b><u>1,261</u></b>	<b><u>(8,063)</u></b>
(Loss)/profit per share	8				
Basic ( <i>in RMB cents</i> )		<b>(0.25)</b>	(1.90)	<b>0.16</b>	(0.93)
Diluted ( <i>in RMB cents</i> )		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to owners of the Company								Non- controlling interests	Total
	Share capital	Share premium	Others	Property revaluation reserve	Statutory revenue reserve	Accumulated losses	Subtotal	RMB'000		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As at 1 January 2019	85,805	102,618	11,326	18,459	9,685	(226,032)	1,861	(6,462)	(4,601)	
Acquisition of subsidiary	-	-	-	-	-	-	-	246	246	
Total comprehensive (expense)/ income for the period	-	-	-	-	-	(2,188)	(2,188)	323	(1,865)	
<b>As at 30 September 2019</b>	<b><u>85,805</u></b>	<b><u>102,618</u></b>	<b><u>11,326</u></b>	<b><u>18,459</u></b>	<b><u>9,685</u></b>	<b><u>(228,220)</u></b>	<b><u>(327)</u></b>	<b><u>(5,893)</u></b>	<b><u>(6,220)</u></b>	
	Attributable to owners of the Company								Non- controlling interest	Total
	Share capital	Share premium	Others	Property Revaluation reserve	Statutory Revenue reserve	Accumulated losses	Subtotal	RMB'000		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As at 1 January 2018	85,805	102,618	11,326	18,459	9,685	(110,627)	117,266	(6,950)	110,316	
Total comprehensive (expense)/ income for the period	-	-	-	-	-	(16,329)	(16,329)	444	(15,885)	
<b>As at 30 September 2018</b>	<b><u>85,805</u></b>	<b><u>102,618</u></b>	<b><u>11,326</u></b>	<b><u>18,459</u></b>	<b><u>9,685</u></b>	<b><u>(126,956)</u></b>	<b><u>100,937</u></b>	<b><u>(6,506)</u></b>	<b><u>94,431</u></b>	

## NOTES:

### 1. GENERAL

The Company is a joint stock limited liability company incorporated in the People's Republic of China (the "PRC") and its H shares are listed on the GEM of The Stock Exchange of Hong Kong Limited. Trading in the H shares of the Company was suspended on 27 September 2018.

The principal activities of the Group are development, manufacture, sale of medicines and investment holdings in the PRC.

The condensed consolidated financial statements are presented in Renminbi, which is the same as the functional currency of the Group.

### 2. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited 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 unaudited condensed consolidated financial statements for the nine months ended 30 September 2019 are the same as those in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

The Group has not early adopted the new and revised standards and amendments to standards that have been issued but are not yet effective for the nine months ended 30 September 2019.

#### **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 unaudited condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Annual Improvement 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

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.

### 3. REVENUE AND SEGMENT INFORMATION

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

#### For the nine months ended 30 September 2019 (unaudited)

	<b>Medicine business RMB'000</b>	<b>Chinese herbs business RMB'000</b>	<b>Trading business RMB'000</b>	<b>Big data business RMB'000</b>	<b>Total RMB'000</b>
<b>Results</b>					
Reportable revenue from external customers	<u>–</u>	<u>–</u>	<u>41,739</u>	<u>21,358</u>	<u>63,097</u>
Reportable segment results	<u>(112)</u>	<u>(311)</u>	<u>1,212</u>	<u>1,662</u>	<u>2,451</u>
Unallocated corporate other income					–
Unallocated corporate expense					<u>(4,196)</u>
Loss before income tax expense					<u>(1,745)</u>
Income tax expense					<u>(120)</u>
Loss for the period					<u>(1,865)</u>

#### For the nine months ended 30 September 2018 (unaudited)

	<b>Medicine business RMB'000</b>	<b>Chinese herbs business RMB'000</b>	<b>Trading business RMB'000</b>	<b>Big data business RMB'000</b>	<b>Total RMB'000</b>
<b>Results</b>					
Reportable revenue from external customers	<u>–</u>	<u>3,750</u>	<u>7,097</u>	<u>2,361</u>	<u>13,208</u>
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					<u>–</u>
Loss for the period					<u>(15,885)</u>

Revenue from contract with customers within the scope of HKFRS 15.

	For the 9 months ended		For the 3 months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods	<u>63,097</u>	<u>13,208</u>	<u>55,885</u>	<u>6,111</u>
Timing of revenue recognition:				
At a point in time	<u>63,097</u>	<u>13,208</u>	<u>55,885</u>	<u>6,111</u>

#### 4. OTHER REVENUE

	For the 9 months ended		For the 3 months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Rental income	253	724	–	217
Sundry income	37	8	–	–
Bank interest income	<u>3</u>	<u>1</u>	<u>1</u>	<u>1</u>
	<u>293</u>	<u>733</u>	<u>1</u>	<u>218</u>

#### 5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after charging the following items:

	For the 9 months ended		For the 3 months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amortisation of intangible assets	278	353	98	1
Loss on disposal of property, plant and equipment	<u>–</u>	<u>1,103</u>	<u>–</u>	<u>1,103</u>

## **6. 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.

## **7. DIVIDEND**

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2019 (2018: nil).

## **8. (LOSS)/PROFIT PER SHARE**

The calculation of basic (loss)/profit 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 2019 are 858,054,240 and 858,054,240 respectively (2018: 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.



## **BUSINESS REVIEW AND PROSPECTS**

### **Business review**

The Group's business is classified into four main segments: A. Chinese Herbs Business; B. Medicines Business; C. 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.

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 20,000kg to 30,000kg 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.

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 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. 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.

On 26 June 2019, the Company and its new customer, Haozhou Huayu Herbal Medicine Co., Limited (亳州華宇中藥飲片有限公司) entered into an acquisition agreement for Chinese herbs for a total amount of RMB38,500,000.

On 1 July 2019, the Company and a new customer, Guilin Layn Runwotu Biotechnology Co., Ltd. (桂林萊茵潤沃土生物技術有限公司) (“**Guilin Layn**”) entered into an agreement in connection with the sale of Chinese traditional medicines for the amount of RMB4,032,000. As of 26 September 2019, the Company has received RMB4,032,000. All the transactions under the agreement have been completed.

On 1 September 2019, the Company and a new client, Anhui Yiyuan Pharmaceutical Co., Ltd. (“**Anhui Yiyuan**”) entered into an agreement in connection with the sale of Chinese for the amount of RMB2,964,000. All the transactions under the agreement have been completed.

### **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.

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.

On 19 June 2019, Baytacare Trading and the client Ulefone Technology (HK) Co., Limited entered into an agreement in connection with the sale of mobile devices which total transaction amount is USD2,000,000. As of 25 June 2019, Baytacare Trading has received a start-up payment of USD200,000. As of 26 September 2019, Baytacare Trading has received a sum (unaudited) of USD1,800,000 (including the start-up payment of USD200,000 mentioned above) under the agreement.

During the Period under Review, due to the stagnant business environment in China, turnover of the Group amounted to approximately RMB63,097,000 (2018: RMB13,208,000), representing an increase of approximately 377.72% compared with the corresponding period in 2018. General, administrative and other operating expenses amounted to approximately RMB7,935,000 (2018: approximately RMB13,566,000), representing a decrease approximately 41.51%, due to the personnel simplification of the Group. Finance costs amounted to approximately RMB123,000 (2018: approximately RMB469,000). Total comprehensive loss attributable to owners of the Company amounted to approximately RMB2,188,000 (2018: approximately RMB16,329,000).

## 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 30 September 2019, the Company had total assets of approximately RMB154,065,000 which were financed by current liabilities of approximately RMB122,321,000, deferred tax liability of approximately RMB15,462,000, long-term borrowings of approximately RMB22,500,000 and shareholders’ deficit of approximately RMB6,220,000.

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 2019, the Company had cash and bank balances of approximately RMB5,115,000 and are denominated in RMB.

As at 30 September 2019, the liquidity ratio, represented by a ratio between current assets over current liabilities, was 64.18%. The Directors believe that the Group does not have any liquidity problems. The asset-liability ratio of the Group, defined as a ratio between total debts and total assets, was 104.04%.

Except for the borrowings disclosed above, as at 30 September 2019, the Company did not have any committed borrowing facilities.

## **UPDATE ON LISTING STATUS**

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.

The Company is of the view that as of 26 September 2019, it has fulfilled the resumption conditions, and the Company is seeking the Stock Exchange’s confirmation on the same. The Company will keep the public informed of the progress, and will also announce further details on the fulfilment of the resumption conditions as soon as practicable.

## **INDEPENDENT INVESTIGATION REPORT**

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, 26 March 2019, 2 August 2019 and 26 August 2019.

Grant Thornton Advisory Services Limited has recently been engaged by Li & Partners, the legal advisor representing the independent board committee of the Company, as the independent investigators to conduct an investigation of the matters set out in the announcement of the Company dated 2 August 2019 (the “**Investigation Matters**”).

Grant Thornton Advisory Services Limited has confirmed that all independent investigation work scope under its engagement has been substantially completed, and has also issued a draft independent investigation report. The independent board committee of the Company is currently reviewing the draft independent investigation report, and the Company is also communicating with the Stock Exchange on the contents of the report. The Company will make an announcement regarding the findings in the independent investigation report as soon as practicable.

## **INTERNAL CONTROL REPORT**

Reference is made to the announcement of the Company dated 2 August 2019.

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.

Based on the internal control report dated 16 September 2019 issued by Eternal Bright Consultants Limited, the Company has either already implemented or is on schedule to implement the recommendations set out in the internal control report dated 5 December 2018 issued by NCN Risk.

Based on the above, the Board and the independent non-executive directors of the Company are of the view that:

- i) The internal control procedures of the Company are adequate for the Company to comply with the requirements of the GEM Listing Rules; and
- ii) No further internal control review of the Company is required in relation to the recommendations set out in the internal control report dated 5 December 2018. However, the Company will conduct regular internal control reviews going forward.

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

As at 30 September 2019, 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 2019, 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 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



Name	Capacity	Number of domestic Shares held	Approximate percentage of total issued domestic Shares (%)	Approximate percentage of total issued Shares (%)
Yu Bo ( <i>Note 3</i> )	Interest of controlled corporation	31,500,000	5.17	3.67
Beijing Yue Sheng Investment Management Company Limited* (北京悦升投资管理有限責任公司) ( <i>Note 3</i> )	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\* (北京悦升投資管理有限責任公司).

Save as disclosed above, as at 30 September 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.

## **COMPETING INTERESTS**

During the nine months ended 30 September 2019 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 Mr. Chen Youfang, Zhu Tianxiang and Zhao Xiaomei, 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 2019 and was of the opinion that the preparation of the unaudited results for the nine months ended 30 September 2019 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 except in respect of Code Provision A.1.8, as the Company was unable to source an appropriate insurance company which was willing to provide such insurance cover in respect of legal action against the directors of the Company due to the suspension of trading of the shares of the Company.

## **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 2019.

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

For the nine months ended 30 September 2019, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## **EVENTS AFTER THE REPORTING PERIOD**

There was no important event affecting the Group after 30 September 2019 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, 2019

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

*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*