



現代中藥集團有限公司

Modern Chinese Medicine Group Co., Ltd.
(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1643

2023

INTERIM REPORT

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Important:

This report has been prepared in both Chinese and English. In the event of any discrepancy between the two versions, the English version shall prevail.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Zhang Hongli (*Chief Executive Officer*)
Mr. Li Jinglian
Mr. Jiang Zhendong

Independent non-executive Directors

Ms. Liu Ling
Mr. Leung Tsz Wing
Mr. Wong Chi Kin (*Appointed on 13 April 2023*)
Mr. Chan Kam Leung (*Resigned on 13 April 2023*)

Audit Committee

Mr. Leung Tsz Wing (*Chairman*)
Ms. Liu Ling
Mr. Wong Chi Kin (*Appointed on 13 April 2023*)
Mr. Chan Kam Leung (*Ceased on 13 April 2023*)

Remuneration Committee

Ms. Liu Ling (*Chairlady*)
Ms. Zhang Hongli
Mr. Wong Chi Kin (*Appointed on 13 April 2023*)
Mr. Chan Kam Leung (*Ceased on 13 April 2023*)

Nomination Committee

Mr. Wong Chi Kin (*Chairman*)
(*Appointed on 13 April 2023*)
Mr. Jiang Zhendong
Ms. Liu Ling
Mr. Chan Kam Leung
(*Ceased on 13 April 2023*)

COMPANY SECRETARY

Ms. Chan Tsz Hei Sammi (*Appointed on 30 June 2023*)
Ms. Leung Kwan Wai (*Resigned on 30 June 2023*)

AUTHORISED REPRESENTATIVES

Ms. Zhang Hongli
Ms. Chan Tsz Hei Sammi (*Appointed on 30 June 2023*)
Ms. Leung Kwan Wai (*Ceased on 30 June 2023*)

INDEPENDENT AUDITOR

Mazars CPA Limited
Certified Public Accountants
42nd Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

LEGAL ADVISER

Mason Ching & Associates
2403, 24th Floor
World-Wide House
19 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKER

Bank of China Limited
Longhua Branch
No. 7 Anzhou North Street, Longhua Town
Longhua County, Chengde City
Hebei Province
PRC

REGISTERED OFFICE

89 Nexus Way, Camana Bay
Grand Cayman
KY1-9009
Cayman Islands

CORPORATE HEADQUARTERS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 88 Jinwei Road
Chengde City
Hebei Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

(*with effect from 30 June 2023*)
2404, 24th Floor
World-Wide House
19 Des Voeux Road Central Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ogier Global (Cayman) Limited
89 Nexus Way, Camana Bay
Grand Cayman
KY1-9009
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

WEBSITE

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STOCK CODE

1643

Board's Statement and Executive Directors' Message

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Modern Chinese Medicine Group Co., Ltd. (the “**Company**”) and together with its subsidiaries collectively referred to as the “**Group**”), I hereby present the interim report of the Group for the six months ended 30 June 2023 (the “**Period**”) for shareholder's review.

Looking back to the first half of year 2023, COVID-19 pandemic (the “**Pandemic**”) has receded, but at the same time, we are facing fierce market competition and pressure on drug prices, as well as the complex evolution of the world situation and the impact of geopolitics, increasing uncertainties. The Group adheres to our mission and is developing steadily. Our revenue and net profit for the Period reached approximately RMB180.1 million and approximately RMB27.6 million respectively, representing a decrease of approximately 31.4% and approximately 44.7% respectively.

Although China's pharmaceutical industry is facing new challenges and opportunities, China's pharmaceutical market still maintains a good development trend, and the scale of China's pharmaceutical market has maintained a relatively rapid growth in recent years. In 2022, the scale of China's pharmaceutical market reached RMB1,922 billion, and it is expected that the scale of China's pharmaceutical market will further reach RMB2,231.1 billion in 2023.

In recent years, the People's Republic of China (the “**PRC**” or “**China**”) government has launched the “14th Five-Year Plan for the Development of the Pharmaceutical Industry” 《「十四五」醫藥工業發展規劃》, the “Notice on the Implementation Plan for Promoting the High-quality Development of the API Industry” 《關於推動原料藥產業高品質發展實施方案的通知》, and the “Action Plan for Making the Pharmaceutical Industry Bigger and Stronger (2021-2023)” 《全力做大做強醫藥產業行動計畫(2021-2023年)》, “Notice on Several Measures to Support the Development of the Pharmaceutical Industry” 《關於支持醫藥產業發展若干措施的通知》 and other policies continue to promote the development of the pharmaceutical industry.

We believe that along with the high-quality development of the Traditional Chinese Medicine (“**TCM**”) industry, and with the great efforts of the PRC government to promote the revitalization and development of TCM, by seizing the opportunities of favourable policies, during the Period, the Group actively fortified the market position of our key products, continuously emphasised R&D and strengthened the internal controls and corporate governance, in order to lay a solid foundation for sustainable and high-quality development of our business. We shall continue to be dedicated to becoming the pioneer of Chinese traditional medicine modernisation.

BUSINESS REVIEW

The Group is committed to developing a diversified product portfolio to increase our market share in the TCM market and enhance industry competitiveness. We currently have approximately 60 types of proprietary Chinese medicine (“**PCM**”) products and the major products of which include Vigour and Vitality Supplement Pill (補腎填精丸), Circulation Enhancement Pill (氣血雙補丸), Cardiotonic Enhancement Capsule (山玫膠囊), Kidney Invigoration Pill (金匱腎氣丸), Heart Wellness Capsule (心安膠囊), Menstrual Discomfort Relief Pill (加味逍遙丸), Liver Detox Tablet (護肝片), Additional Ingredient Huoxiang ZhengQi Pill (加味藿香正氣丸), Liver-dispersing and Stomach Regulating Pill (舒肝和胃丸) and Fever-removing and Detoxification Pill (清瘟解毒丸). The Group is considered as one of the leading companies engaged in the production of PCM in terms of the sales of Qi (氣) – deficiency and blood-stasis PCM pills (補氣補血類中成藥丸) and cardio-cerebrovascular PCM capsules (心腦血管中成藥膠囊) in Northeast, the PRC. Generally, the intended therapeutic effects of the Group's major products are for the treatment and/or alleviation of (i) Qi (氣) – deficiency and blood-stasis condition; (ii) cardio-cerebrovascular condition; (iii) digestive and gastrointestinal condition; and (iv) gynaecological condition. Some of the Group's major products are believed to be having the intended therapeutic effect for the treatment of the symptoms of COVID-19 and/or similar illnesses.

Board's Statement and Executive Directors' Message (Continued)

The Group seized this market opportunity, formulated effective strategies to expand our distribution network. During the Period, the Group had a distribution network of 88 distributors, covering about 40 cities in the PRC. Sales revenue was approximately RMB180.1 million for the Period.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all our management and all colleagues for their valuable contribution to the Group. Moreover, I would also like to express appreciation to our valued shareholders, clients and business partners who have been supportive as always.

Ms. Zhang Hongli

Executive Director

Modern Chinese Medicine Group Co., Ltd.

28 August 2023

Financial Highlights

- Revenue decreased from approximately RMB196.1 million for the six months ended 30 June 2022 to approximately RMB180.1 million for the Period, representing a decrease of approximately 8.1%.
- Gross profit decreased from approximately RMB86.4 million for the six months ended 30 June 2022 to approximately RMB59.2 million for the Period, representing a decrease of approximately 31.4%.
- Profit attributable to the owners of the Company decreased from RMB49.9 million for the six months ended 30 June 2022 to approximately RMB27.6 million for the Period, representing a decrease of approximately 44.7%.
- Basic and diluted earnings per share decreased from RMB8.32 cents for the six months ended 30 June 2022 to RMB4.60 cents for the Period, representing a decrease of approximately 44.7%.

Management Discussion and Analysis

GENERAL OVERVIEW

The Group is principally engaged in the production of PCM, in particular, over-the-counter and prescribed medicines intended for use by the middle-aged and the elderly in the PRC. The Group currently has about 60 types of PCM products, the major products of which include Vigour and Vitality Supplement Pill (補腎填精丸), Circulation Enhancement Pill (氣血雙補丸), Cardiotonic Enhancement Capsule (山玫膠囊), Kidney Invigoration Pill (金匱腎氣丸), Heart Wellness Capsule (心安膠囊), Menstrual Discomfort Relief Pill (加味逍遙丸), Liver Detox Tablet (護肝片), Additional Ingredient Huoxiang ZhengQi Pill (加味藿香正氣丸), Liver-dispersing and Stomach Regulating Pill (舒肝和胃丸) and Fever-removing and Detoxification Pill (清瘟解毒丸).

The Group is considered as one of the leading companies engaged in the production of PCM in terms of the sales of Qi (氣) – deficiency and blood-stasis PCM pills (補氣補血類中成藥丸) and cardio-cerebrovascular PCM capsules (心腦血管中成藥膠囊) in Northeast, the PRC. Generally, the intended therapeutic effects of the Group's major products are for the treatment and/or alleviation of (i) Qi (氣) – deficiency and blood-stasis condition; (ii) cardio-cerebrovascular condition; (iii) digestive and gastrointestinal condition; and (iv) gynaecological condition. Some of the Group's major products are believed to be having the intended therapeutic effect for the treatment of the symptoms of COVID-19 and/or similar illnesses.

The Group has currently established a distribution network of 88 distributors covering about 40 cities in the PRC, which are in turn served and administered by over 37 marketing staff members with relevant experience in the traditional Chinese medicine industry. It is believed that the Group's distribution network and distributorship model will continue to support further development of the Group's business operations in the foreseeable future. In addition, the distribution network would not only help to develop the business operations geographically from Northeast and Huanan (華南) to other areas in the PRC, but also allow the Group to penetrate in reasonably extensive width and breadth both in Northeast and Huanan (華南), where the Group is strategically targeting at in view of the Group's established footprint and the large population there. For the Period, the revenue contribution from Northeast and Huabei (華北) amounted to approximately RMB98.7 million and RMB29.7 million, respectively (six months ended 30 June 2022: approximately RMB109.2 million and RMB32.1 million, respectively).

OUTLOOK AND PROSPECTS

During the first half of 2023, with the PRC Government's favourable policies, research and development and production of anti-epidemic drugs and medical devices were promoted. Besides, digital medical care and telemedicine were also developed. With a view to attracting more capital and technology into the field of TCM, exchange of traditional Chinese medicine culture at home and abroad and development of the TCM industry chain towards a higher quality and high level are essential. In addition, investment in research and development of Chinese medicine companies has increased year by year, and the number of new products has continued to increase, which is also a major boost to the development of Chinese medicine companies.

The Group has confidence in the future prospects of the economy of the PRC as well as the PCM industry. In line with the development trend of the PRC PCM market, the Group shall adhere to its development strategies and exploit the favourable government policies ("Development Plan for Promoting the High-quality Integration of Traditional Chinese Medicine into the Belt and Road Initiative (2021-2025)" 《推進中醫藥高質量融入共建「一帶一路」發展規劃(2021-2025年)》 issued on 15 January 2022 by the National Administration of Traditional Chinese Medicine) in order to further promote and revitalise its product portfolio.

The Board believes that the various sales channels of the Group will enable it to expand the distribution network and improve sales revenue. In addition, with the growing public awareness of traditional Chinese medicine, the Group will seize the opportunities presented by the growth of the industry to achieve outstanding results and create better value for our shareholders in the near future.

FINANCIAL REVIEW

The Group posted a consolidated revenue of approximately RMB180.1 million for the Period, representing a decrease of approximately RMB16.0 million or 8.1% as compared to the six months ended 30 June 2022. The decrease in revenue was primarily attributable to by 1) the rise in the costs of commonly used raw materials; and 2) the substantial decrease in production of Vigour and Vitality Supplement Pill (補腎填精丸), one of the top selling products of the Group, due to tight supply of the relevant raw material.

Vigour and Vitality Supplement Pill (補腎填精丸) and Circulation Enhancement Pill (氣血雙補丸) were the two top selling products for both the Period and the six months ended 30 June 2022. These two products contributed approximately 45% and 45.5% of the Group's total revenue for the Period and the six months ended 30 June 2022, respectively.

The Northeast remained the largest contributor to the Group's total revenue for the Period. It contributed over 50.0% of the total revenue of the Group for both the Period and the six months ended 30 June 2022.

The Group manages the overall gross profit margin to ensure the profitability of the Group while allowing flexible price adjustments for individual products. The overall gross profit margin for the Period decreased to approximately 32.9% from approximately 44.0% for the six months ended 30 June 2022, which was mainly due to the decreased gross profit margin of Vigour and Vitality Supplement Pill (補腎填精丸) during the Period. On the other hand, the production costs for other products were also augmented due to the increased purchase prices of certain major ingredients during the Period, which exerted a negative impact on the overall gross profit margin.

OPERATING COSTS AND EXPENSES

Selling and distribution expenses of the Group increased by approximately 10.8% from approximately RMB11.2 million for the six months ended 30 June 2022 to approximately RMB12.4 million for the Period. It was mainly due to the increase in advertisement expenses by approximately RMB1.4 million spent on various marketing campaigns for promoting the Group's brand name during the Period.

Administrative and other operating expenses primarily consist of staff costs, other taxes, legal and professional fees, and R&D costs. There was a reduction of approximately 27.6% in respect of the administrative and other operating expenses for the Period in comparison with those of the six months ended 30 June 2022. This was mainly due to the decrease of approximately RMB1.5 million in research and development expenses for the Period.

Finance costs decreased by approximately RMB2,000 from approximately RMB6,000 for the six months ended 30 June 2022 to approximately RMB4,000 for the Period, which was primarily due to the reduced interest payment relating to lease liability.

OPERATING RESULTS

Profit for the Period decreased by approximately 44.7% from approximately RMB49.9 million for the six months ended 30 June 2022 to approximately RMB27.6 million for the Period. This was primarily due to the decrease in sales of Vigour and Vitality Supplement Pill (補腎填精丸) and Additional Ingredient Huoxiang Zheng Qi Pill (加味藿香正氣丸), which were the major products of the Group during the Period.

Management Discussion and Analysis (Continued)

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group held total assets of approximately RMB499.5 million (31 December 2022: approximately RMB501.5 million), including property, plant and equipment of approximately RMB88.9 million (31 December 2022: approximately RMB78.5 million), trade and other receivables of approximately RMB80.4 million (31 December 2022: approximately RMB78.7 million) and bank balances and cash of approximately RMB281.5 million (31 December 2022: approximately RMB282.3 million).

As at 30 June 2023, the Group had total liabilities of approximately RMB46.4 million (31 December 2022: approximately RMB78.6 million), which comprises mainly of trade and other payables amounting to approximately RMB36.4 million (31 December 2022: approximately RMB64.6 million).

As at 30 June 2023, the gearing ratio, expressed as a percentage of total loans (including interest-bearing borrowings and lease liabilities) over total equity, was about 0.03% (31 December 2022: approximately 0.09%). This reduction was mainly resulted from the decrease of lease liabilities during the Period.

CASHFLOW

During the Period, the Group generated net cash of approximately RMB3.7 million (six months ended 30 June 2022: approximately RMB58.5 million) from operating activities. The substantial decrease in net cash generated from operating activities mainly resulted from the substantial decrease in cash inflow from the operating profit and working capital.

Net cash used in investing activities was approximately RMB4.2 million for the Period (six months ended 30 June 2022: approximately RMB4.1 million). The increase in net cash used in investing activities resulted from the addition in acquisition of property, plant and equipment during the Period.

Net cash used in financing activities was approximately RMB0.3 million for the Period (six months ended 30 June 2022: approximately RMB8.6 million). The decrease in net cash used in financing activities mainly resulted from no dividend paid during the Period.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no material contingent liabilities (31 December 2022: Nil).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's business and borrowings are denominated and accounted for in Renminbi. The Group, therefore, does not have any significant exposure to foreign exchange fluctuation.

The Board does not expect the fluctuation of RMB exchange rate and other foreign exchange fluctuation will have any material impact on the business operations or financial results of the Group. However, the Group will closely monitor the foreign exchange market and take appropriate and effective measures from time to time to reduce any negative impact from exchange-rate risk to the furthest extent including establishment of a hedging policy.

CHARGE ON GROUP ASSETS

As at 30 June 2023, the Group did not have any charge on its assets (31 December 2022: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had 192 employees (31 December 2022: 194). The total staff costs including directors' remuneration for the Period were approximately RMB8.7 million (six months ended 30 June 2022: approximately RMB9.6 million). Remuneration is determined based on each employee's qualifications, position and seniority. In addition to a basic salary, year-end discretionary bonuses are offered with reference to our Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve the Group. Furthermore, the Group offers other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. The Group also adopts an annual review system to assess the performance of staff members, which forms the basis of decisions with respect to salary rises and promotions.

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

There were no significant investments held, acquisitions or disposals of subsidiaries, associated companies and joint ventures by the Group during the Period.

The Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries, associated companies and joint ventures as at 30 June 2023.

CAPITAL EXPENDITURE

For the Period, the Group spent approximately RMB4.9 million (31 December 2022: approximately RMB11.7 million) on capital expenditure, which was primarily related to the acquisition of property, plant and machinery.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the Period (six months ended 30 June 2022: Nil).

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Group implemented its business objectives and strategies in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus during the Period. As of the date of this interim report, the Board does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus. The net proceeds (after deduction of underwriting fees, commissions and expenses) from the Global Offering amounted to approximately HK\$114.1 million. The table below sets out the planned allocations of the net proceeds and actual usage up to 30 June 2023:

Management Discussion and Analysis (Continued)

	Planned use of Net Proceeds from the Global Offering in total		Actual use of Net Proceeds up to 31 December 2022	Amount utilised during the Period	Unutilised amount as at 30 June 2023	Expected timeline for the utilization of the remaining balance ⁽¹⁾
	(HK\$' million)	%	(HK\$' million)	(HK\$' million)	(HK\$' million)	
Enhancing and expanding the production capacity to further produce the major prescribed medicine, in particular the major capsule products with the intended effect of treating/alleviating cardio-cerebrovascular (心腦血管) condition	51.7	45.3	51.7	–	–	Not applicable
Broadening the distribution network in Huanan (華南) and Huadong (華東) in the PRC ⁽²⁾	19.7	17.3	1.6	–	18.1	By the end of 2023
Raising the brand awareness through media marketing and promotion efforts	12.0	10.5	12.0	–	–	Not applicable
Further raising the research and development efforts, procuring quality management equipment and broadening the product portfolio	23.4	20.5	9.4	0.1	13.9	By the third quarter of 2023
Upgrading the IT system	4.0	3.5	–	–	4.0	By the end of 2023
Increasing general working capital	3.3	2.9	3.3	–	–	Not applicable
Total	114.1	100.0	78.0	0.1	36.0	

Note:

- (1) The unused proceeds are currently placed into authorised financial institution(s) and/or licensed entity(ies). The expected timeline for utilising the net proceeds from the Global Offering is based on the best estimation of future market conditions made by the Group and subject to changes in accordance with our actual business operation. If there is any change in the use of proceeds, the Company will publish a separate announcement accordingly.
- (2) The expansion of distribution network in Huanan (華南) and Huadong (華東) in the PRC was originally scheduled to commence in the second quarter of 2023. However, due to the impact of COVID-19 pandemic, the Group is still in the course of organising a sales team. It is expected that the relevant sales team will be formed by the end of 2023 and such expansion plan will be carried out thereafter.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the Period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to formulating and implementing corporate governance practices appropriate to the Company's needs. The Company has adopted the principles and code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices.

In the opinion of the Directors, during the Period, the Company complied with all applicable code provisions as set out in the CG Code save for the deviations from code provision C.2.1.

According to provision C.2.1 of the code provisions, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The deviation from C.2.1 of the CG Code is due to the passing away of Mr. Xie Wei ("Mr. Xie"), the then chairman of the Board and an executive Director of the Board, on 24 December 2021. The position of chairman has been vacant since the passing away of Mr. Xie and up to the date of this interim report. The duties and responsibilities of chairman of the Board have been temporarily shared among other members of the Board and senior management, including Ms. Zhang Hongli, our executive Director and chief executive officer. A new chairman will be appointed by the Board in due course and further announcement will be made as soon as practicable.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries to all the Directors of the Company, each of the Directors has confirmed that he/she has complied with the required standards set out in the Model Code during the Period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which have been notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or under the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Other Information (Continued)

(a) Interests in Shares

Name	Capacity/Nature of interest	Number of Shares interested in	Percentage of interest in the Company
Mr. Xie (deceased) (Notes 1 and 2)	Interest in a controlled corporation	450,000,000 (long position)	75%

Notes:

- (1) These Shares are held by Modern Biotechnology Group Holdings Co., Ltd (現代生物科技集團控股有限公司) (“**Modern Biotechnology**”), which is a company incorporated in the British Virgin Islands (“**BVI**”). The entire issued share capital of Modern Biotechnology is owned by Mr. Xie, who passed away on 24 December 2021, it is therefore deemed to be interested in the Shares held by Modern Biotechnology under the SFO.
- (2) Due to the passing away of Mr. Xie in December 2021, the spouse of Mr. Xie, Ms. Sun Xinlei (孫新磊) (“**Ms. Sun**”) had engaged her legal counsel in the BVI to process her application for the inheritance of Mr. Xie’s estate as at the date of this interim report. With effect from 4 July 2023, Modern Biotechnology has been inherited by Ms. Sun.

(b) Interests in the shares of associated corporations

Name	Name of associated corporation	Capacity/ Nature of interest	Number of shares	Percentage of interest in associated corporations
Mr. Xie (deceased)	Modern Biotechnology	Beneficial owner	One share of US\$1.00 (long position)	100%
	Chengde Yushi Jindan Pharmaceutical Co., Ltd (“ Chengde Yushi ”) (承德御室金丹藥業有限公司) (Note 1 and 3)	Beneficial owner	N/A (Note 2)	100%

Notes:

- (1) Chengde Yushi is a limited liability company established in the PRC. It is regarded as an indirect wholly-owned subsidiary of the Group by virtue of the contractual arrangements entered into with the Group.
- (2) The percentage of shareholding is determined with reference to the percentage of subscribed registered capital of the shareholder.
- (3) Due to the passing away of Mr. Xie in December 2021, the spouse of Mr. Xie, Ms. Sun had engaged her legal counsel in the BVI to process her application for the inheritance of Mr. Xie’s estate as at the date of this interim report.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, at no time during the Period was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executives 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 during the Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2023, so far as is known to the Directors, the following person (not being a Director or chief executive of the Company) had interests or short positions in Shares or underlying Shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Capacity/Nature of interest	Number of Shares held	Percentage of interest in the Company
Modern Biotechnology	Beneficial owner	450,000,000 (long position)	75%

Save as disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION" in this interim report, none of the controlling shareholders, the Directors nor their respective close associates (as defined in the Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the Period and up to the date of this interim report.

SHARE OPTION SCHEME

Pursuant to the written resolutions of all the shareholders of the Company passed on 18 December 2020, the Company adopted a share option scheme (the "**Share Option Scheme**"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules, which became effective on 15 January 2021. No share option has been granted since 15 January 2021, i.e. the listing date of the Shares on the Stock Exchange and therefore, there were no outstanding share options as at 30 June 2023 and no share option was exercised, expired or cancelled or lapsed under the Share Option Scheme for the period from the Listing Date to 30 June 2023 and up to the date of this interim report.

Other Information (Continued)

CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Saved for the continuing connected transactions arise by virtue of the contractual arrangements entered into with the Group, during the Period, the Group did not enter into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules. Details of the material related party transactions are set out in note 17 of the Interim Financial Statements. These related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

EVENT AFTER THE REPORTING PERIOD

In February 2020, the Group, through its indirect wholly owned subsidiary, Shijiazhuang Medical Research Advisory Company Limited entered into a series of contractual arrangements (the “**Existing Contractual Arrangements**”) with Chengde Yushi and Mr. Xie, the then registered shareholder of Chengde Yushi. Following Ms. Sun became the registered shareholder of Chengde Yushi in December 2021 and also completed the inheritance of Mr. Xie’s estate, in particular all shares Mr. Xie held in Modern Biotechnology, in early July 2023, the Group executed the new contractual arrangements (the “**New Contractual Arrangements**”) substantially on the same terms as those currently in place under the Existing Contractual Arrangements, save that (a) the identity of the sole registered shareholder of Chengde Yushi was changed from Mr. Xie to Ms. Sun and (b) Ms. Sun has executed the no spouse undertaking as a replacement to the existing spouse’s undertaking as further detailed in the Company’s announcement dated 14 June 2023. The New Contractual Arrangements took effect on 4 July 2023 and the Existing Contractual Arrangements were terminated concurrently upon the New Contractual Arrangements taking effect. The Group, through the New Contractual Arrangements, has exposure and rights to variable returns from its involvement with Chengde Yushi and has ability to affect those returns through its power over Chengde Yushi. Therefore, the Group continues to have control over Chengde Yushi.

Save as disclosed above, no other important event has occurred after the Period and up to the date of this interim report.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, as at the date of this interim report, the Company maintained a sufficient public float of the issued Shares (i.e. at least 25% of the issued Shares in the public hands) as required under the Listing Rules.

PRINCIPAL RISKS AND UNCERTAINTIES

Pursuant to the Group's risk assessment, two major risks were identified in 2021, namely (i) policy risk; and (ii) market competition risk.

Policy risk: the PCM industry is significantly affected by the national policies, and with new policies issued frequently, the market pattern has been continuously adjusted and changed in a short time. China has been continuing to deepen its reforms of the PCM industry. For example, measures such as the enforcement and adjustment of medical insurance catalogue, the continuous implementation of centralized bulk-buying and new guiding principles for R&D may have deep and lasting impact on the future development of the PCM and may also have different levels of impact on the Group's production and sales. In early December 2021, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security issued the Catalogue of Drugs for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2021) (the "**National Medical Insurance Catalogue (2021)**"). Through this adjustment to the catalogue, the total number of drugs in the National Medical Insurance Catalogue (2021) is 2,860, including 1,486 western drugs, 1,374 Chinese patent drugs, and 892 traditional Chinese medicine tablets.

Market competition risk: with the deepening of PCM industry reform policy, it is possible the overall growth rate of the PCM industry might slow down, and result into a decrease number of PCM products distributors, it may also further intensify the market competition among market players. Further, cross-industry competitors might use their resources to participate in industry competition, increasing the competition in the PCM industry field and changing the PCM industry rules. The outbreak of COVID-19 epidemic has brought uncertainty to the market competition pattern of PCM industry.

CONSTITUTIONAL DOCUMENTS

In an annual general meeting of the Company held on 30 May 2023, the Company adopted the second amended and restated memorandum and articles of association of the Company (the "**Amended M&A**") by way of special resolution. The full version of the Amended M&A has been published on the websites of the Stock Exchange and the Company respectively.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely, Ms. Liu Ling, Mr. Leung Tsz Wing and Mr. Wong Chi Kin. The chairman of the Audit Committee is Mr. Leung Tsz Wing. The unaudited interim results of the Group for the Period have been reviewed by the Audit Committee.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	4	180,091	196,064
Cost of sales		(120,864)	(109,711)
Gross profit		59,227	86,353
Other income, gains and losses, net	5	(1,832)	299
Selling and distribution expenses		(12,422)	(11,208)
Administrative and other operating expenses		(5,713)	(7,896)
Finance costs	6	(4)	(6)
Profit before tax	6	39,256	67,542
Income tax expenses	7	(11,676)	(17,626)
Profit for the period		27,580	49,916
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss</i>			
Exchange difference on translation from functional currency to presentation currency		2,592	–
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on consolidation		(32)	161
Other comprehensive income for the period, net of tax		2,560	161
Total comprehensive income for the period		30,140	50,077
Earnings per share attributable to owners of the Company		RMB cent	RMB cent
Basic and diluted	8	4.60	8.32

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	Note	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		88,892	78,452
Intangible assets		243	292
Right-of-use assets		1,903	2,154
Deposits paid for acquisition of property, plant and equipment	10	–	9,435
Deferred tax assets	15	7,408	8,711
		98,446	99,044
Current assets			
Inventories	11	39,115	41,509
Trade and other receivables	12	80,396	78,725
Bank balances and cash		281,543	282,256
		401,054	402,490
Current liabilities			
Trade and other payables	13	36,434	64,617
Lease liabilities	14	134	393
Income tax payables		3,759	8,344
		40,327	73,354
Net current assets		360,727	329,136
Total assets less current liabilities		459,173	428,180
Non-current liabilities			
Deferred tax liabilities	15	6,099	5,246
NET ASSETS		453,074	422,934
Capital and reserves			
Share capital	16	5,010	5,010
Reserves		448,064	417,924
TOTAL EQUITY		453,074	422,934

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2023

	Reserves						Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000	Accumulated profits RMB'000	
At 1 January 2022 (Audited)	5,010	116,996	29,540	1,010	15,113	169,692	337,361
Profit for the period	-	-	-	-	-	49,916	49,916
Other comprehensive income <i>Item that may be reclassified subsequently to profit or loss</i>							
Exchange differences on consolidation	-	-	-	161	-	-	161
Total comprehensive income for the period	-	-	-	161	-	49,916	50,077
Transactions with owners:							
2021 Dividend approved and paid	-	-	-	-	-	(8,322)	(8,322)
Total transactions with owners	-	-	-	-	-	(8,322)	(8,322)
At 30 June 2022 (Unaudited)	5,010	116,996	29,540	1,171	15,113	211,286	379,116

Condensed Consolidated Statement of Changes In Equity (Continued)

For the six months ended 30 June 2023

	Reserves						Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000	Accumulated profits RMB'000	
At 1 January 2023 (Audited)	5,010	108,674	29,540	7,076	15,113	257,521	422,934
Profit for the period	-	-	-	-	-	27,580	27,580
Other comprehensive income							
<i>Item that will not be reclassified to profit or loss</i>							
Exchange difference on translation from functional currency to presentation currency	-	-	-	2,592	-	-	2,592
<i>Item that may be reclassified subsequently to profit or loss</i>							
Exchange differences on consolidation	-	-	-	(32)	-	-	(32)
Total comprehensive income for the period	-	-	-	2,560	-	27,580	30,140
At 30 June 2023 (Unaudited)	5,010	108,674	29,540	9,636	15,113	285,101	453,074

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net cash generated from operating activities	3,681	58,461
INVESTING ACTIVITIES		
Payment for purchase of property, plant and equipment	(4,915)	(851)
Interest received	715	291
Deposits paid for acquisition of property, plant and equipment	–	(3,500)
Net cash used in investing activities	(4,200)	(4,060)
FINANCING ACTIVITIES		
Payment of lease liabilities	(259)	(242)
Interest paid	(4)	(6)
Dividend paid	–	(8,322)
Net cash used in financing activities	(263)	(8,570)
Net (decrease) increase in cash and cash equivalents	(782)	45,831
Cash and cash equivalents at the beginning of the reporting period	282,256	176,091
Effect on exchange rate changes	69	(116)
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	281,543	221,806

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Modern Chinese Medicine Group Co., Ltd. was incorporated in the Cayman Islands as an exempted company with limited liability on 12 August 2019. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 January 2021 (the “**Listing Date**”). The address of the Company’s registered office is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The principal place of business in Hong Kong has been changed from 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong to Room 2404, World-Wide House, 19 Des Voeux Road Central, Hong Kong. The Group’s headquarter is situated at No. 88 Jinwei Road, Chengde City, Hebei Province, the People’s Republic of China (the “**PRC**”).

The Company is an investment holding company and its subsidiaries are principally engaged in the production of proprietary Chinese medicine (“**PCM**”) in the PRC.

The immediate and ultimate holding company of the Company is Modern Biotechnology Group Holdings Co., Ltd. (“**Modern Biotechnology**”), which is incorporated in the British Virgin Islands (the “**BVI**”). Referring to the Company’s announcement dated 24 December 2021, Mr. Xie Wei (“**Mr. Xie**”), the ultimate controlling party (the “**Ultimate Controlling Party**”), passed away on 24 December 2021. As further detailed in the Company’s announcement dated 18 July 2023, Ms. Sun Xinlei (“**Ms. Sun**”), the widow of Mr. Xie, completed the inheritance of all the issued shares of Modern Biotechnology and has been the Ultimate Controlling Party with effect from 4 July 2023.

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements are unaudited but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

2. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and financial performance of the Group since 31 December 2022, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. They shall be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2022 (the “**2022 Financial Statements**”).

The Interim Financial Statements have been prepared on the historical costs basis and presented in Renminbi (“**RMB**”) and rounded to the nearest thousands (“**RMB’000**”), unless otherwise indicated.

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in preparing the 2022 Financial Statements except for the adoption of the new/revised HKFRSs further described in the “Adoption of new/revised HKFRSs” section which are relevant to the Group and effective for the Group’s financial period beginning on 1 January 2023.

Adoption of new/revised HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2023 for the preparation of the Interim Financial Statements:

Amendments to HKAS 1	Disclosure of Accounting Policies
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The adoption of the new/revised HKFRSs in the current period has no material impact on the Group’s financial position and performance for the current and prior periods and/or on the disclosures set out in the Interim Financial Statements.

At the date of authorisation of the Interim Financial Statements, the Group has not early adopted the new/revised HKFRSs that have been issued but are not yet effective. The Directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group’s consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

3. SEGMENT INFORMATION

The management of the Company has determined that the Group has only one operating and reportable segment throughout the reporting periods, as the Group manages its business as a whole as the production of PCM in the PRC and the executive directors of the Company, being the chief operating decision-makers of the Group, regularly review the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group.

Segment information is not presented accordingly.

The Company is an investment holding company and the principal place of the Group's operation is the PRC. All of the Group's revenue from external customers during the reporting periods is derived from the PRC and almost all of the Group's assets and liabilities are located in the PRC.

The Group's revenue did not have any single external customer contributing 10% or more of the total revenue of the Group during the six months ended 30 June 2023 and 2022.

4. REVENUE

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from contracts with customers within HKFRS 15 <i>At a point in time</i> – Production of PCM	180,091	196,064

5. OTHER INCOME, GAINS AND LOSSES, NET

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest income	715	291
Exchange loss, net	(2,547)	–
Sundry income	–	8
	(1,832)	299

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

6. PROFIT BEFORE TAX

This is stated after charging:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Finance costs		
Interest on lease liabilities	4	6
Staff costs (including directors' emoluments)		
Salaries, allowances, discretionary bonus, and other benefits in kind	7,578	7,792
Contributions to defined contribution plans	1,096	1,822
	8,674	9,614
Other items		
Depreciation of right-of-use assets (charged to "administrative and other operating expenses")	251	232
Depreciation of property, plant and equipment (charged to "cost of sales" and "administrative and other operating expenses", as appropriate)	2,824	2,486
Amortisation of intangible assets (charged to "administrative and other operating expenses")	49	49
Research and development expenses	–	1,500

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax		
PRC enterprise income tax ("PRC EIT")	9,520	17,626
Deferred tax		
Origination and changes in temporary differences	2,156	–
Total income tax expenses for the period	11,676	17,626

The Group's entities established in the Cayman Islands and the BVI are exempted from income tax of those jurisdictions.

The Group's entities established in the PRC are subject to PRC EIT at a statutory rate of 25% during the six months ended 30 June 2023 and 2022.

Hong Kong Profits Tax has not been provided as the Group had no assessable profit arising from Hong Kong during the six months ended 30 June 2023 and 2022.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit for the period attributable to owners of the Company, used in basic and diluted earnings per share calculation	27,580	49,916

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

8. EARNINGS PER SHARE (Continued)

	'000	'000
<i>Number of shares:</i>		
Weighted average number of ordinary shares for basic and diluted earnings per share calculation	600,000	600,000

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the Period.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares outstanding during the six months ended 30 June 2023 and 2022.

9. DIVIDEND

The Directors did not recommend a payment of an interim dividend for the Period (six months ended 30 June 2022: Nil).

10. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Deposit paid for purchase of plant and machinery (Note)	–	9,435

Note: At 31 December 2022, full proceeds of approximately RMB9,435,000 have been paid by the Group to a supplier for purchasing plant and machinery (the "Plant and Machinery"). During the Period, the Plant and Machinery has been delivered to the Group and ready for commercial operation, and therefore the deposit paid has been reclassified to property, plant and equipment.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

11. INVENTORIES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Raw materials	12,046	22,126
Work-in-progress	6,498	6,159
Finished goods	20,571	13,224
	39,115	41,509

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Trade receivables		
From third parties	79,367	78,479
Less: Loss allowances	(392)	(392)
	78,975	78,087
Other receivables		
Prepayments	1,138	354
Other deposits and receivables	283	284
	1,421	638
	80,396	78,725

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

12. TRADE AND OTHER RECEIVABLES (Continued)

The ageing of trade receivables, net of loss allowances, based on invoice date at the end of each reporting period is as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Within 30 days	31,906	42,171
31 to 60 days	32,454	35,916
61 to 90 days	14,615	–
	78,975	78,087

The Group normally grants credit terms up to 90 days (at 31 December 2022: 60 days) from the date of issuance of invoices.

13. TRADE AND OTHER PAYABLES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Trade payables		
To third parties	16,317	39,261
Other payables		
Monetary marketing incentives payables (Note i)	6,834	8,779
Value-added tax and other tax payables	1,894	3,168
Salary payables	2,173	2,165
Accruals and other payables	9,216	11,244
	20,117	25,356
	36,434	64,617

Note:

- (i) The credit term for the monetary marketing incentive payables are not more than 90 days from the date of issuance of invoices.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

13. TRADE AND OTHER PAYABLES (Continued)

At the end of each reporting period, the ageing analysis of trade payables based on invoice date is as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Within 30 days	16,317	39,261

The trade payables are interest-free and with normal credit terms up to 90 days.

14. LEASE LIABILITIES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Lease liabilities		
Current portion	134	393

Commitments and present value of lease liabilities:

	At 30 June 2023	
	Lease payment RMB'000 (Unaudited)	Present value of lease payments RMB'000 (Unaudited)
Amount payable:		
Within one year	135	134
Less: future finance charges	135 (1)	134 –
Total lease liabilities	134	134

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

14. LEASE LIABILITIES (Continued)

	At 31 December 2022	
	Lease payment <i>RMB'000</i> (Audited)	Present value of lease payments <i>RMB'000</i> (Audited)
Amount payable:		
Within one year	398	393
Less: future finance charges	398 (5)	393 –
Total lease liabilities	393	393

The total cash outflows for leases for the Period was approximately RMB0.3 million (six months ended 30 June 2022: approximately RMB0.2 million).

15. DEFERRED TAX ASSETS/(LIABILITIES)

The movements in the Group's deferred tax assets (liabilities) for the respective reporting period were as follows:

	Assets		Liabilities	
	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Deferred tax assets (liabilities)	7,408	8,711	(6,099)	(5,246)
			Withholding tax on undistributed profits of a PRC subsidiary	Total
	Research and development expenses	Accrued revenue and costs	<i>RMB'000</i>	<i>RMB'000</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022 (Audited)	7,250	449	(2,529)	5,170
Credit (charge) to profit or loss	750	262	(2,717)	(1,705)
At 31 December 2022 and 1 January 2023 (Audited)	8,000	711	(5,246)	3,465
Credit (charge) to profit or loss	(1,250)	(53)	(853)	(2,156)
At 30 June 2023 (Unaudited)	6,750	658	(6,099)	1,309

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

16. SHARE CAPITAL

	Number of shares <i>'000</i>	Amount <i>HK'000</i>	Equivalent to RMB Approximately <i>RMB'000</i>
Ordinary share of HK\$0.01 each			
Authorised:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	10,000,000	100,000	84,349
Issued and fully paid:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	600,000	6,000	5,010

17. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Interim Financial Statements, during the six months ended 30 June 2023 and 2022, further information of the related party transaction is set out below.

Remuneration for key management personnel (including directors of the Company) of the Group:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Salaries, allowances, discretionary bonus, and other benefits in kind	1,054	880
Contributions to defined contribution plans	81	107
	1,135	987

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

18. EVENT AFTER THE REPORTING PERIOD

In February 2020, the Group, through its indirect wholly owned subsidiary, Shijiazhuang Medical Research Advisory Company Limited entered into a series of contractual arrangements (the “**Existing Contractual Arrangements**”) with Chengde Yushi Jindan Pharmaceutical Co. Ltd. (“**Chengde Yushi**”) and Mr. Xie, the then registered shareholder of Chengde Yushi. Following Ms. Sun became the registered shareholder of Chengde Yushi in December 2021 and also completed the inheritance of Mr. Xie’s estate, in particular, all shares Mr. Xie held in Modern Biotechnology, in early July 2023, the Group executed the new contractual arrangements (the “**New Contractual Arrangements**”) substantially on the same terms as those currently in place under the Existing Contractual Arrangements, save that (a) the identity of the sole registered shareholder of Chengde Yushi was changed from Mr. Xie to Ms. Sun and (b) Ms. Sun has executed the no spouse undertaking as a replacement to the existing spouse’s undertaking as further detailed in the Company’s announcement dated 14 June 2023. The New Contractual Arrangements took effect on 4 July 2023 and the Existing Contractual Arrangements were terminated concurrently upon the New Contractual Arrangements taking effect. The Group, through the New Contractual Arrangements, has exposure and rights to variable returns from its involvement with Chengde Yushi and has ability to affect those returns through its power over Chengde Yushi. Therefore, the Group continues to have control over Chengde Yushi.

19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved by the Board on 28 August 2023.