



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

2024
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. Sun Xinlei (*Chairlady*)
Ms. Zhang Hongli (*Chief Executive Officer*)
Ms. Jia Yanru

Independent non-executive Directors

Ms. Liu Ling
Mr. Leung Tsz Wing
Mr. Wong Chi Kin

Audit Committee

Mr. Leung Tsz Wing (*Chairman*)
Ms. Liu Ling
Mr. Wong Chi Kin

Remuneration Committee

Ms. Liu Ling (*Chairlady*)
Ms. Zhang Hongli
Mr. Wong Chi Kin

Nomination Committee

Mr. Wong Chi Kin (*Chairman*)
Ms. Jia Yanru
Ms. Liu Ling

JOINT COMPANY SECRETARIES

Ms. Jia Yanru
Ms. Chan Tsz Hei Sammi

AUTHORISED REPRESENTATIVES

Ms. Zhang Hongli
Ms. Chan Tsz Hei Sammi

INDEPENDENT AUDITOR

Forvis Mazars CPA Limited
*Certified Public Accountants and Registered Public Interest
Entity Auditor*
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

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World-Wide House
19 Des Voeux Road 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
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WEBSITE

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STOCK CODE

1643

Financial Highlights

The board (the “**Board**”) of director(s) (the “**Director(s)**”) of Modern Chinese Medicine Group Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby set forth below a summary of the unaudited condensed consolidated results of the Company for the six months ended 30 June 2024 (the “**Period**”) together with comparative figures for the six months ended 30 June 2023 (the “**Corresponding Period**”).

- Revenue decreased from approximately RMB180.1 million for the Corresponding Period to approximately RMB76.6 million for the Period, representing a decrease of approximately 57.5%.
- Gross profit decreased from approximately RMB59.2 million for the Corresponding Period to approximately RMB21.7 million for the Period, representing a decrease of approximately 63.3%.
- Loss attributable to the owners of the Company for the Period was RMB6.9 million, while profit of RMB27.6 million was recorded for the Corresponding Period.
- Basic and diluted (loss)/earnings per share turned from earnings of RMB4.6 cents for the Corresponding Period to loss of RMB1.14 cents for the Period.

Management Discussion and Analysis

GENERAL OVERVIEW

The Group is principally engaged in the production of Proprietary Chinese Medicine (“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 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.

As at 30 June 2024, the Group had a distribution network of 83 distributors covering about 40 cities in the PRC. Sales revenue generated from Northeast region of China was the highest compared to other regions of China.

During the Period, due to the renovation work carried out on a preparation workshop of the Group, production of PCM was temporarily suspended. The renovation work was completed in June 2024 and the Group has resumed its production.

OUTLOOK AND PROSPECTS

Taking into account the aging population, the size of the healthcare market will continue to expand, bringing extensive room for the development of Chinese medicine globally. At the same time, the Chinese government’s policy has promoted the research and development and production of medical devices, as well as the development of digitalized and remote healthcare. Digitalization technology is widely used in traceability, intelligent testing, after-sales service and other quality management of Chinese medicines. According to the “China Chinese Medicine Market Demand Forecast and Development Trend Forecast Report 2022-2027” published by Chinese Academy of Industry Economy Research with a compound annual growth rate of 7.0%, it is projected that China’s pharmaceutical market size would exceed RMB510,000 million in 2024.

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.

FINANCIAL REVIEW

The Group posted a consolidated revenue of approximately RMB76.6 million for the Period, representing a decrease of approximately RMB103.5 million or 57.5% as compared to the revenue of approximately RMB180.1 million for the Corresponding Period. The decrease in revenue was primarily attributable to the temporary suspension of production due to the renovation work carried out on a preparation workshop.

Vigour and Vitality Supplement Pill (補腎填精丸) and Circulation Enhancement Pill (氣血雙補丸) were the top two selling products for both the Period and the Corresponding Period. These two products contributed approximately 46.9% and 45.0% of the Group's total revenue for the Period and the Corresponding Period, respectively.

The Northeast region of China 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 Corresponding Period.

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 28.3% from approximately 32.9% for the Corresponding Period. The decrease was mainly due to the increase in costs of raw materials.

OPERATING COSTS AND EXPENSES

Selling and distribution expenses of the Group decreased by approximately 15.3% from approximately RMB12.4 million for the Corresponding Period to approximately RMB10.5 million for the Period. It was mainly due to the decrease in transportation expense 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 an increase of approximately 24.2% in respect of the administrative and other operating expenses for the Period in comparison with those of the Corresponding Period. This was mainly due to the addition of unallocated overhead costs during the temporary suspension period.

No finance costs were recorded during the Period, while RMB4,000 was recorded for the Corresponding Period.

OPERATING RESULTS

The Group turned from profit after tax of approximately RMB27.6 million for the Corresponding Period to loss of approximately RMB6.9 million for the Period. This was primarily due to 1) the decrease in revenue as a result of the temporary suspension of production due to the renovation work carried out on a preparation workshop; and 2) the disposal loss on property, plant and equipment resulting from the demolition of a preparation workshop.

Management Discussion and Analysis (Continued)

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the Group held total assets of approximately RMB499.0 million (31 December 2023: approximately RMB528.5 million), including property, plant and equipment of approximately RMB188.7 million (31 December 2023: approximately RMB85.9 million), trade and other receivables of approximately RMB34.5 million (31 December 2023: approximately RMB103.8 million) and bank balances and cash of approximately RMB247.1 million (31 December 2023: approximately RMB286.3 million).

As at 30 June 2024, the Group had total liabilities of approximately RMB32.4 million (31 December 2023: approximately RMB55.6 million), which comprises mainly of trade and other payables amounting to approximately RMB25.0 million (31 December 2023: approximately RMB48.8 million).

As at 30 June 2024, the gearing ratio, expressed as a percentage of total loans (including interest-bearing borrowings and lease liabilities) over total equity, was about 0.10% (31 December 2023: approximately 0.02%). This increase was mainly resulted from the increase of other borrowing during the Period.

CASH FLOW

During the Period, the Group generated net cash of approximately RMB74.4 million (Corresponding Period: approximately RMB3.7 million) from operating activities. The substantial increase in net cash generated from operating activities mainly resulted from the substantial increase in cash inflow from the working capital.

Net cash used in investing activities was approximately RMB114.0 million for the Period (Corresponding Period: approximately RMB4.2 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 from financing activities was approximately RMB0.4 million for the Period (Corresponding Period: net cash used in financing activities was approximately RMB0.3 million). The increase in net cash from financing activities mainly resulted from the addition of other borrowing.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group had no material contingent liabilities (31 December 2023: 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 2024, the Group did not have any charge on its assets (31 December 2023: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had 190 employees (31 December 2023: 191). The total staff costs including directors' remuneration for the Period were approximately RMB4.2 million (Corresponding Period: approximately RMB8.7 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 2024.

CAPITAL EXPENDITURE

For the Period, the Group spent approximately RMB114.4 million (for the year ended 31 December 2023: approximately RMB4.9 million) on capital expenditure, which was primarily related to the acquisition of property, plant and equipment.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (Corresponding Period: 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 2024:

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 2023	Amount utilised during the Period	Unutilised amount as at 30 June 2024	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) regions of the PRC ⁽²⁾	19.7	17.3	1.6	–	18.1	By the end of 2024
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	14.5	–	8.9	By the end of 2024
Upgrading the IT system	4.0	3.5	0.6	–	3.4	By the end of 2024
Increasing general working capital	3.3	2.9	3.3	–	–	Not applicable
Total	114.1	100.0	83.7	–	30.4	

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 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 Northern and Eastern regions of the PRC was originally scheduled to commence in the second quarter of 2023. However, the economic environment was not as expected due to the impact of both COVID-19 pandemic and the change in government policy. The relevant sales team will be gradually formed by the end of 2024 as disclosed in the Annual Report of the Company for the year ended 31 December 2023 (the "2023 Annual Report").
- (3) The Group expects to complete the recruitment of professional traditional medicine research and development personnel by the end of 2024 as disclosed in the 2023 Annual Report. Due to the unfavorable economic condition, the Company has adopted a more prudent approach.
- (4) The hardware facilities are under construction in 2024, and the Group is in the course of seeking a suitable consulting company for the development of the IT system. Due to the unfavorable economic condition, the Company has adopted a more prudent approach.

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 C1 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.

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 C3 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 2024, 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
Ms. Sun Xinlei ("Ms. Sun")	Interest in a controlled corporation	402,000,000 (long position)	67%

Note:

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 Ms. Sun, the Chairlady and an executive Director, it is therefore deemed to be interested in the Shares held by Modern Biotechnology under the SFO.

(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
Ms. Sun	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)	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.*

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 2024, 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	402,000,000 (long position)	67%

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"). No share option has been granted since the listing date of the Shares on the Stock Exchange (i.e. 15 January 2021) and therefore, there were no outstanding share options as at 30 June 2024 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 2024 and up to the date of this interim report.

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

No 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.

Other Information (Continued)

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.

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 2024

		Six months ended 30 June	
	Note	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	4	76,624	180,091
Cost of sales		(54,921)	(120,864)
Gross profit		21,703	59,227
Other income, gains and losses, net	5	(8,413)	(1,832)
Selling and distribution expenses		(10,520)	(12,422)
Administrative and other operating expenses		(7,098)	(5,713)
Finance costs	6	–	(4)
(Loss)/profit before tax	6	(4,328)	39,256
Income tax expenses	7	(2,524)	(11,676)
(Loss)/profit for the period		(6,852)	27,580
Other comprehensive (loss)/income			
<i>Item that will not be reclassified to profit or loss</i>			
Exchange difference on translation from functional currency to presentation currency		562	2,592
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on consolidation		(6)	(32)
Other comprehensive income for the period, net of tax		556	2,560
Total comprehensive (loss)/income for the period		(6,296)	30,140
(Loss)/earnings per share attributable to owners of the Company			
Basic and diluted	8	RMB cent (1.14)	RMB cent 4.60

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	Note	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		188,746	85,904
Intangible assets		147	195
Right-of-use assets		1,743	1,807
Deferred tax assets	15	3,955	4,113
		194,591	92,019
Current assets			
Inventories	10	22,841	46,466
Trade and other receivables	11	34,467	103,781
Bank balances and cash		247,054	286,266
		304,362	436,513
Current liabilities			
Trade and other payables	12	25,008	48,802
Lease liabilities	13	2	72
Other borrowing	14	456	–
Income tax payables		351	14
		25,817	48,888
Net current assets		278,545	387,625
Total assets less current liabilities		473,136	479,644
Non-current liabilities			
Deferred tax liabilities	15	6,543	6,755
NET ASSETS		466,593	472,889
Capital and reserves			
Share capital	16	5,010	5,010
Reserves		461,583	467,879
TOTAL EQUITY		466,593	472,889

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2024

	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 Changes In Equity (Continued)

For the six months ended 30 June 2024

	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 2024 (Audited)	5,010	108,674	29,540	8,236	15,113	306,316	472,889
Loss for the period	-	-	-	-	-	(6,852)	(6,852)
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	-	-	-	562	-	-	562
<i>Item that may be reclassified subsequently to profit or loss</i>							
Exchange differences on consolidation	-	-	-	(6)	-	-	(6)
Total comprehensive loss for the period	-	-	-	556	-	(6,852)	(6,296)
At 30 June 2024 (Unaudited)	5,010	108,674	29,540	8,792	15,113	299,464	466,593

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Net cash generated from operating activities	74,355	3,681
INVESTING ACTIVITIES		
Payment for purchase of property, plant and equipment	(114,388)	(4,915)
Interest received	432	715
Net cash used in investing activities	(113,956)	(4,200)
FINANCING ACTIVITIES		
Payment of lease liabilities	(70)	(259)
Interest paid	–	(4)
Other borrowing raised	456	–
Net cash from/(used in) financing activities	386	(263)
Net decrease in cash and cash equivalents	(39,215)	(782)
Cash and cash equivalents at the beginning of the reporting period	286,266	282,256
Effect on exchange rate changes	3	69
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	247,054	281,543

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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 is 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**”). The ultimate controlling party is Ms. Sun Xinlei.

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 2024

2. MATERIAL 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 2023, 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 2023 (the “**2023 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 2023 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 2024.

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 2024 for the preparation of the Interim Financial Statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

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 2024

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 2024 and 2023.

4. REVENUE

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue from contracts with customers within HKFRS 15 <i>At a point in time</i> – Production of PCM	76,624	180,091

5. OTHER INCOME, GAINS AND LOSSES, NET

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest income	432	715
Exchange loss, net	(616)	(2,547)
Loss on disposal of property, plant and equipment	(8,589)	–
Reversal of loss allowance on trade receivables	360	–
	(8,413)	(1,832)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

6. (LOSS)/PROFIT BEFORE TAX

This is stated after charging:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Finance costs		
Interest on lease liabilities	–	4
Staff costs (including directors' emoluments)		
Salaries, allowances, discretionary bonus, and other benefits in kind	3,517	7,578
Contributions to defined contribution plans	648	1,096
	4,165	8,674
Other items		
Depreciation of right-of-use assets (charged to “ administrative and other operating expenses ”)	64	251
Depreciation of property, plant and equipment (charged to “ cost of sales ” and “ administrative and other operating expenses ”, as appropriate)	2,958	2,824
Amortisation of intangible assets (charged to “ administrative and other operating expenses ”)	49	49

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current tax		
PRC enterprise income tax ("PRC EIT")	2,578	9,520
Deferred tax		
Origination and changes in temporary differences	(54)	2,156
Total income tax expenses for the period	2,524	11,676

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 2024 and 2023.

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 2024 and 2023.

8. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
(Loss)/profit for the period attributable to owners of the Company, used in basic and diluted (loss)/earnings per share calculation	(6,852)	27,580

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

8. (LOSS)/EARNINGS PER SHARE (CONTINUED)

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

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

Diluted (loss)/earnings per share are same as the basic (loss)/earnings per share as there are no dilutive potential ordinary shares outstanding during the six months ended 30 June 2024 and 2023.

9. DIVIDEND

The Directors did not recommend a payment of an interim dividend for the Period (Corresponding Period: Nil).

10. INVENTORIES

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Raw materials	15,599	25,958
Work-in-progress	5,905	1,087
Finished goods	1,337	19,421
	22,841	46,466

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Trade receivables		
From third parties	28,616	103,603
Less: Loss allowances	(143)	(518)
	28,473	103,085
Other receivables		
Prepayments	250	361
Other deposits and receivables	345	335
Value-add tax and other tax recoverable	5,399	—
	5,994	696
	34,467	103,781

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 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Within 30 days	28,473	38,038
31 to 60 days	—	32,987
61 to 90 days	—	32,060
	28,473	103,085

The Group normally grants credit terms up to 90 days (at 31 December 2023: 90 days) from the date of issuance of invoices.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

12. TRADE AND OTHER PAYABLES

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Trade payables		
To third parties	17,030	31,278
Other payables		
Monetary marketing incentives payables (<i>Note i</i>)	1,112	7,499
Value-added tax and other tax payables	–	2,776
Salary payables	1,011	2,237
Accruals and other payables	5,855	5,012
	7,978	17,524
	25,008	48,802

Note:

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

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

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Within 30 days	17,030	31,210
31 to 60 days	–	68
	17,030	31,278

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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

13. LEASE LIABILITIES

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Lease liabilities		
Current portion	2	72

Commitments and present value of lease liabilities:

	At 30 June 2024 Lease payment RMB'000 (Unaudited)	Present value of lease payments RMB'000 (Unaudited)
Amount payable:		
Within one year	2	2
	2	2
Less: future finance charges	—	—
Total lease liabilities	2	2

	At 31 December 2023 Lease payment RMB'000 (Audited)	Present value of lease payments RMB'000 (Audited)
Amount payable:		
Within one year	72	72
	72	72
Less: future finance charges	—	—
Total lease liabilities	72	72

The total cash outflows for leases for the Period was RMB0.3 million (six months ended 30 June 2023: approximately RMB0.3 million).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

14. OTHER BORROWING

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Other borrowing	456	—

The other borrowing of RMB0.45 million (equivalent to HK\$0.5 million) is unsecured, interest-free and repayable on or before 6 November 2024.

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 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Deferred tax assets/(liabilities)	3,955	4,113	(6,543)	(6,755)

	Research and development expenses RMB'000	Accrued revenue and costs RMB'000	Withholding tax on undistributed profits of a PRC subsidiary RMB'000	Total RMB'000
At 1 January 2023 (Audited)	8,000	711	(5,246)	3,465
(Charge)/credit to profit or loss	(4,625)	27	(1,509)	(6,107)
At 31 December 2023 and 1 January 2024 (Audited)	3,375	738	(6,755)	(2,642)
(Charge)/credit to profit or loss	—	(158)	212	54
At 30 June 2024 (Unaudited)	3,375	580	(6,543)	(2,588)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

16. SHARE CAPITAL

	Number of shares '000	Amount HK'000	Equivalent to RMB Approximately RMB'000
Ordinary share of HK\$0.01 each			
Authorised:			
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	10,000,000	100,000	84,349
Issued and fully paid:			
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	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 2024 and 2023, 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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Salaries, allowances, discretionary bonus, and other benefits in kind	691	1,054
Contributions to defined contribution plans	74	81
	765	1,135

18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved by the Board on 22 August 2024.