



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

2025

INTERIM REPORT

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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. Tse Yuen Ting

AUTHORISED REPRESENTATIVES

Ms. Zhang Hongli
Ms. Tse Yuen Ting

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

2404, 24th Floor
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
Hong Kong

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 2025 (the “**Period**”) together with comparative figures for the six months ended 30 June 2024 (the “**Last Corresponding Period**”).

- Revenue decreased from approximately RMB76.6 million for the Last Corresponding Period to approximately RMB64.8 million for the Period, representing a decrease of approximately 15.4%.
- Gross profit decreased from approximately RMB21.7 million for the Last Corresponding Period to approximately RMB16.2 million for the Period, representing a decrease of approximately 25.3%.
- Earnings attributable to the owners of the Company for the Period was RMB2.5 million, while loss of RMB6.9 million was recorded for the Last Corresponding Period.
- Basic and diluted earnings/(loss) per share turned from loss of RMB1.14 cents for the Last Corresponding Period to earnings of RMB0.41 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 71 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.

As at 30 June 2025, the Group had a distribution network of 77 distributors covering about 41 cities in the PRC. Sales revenue generated from Northeast region of China was the highest compared to other regions of China. The Group believes that its distribution network and distributorship model will continue to support further development of the Group's business operations in the future. In addition, the distribution network would not only help to develop the business operations geographically from the Northeast and Southern regions of the PRC to other areas in the PRC, but also allow the Group to penetrate in reasonably extensive width and breadth both in Northeast and Southern regions of the PRC, which the Group is strategically targeting at in view of the Group's established footprint and the large population there.

OUTLOOK AND PROSPECTS

The traditional Chinese medicine (TCM) boasts an evolutionary history lasting thousands of years and constitutes a vital component of traditional Chinese culture. With the modern society's emphasis on health management and preventive medicine, the value of TCM is being widely recognized and is becoming increasingly internationalized, fueling the vigorous development of the TCM market.

Although the TCM market has witnessed considerable development in recent years, with the expansion of the industry scale and the advancement of the globalization process, it is also faced with a multitude of challenges. In 2025, due to intensified industry competition, the nationwide implementation of centralized procurement and price regulation for PCM has triggered a substantial decline in PCM prices. Simultaneously, in the face of environmental transformation, the economic operation is under pressure, and the operating benefits across all industries have markedly deteriorated, leading to a decrease in per capita income and a heightened sensitivity among consumers toward pharmaceutical pricing.

Despite the challenges confronted by the industry, the State has successively rolled out further supportive policies. During the Period, the state introduced a series of policies covering the improvement of public health standards, the enhancement of health care services for the elderly population, and medical system reform, including the Notice on Incorporating Three Actions Including Healthy Weight Management into the Healthy China Initiative (《關於將健康體重管理行動等3個行動納入健康中國行動的通知》), the Opinions on Comprehensively Deepening the Reform of Drugs and Medical Devices Supervision and Promoting the High-Quality Development of the Pharmaceutical Industry (《關於全面深化藥品醫療器械監管改革促進醫藥產業高質量發展的意見》), and the Opinions on Improving the Quality of Chinese Herb to Promote High-Quality Development of the Traditional Chinese Medicine Industry (《關於提升中藥質量促進中醫藥產業高質量發展的意見》), which demonstrated Chinese government's escalating emphasis on TCM.

Management Discussion and Analysis (Continued)

In terms of technological advancement, the quality of pharmaceutical products bears a direct correlation to public health and safety. The process of drug manufacturing must comply with the Quality Control Specifications for Pharmaceutical Production (《藥品生產品質管制規範》), and furthermore, with the gradual modernization of production technologies, numerous cutting-edge techniques and equipment have been integrated into the production process, which will further improve the quality and production efficiency of products.

With the in-depth advancement of the “Healthy China” strategy and the accelerated pace of globalization of TCM, the TCM market is still expected to gain fresh growth momentum in the second half of the year. Nevertheless, the sustained development of the market still needs to conquer challenges such as price fluctuations and the continuous innovation of technology. Amidst a landscape where opportunities and challenges coexist, the industry should maintain cautiously optimistic and move forward steadily.

Besides, the Group intends to apply approximately 50% of the net proceeds raised under the Share Subscription to (i) acquire certain interest in a specified TCM manufacturer located in Hong Kong with production lines and sales location in Hong Kong (the “TCM Manufacturer”); and (ii) provide funding for the research and development in the TCM Manufacturer. The Board believes that the acquisition will enable the Group to extend its sales locations to Hong Kong and overseas.

FINANCIAL REVIEW

The Group posted consolidated revenue of approximately RMB64.8 million for the Period, representing a decrease of approximately RMB11.8 million or 15.4% as compared to the revenue of approximately RMB76.6 million for the Last Corresponding Period. The decrease in revenue was mainly due to 1) fierce market competition, which led to lower prices of PCM; and 2) the decline in sales of medicines due to the impact of substitutes.

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 Last Corresponding Period. These two products contributed approximately 36.2% and 46.9% of the Group's total revenue for the Period and the Last 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 Last 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 25.0% from approximately 28.3% for the Last Corresponding Period. The decrease was mainly due to fierce market competition, which led to lower prices of TCM to attract sales.

OPERATING COSTS AND EXPENSES

Selling and distribution expenses of the Group remained stable at approximately RMB10.4 million for the Period (Last Corresponding Period: approximately RMB10.5 million).

Administrative and other operating expenses primarily consist of staff costs, other taxes, legal and professional fees, and R&D costs. There was a decrease of approximately 46.5% in respect of the administrative and other operating expenses for the Period in comparison with those of the Last Corresponding Period. This was mainly due to (1) a significant decrease in disposal loss on property, plant and equipment; and (2) the increase in unallocated overhead costs during the temporary suspension resulting from the renovation work in the Last Corresponding Period.

During the Period, finance costs increased to approximately RMB3,000 from no finance costs for the Last Corresponding Period. It was mainly due to the increase in interest paid on lease liabilities.

Management Discussion and Analysis (Continued)

OPERATING RESULTS

The Group turned from loss after tax of approximately RMB6.9 million for the Last Corresponding Period to profit of approximately RMB2.5 million for the Period. This was primarily due to a significant decrease in disposal loss on property, plant and equipment. During the Last Corresponding Period, the Group recorded a substantive disposal loss on property, plant and equipment, as a result of the demolition of a preparation workshop owned by the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2025, the Group held total assets of approximately RMB532.7 million (31 December 2024: approximately RMB540.3 million), including property, plant and equipment of approximately RMB180.0 million (31 December 2024: approximately RMB185.0 million), trade and other receivables of approximately RMB26.1 million (31 December 2024: approximately RMB89.3 million) and bank balances and cash of approximately RMB283.3 million (31 December 2024: approximately RMB229.7 million).

As at 30 June 2025, the Group had total liabilities of approximately RMB47.1 million (31 December 2024: approximately RMB56.1 million), which comprises mainly of trade and other payables amounting to approximately RMB39.9 million (31 December 2024: approximately RMB48.9 million).

As at 30 June 2025, the gearing ratio, expressed as a percentage of total loans (including lease liabilities) over total equity, was about 0.03% (31 December 2024: approximately 0.03%).

CASH FLOW

During the Period, the Group generated net cash of approximately RMB63.5 million (Last Corresponding Period: approximately RMB74.8 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 working capital.

Net cash used in investing activities was approximately RMB9.9 million for the Period (Last Corresponding Period: approximately RMB114.0 million). The decrease in net cash used in investing activities resulted from fewer additions to property, plant and equipment during the Period.

There was no financing activities during the Period (Last Corresponding Period: net cash used in was approximately RMB0.1 million). The decrease in net cash used in financing activities mainly resulted from the absence of any lease payments.

CONTINGENT LIABILITIES

As at 30 June 2025, the Group had no material contingent liabilities (31 December 2024: Nil).

CAPITAL COMMITMENTS

As at 30 June 2025, the Group had capital commitments of approximately RMB7.9 million (31 December 2024: nil), as set out in note 18 to the condensed consolidated financial statements in this report.

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 2025, the Group did not have any charge on its assets (31 December 2024: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2025, the Group had 190 employees (31 December 2024: 190). The total staff costs including directors' remuneration for the Period were approximately RMB5.8 million (Last Corresponding Period: approximately RMB4.2 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 2025.

CAPITAL EXPENDITURE

For the Period, the Group spent approximately RMB10.3 million (including deposits paid for property, plant and equipment) (for the year ended 31 December 2024: approximately RMB114.4 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 (Last Corresponding Period: Nil).

Management Discussion and Analysis (Continued)

SHARE SUBSCRIPTION

On 8 April 2025 (after trading hours), the Company, as the issuer, entered into subscription agreement (the “Subscription Agreement”) with Universal Health (Global) Investment Fund Management Limited as subscriber (the “Subscriber”), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 120,000,000 subscription shares at the subscription price of HK\$0.27 per subscription share under general mandate (the “Share Subscription”). Net proceeds of HK\$32,400,000 were raised under the Subscription. Approximately 50% of the net proceeds will be used for new business opportunities relating to Chinese medicine, including investment in Chinese medicine manufacturer, while the remaining approximately 50% of the net proceeds will be used for providing additional funding for the continuous enhancement of the research and development capabilities.

The Company intends to acquire certain interest in a specified traditional Chinese medicine (TCM) manufacturer which is located in Hong Kong and possesses production lines and sales location in Hong Kong (the “TCM Manufacturer”) and to provide funding for the research and development in the TCM Manufacturer with a view to extending its sales locations to Hong Kong and overseas.

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

On 8 April 2025 (after trading hours), the Company, as the issuer, entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 120,000,000 subscription shares with a nominal value of HK\$0.01 each in the share capital of the Company under general mandate. The subscription shares represent approximately 16.67% of the issued share capital of the Company as enlarged by the subscription under the Subscription Agreement at the subscription price of HK\$0.27 per subscription share, which represents a premium of approximately 3.85% to the closing price of HK\$0.260 per Share as quoted on the Stock Exchange on 8 April 2025, i.e. the date of the Subscription Agreement. The 120,000,000 subscription shares were issued to the Subscriber on 2 July 2025. The subscription shares rank pari passu in all respects with the shares of the Company (the “Shares”) in issue.

The gross and net proceeds from the Share Subscription were both HK\$32,400,000. The net proceeds of the Share Subscription represent a net price of HK\$0.27 per subscription share.

Save as disclosed above, 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.

Other Information (Continued)

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 2025, the interests and short positions of the Directors and chief executive of the Company in 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:

(a) Interests in Shares

Name	Capacity/Nature of interest	Number of Shares interested in	Percentage of interest in the Company (Note 1)
Ms. Sun Xinlei ("Ms. Sun")	Interest in a controlled corporation	402,000,000 (long position) (Note 2)	67%

Note:

- (1) As the 120,000,000 subscription shares were issued to the Subscriber on 2 July 2025, such number of Shares has not been taken into account when calculating the percentage of Interest in the Company.
- (2) 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 2)	Beneficial owner	N/A (Note 3)	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 2025, 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 (Note)
Modern Biotechnology	Beneficial owner	402,000,000 (long position)	67%

Note: As the 120,000,000 subscription shares were issued to the Subscriber on 2 July 2025, such number of Shares has not been taken into account when calculating the percentage of Interest in the Company.

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 2025 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 2025 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.

Other Information (Continued)

EVENT AFTER THE REPORTING PERIOD

Save for the issue of 120,000,000 Shares to the Subscriber on 2 July 2025 pursuant to the Subscription Agreement, 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.

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 2025

		Six months ended 30 June	
	Note	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Revenue	4	64,758	76,624
Cost of sales		(48,568)	(54,921)
Gross profit		16,190	21,703
Other income, gains and losses, net	5	1,406	(8,413)
Selling and distribution expenses		(10,389)	(10,520)
Administrative and other operating expenses		(3,774)	(7,098)
Finance costs	6	(3)	–
Profit/(loss) before tax	6	3,430	(4,328)
Income tax expenses	7	(977)	(2,524)
Profit/(loss) for the period		2,453	(6,852)
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		(1,169)	562
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on consolidation		8	(6)
Other comprehensive (loss)/income for the period, net of tax		(1,161)	556
Total comprehensive income/(loss) for the period		1,292	(6,296)
Earnings/(loss) per share attributable to owners of the Company		RMB cent	RMB cent
Basic and diluted	8	0.41	(1.14)

Condensed Consolidated Statement of Financial Position

At 30 June 2025

	Note	At 30 June 2025 RMB'000 (Unaudited)	At 31 December 2024 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		179,997	184,983
Intangible assets		49	97
Right-of-use assets		1,821	1,885
Deposits paid for acquisition of property, plant and equipment	18	9,430	—
Deferred tax assets	15	831	837
		192,128	187,802
Current assets			
Inventories	10	28,925	30,549
Income tax recoverable		329	1,003
Trade and other receivables	11	26,068	89,336
Restricted bank balance	12	1,950	1,950
Bank balances and cash	12	283,250	229,668
		340,522	352,506
Current liabilities			
Trade and other payables	13	39,865	48,894
Lease liabilities	14	67	66
		39,932	48,960
Net current assets		300,590	303,546
Total assets less current liabilities		492,718	491,348
Non-current liabilities			
Lease liabilities	14	71	69
Deferred tax liabilities	15	7,130	7,054
		7,201	7,123
NET ASSETS		485,517	484,225
Capital and reserves			
Share capital	16	5,010	5,010
Reserves		480,507	479,215
TOTAL EQUITY		485,517	484,225

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2025

	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/(loss)							
<i>Item that will not be reclassified subsequently to profit or loss</i>							
Exchange difference on translation of the Company's financial statements 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 income/(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 Changes In Equity (Continued)

For the six months ended 30 June 2025

	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 2025 (Audited)	5,010	108,674	29,540	9,902	15,113	315,986	484,225
Profit for the period	-	-	-	-	-	2,453	2,453
Other comprehensive (loss)/income							
<i>Item that will not be reclassified subsequently to profit or loss</i>							
Exchange difference on translation of the Company's financial statements from functional currency to presentation currency	-	-	-	(1,169)	-	-	(1,169)
<i>Item that may be reclassified subsequently to profit or loss</i>							
Exchange differences on consolidation	-	-	-	8	-	-	8
Total comprehensive (loss)/income for the period	-	-	-	(1,161)	-	2,453	1,292
At 30 June 2025 (Unaudited)	5,010	108,674	29,540	8,741	15,113	318,439	485,517

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2025

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Net cash generated from operating activities	63,470	74,811
INVESTING ACTIVITIES		
Payment for purchase of property, plant and equipment	(839)	(114,388)
Interest received	372	432
Proceeds from disposal of property, plant and equipment	30	—
Deposits paid for acquisition of property, plant and equipment	(9,430)	—
Net cash used in investing activities	(9,867)	(113,956)
FINANCING ACTIVITIES		
Payment of lease liabilities	—	(70)
Net cash used in financing activities	—	(70)
Net increase/(decrease) in cash and cash equivalents	53,603	(39,215)
Cash and cash equivalents at the beginning of the reporting period	229,668	286,266
Effect on exchange rate changes	(21)	3
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	283,250	247,054

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

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 of the Company 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 Condensed Consolidated Financial Statements of the Group for the six months ended 30 June 2025 (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 2025

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 2024, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the HKFRS Accounting Standards which collective term includes all applicable individual Hong Kong Financial Reporting 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 2024 (the “**2024 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 2024 Financial Statements except for the adoption of the new/revised HKFRS Accounting Standards further described in the “Adoption of new/revised HKFRS Accounting Standards” section which are relevant to the Group and effective for the Group’s financial period beginning on 1 January 2025.

Adoption of new/revised HKFRS Accounting Standards

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRS Accounting Standards issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2025 for the preparation of the Interim Financial Statements:

Amendments to HKAS 21

Lack of Exchangeability

The adoption of the new/revised HKFRS Accounting Standards 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 HKFRS Accounting Standards that have been issued but are not yet effective. The Directors do not anticipate that the adoption of the new/revised HKFRS Accounting Standards 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 2025

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 2025 and 2024.

4. REVENUE

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Revenue from contracts with customers within HKFRS 15		
At a point in time		
– Production of PCM	64,758	76,624

5. OTHER INCOME, GAINS AND LOSSES, NET

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Interest income	372	432
Exchange gain/(loss), net	1,180	(616)
Loss on disposal of property, plant and equipment	(202)	(8,589)
Reversal of loss allowance on trade receivables	316	360
Others	(260)	–
	1,406	(8,413)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2025

6. PROFIT/(LOSS) BEFORE TAX

This is stated after charging:

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Finance costs		
Interest on lease liabilities	3	–
Staff costs (including directors' emoluments)		
Salaries, allowances, discretionary bonus, and other benefits in kind	4,272	3,517
Contributions to defined contribution plans	1,549	648
	5,821	4,165
Other items		
Depreciation of right-of-use assets (charged to “ administrative and other operating expenses ”)	64	64
Depreciation of property, plant and equipment (charged to “ cost of sales ” and “ administrative and other operating expenses ”, as appropriate)	5,593	2,958
Amortisation of intangible assets (charged to “ administrative and other operating expenses ”)	48	49

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2025

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Current tax		
PRC enterprise income tax ("PRC EIT")	895	2,578
Deferred tax		
Origination and changes in temporary differences	82	(54)
Total income tax expenses for the period	977	2,524

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 2025 and 2024.

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 2025 and 2024.

8. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Profit/(loss) for the period attributable to owners of the Company, used in basic and diluted earnings/(loss) per share calculation	2,453	(6,852)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2025

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

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

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

Diluted earnings/(loss) per share are same as the basic earnings/(loss) per share as there are no dilutive potential ordinary shares outstanding during the six months ended 30 June 2025 and 2024.

9. DIVIDEND

The Directors did not recommend a payment of an interim dividend for the six months ended 30 June 2025 (Last Corresponding Period: Nil).

10. INVENTORIES

	At 30 June 2025 RMB'000 (Unaudited)	At 31 December 2024 RMB'000 (Audited)
Raw materials	11,550	15,289
Work-in-progress	–	924
Finished goods	17,375	14,336
	28,925	30,549

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2025

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2025 RMB'000 (Unaudited)	At 31 December 2024 RMB'000 (Audited)
Trade receivables		
From third parties	25,637	88,928
Less: Loss allowances	(129)	(445)
	25,508	88,483
Other receivables		
Prepayments	158	450
Other deposits and receivables	402	403
	560	853
	26,068	89,336

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 2025 RMB'000 (Unaudited)	At 31 December 2024 RMB'000 (Audited)
Within 30 days	9,475	29,963
31 to 60 days	8,720	29,823
61 to 90 days	7,313	28,697
	25,508	88,483

The Group normally grants credit terms up to 90 days (at 31 December 2024: 90 days) from the date of issuance of invoices.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2025

12. RESTRICTED BANK BALANCE AND BANK BALANCES AND CASH

	At 30 June 2025 RMB'000 (Unaudited)	At 31 December 2024 RMB'000 (Audited)
Bank balance and cash	285,200	231,618
Less: Restricted bank balance	(1,950)	(1,950)
Cash and cash equivalents	283,250	229,668

As at 30 June 2025, restricted bank balance of approximately RMB1,950,000 was frozen by the order of the courts in the PRC pursuant to a legal claim. Subsequently in July 2025, the bank balance was released following the resolution of the legal claim.

13. TRADE AND OTHER PAYABLES

	At 30 June 2025 RMB'000 (Unaudited)	At 31 December 2024 RMB'000 (Audited)
Trade payables		
To third parties	2,861	32,577
Other payables		
Monetary marketing incentives payables (Note i)	2,069	7,505
Value-added tax and other tax payables	823	1,892
Salary payables	1,186	1,468
Accruals and other payables	3,379	5,452
Share subscription in advance (Note ii)	29,547	—
	37,004	16,317
	39,865	48,894

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2025

13. TRADE AND OTHER PAYABLES (CONTINUED)

Note:

- (i) The credit term for the monetary marketing incentive payables are not more than 90 days from the date of issuance of invoices.
- (ii) On 8 April 2025, the Company and a subscriber (the "Subscriber") entered into a subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 120,000,000 new ordinary shares of the Company at the subscription price of HK\$0.27 per subscription share for cash of Hong Kong dollars ("HK\$") 32,400,000 (the "Share Subscription"). On 29 June 2025, the Subscriber settled the consideration of HK\$32,400,000 (equivalent to approximately RMB29,547,000) to the Company which was recorded in "Share subscription in advance" under current liabilities as at 30 June 2025 and will be reclassified to share capital and share premium upon issue of shares to the Subscriber on 2 July 2025. Details of the Share Subscription are set out in the Company's announcements dated 9 April 2025 and 5 June 2025 and the circular of the Company dated 29 April 2025.

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

	At 30 June 2025 RMB'000 (Unaudited)	At 31 December 2024 RMB'000 (Audited)
Within 30 days	2,861	32,577

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 2025

14. LEASE LIABILITIES

	At 30 June 2025 RMB'000 (Unaudited)	At 31 December 2024 RMB'000 (Audited)
Lease liabilities		
Current portion	67	66
Non-current portion	71	69
Total lease liabilities	138	135

Commitments and present value of lease liabilities:

	At 30 June 2025 Lease payment RMB'000 (Unaudited)	Present value of lease payments RMB'000 (Unaudited)
Amount payable:		
Within one year	72	67
More than 1 year but within 2 years	72	71
	144	138
Less: future finance charges	(6)	–
Total lease liabilities	138	138

	At 31 December 2024 Lease payment RMB'000 (Audited)	Present value of lease payments RMB'000 (Audited)
Amount payable:		
Within one year	72	66
More than 1 year but within 2 years	72	69
	144	135
Less: future finance charges	(9)	–
Total lease liabilities	135	135

The total cash outflows for leases for the Period was RMB nil million (six months ended 30 June 2024: approximately RMB340,000).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2025

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 2025 <i>RMB'000</i> (Unaudited)	At 31 December 2024 <i>RMB'000</i> (Audited)	At 30 June 2025 <i>RMB'000</i> (Unaudited)	At 31 December 2024 <i>RMB'000</i> (Audited)
Deferred tax assets/(liabilities)	831	837	(7,130)	(7,054)

	Research and development expenses <i>RMB'000</i>	Accrued revenue and costs <i>RMB'000</i>	Withholding tax on undistributed profits of a PRC subsidiary <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2024 (Audited)	3,375	738	(6,755)	(2,642)
Credit/(charge) to profit or loss	(3,375)	99	(299)	(3,575)
At 31 December 2024 and 1 January 2025 (Audited)	–	837	(7,054)	(6,217)
Credit/(charge) to profit or loss	–	(6)	(76)	(82)
At 30 June 2025 (Unaudited)	–	831	(7,130)	(6,299)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2025

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 2024, 31 December 2024, 1 January 2025 and 30 June 2025	10,000,000	100,000	84,349
Issued and fully paid:			
At 1 January 2024, 31 December 2024, 1 January 2025 and 30 June 2025	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 2025 and 2024, 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	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Salaries, allowances, discretionary bonus, and other benefits in kind	856	691
Contributions to defined contribution plans	49	74
	905	765

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2025

18. COMMITMENTS

Capital expenditure commitments

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Contracted but not provided for acquisition of property, plant and equipment (net of deposits paid, if any)	7,870	—

In May 2025, the Group entered into purchase agreements with two independent third parties (the “Suppliers”) to purchase plant and machinery for the establishment of the new plant and production lines at a total consideration of RMB17,300,000, of which a deposit of RMB9,430,000 was made to the Suppliers during the six months ended 30 June 2025 and the balance of RMB7,870,000 will be paid upon the delivery of the plant and machinery to the Group and the completion of installation and testing works.

19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved by the Board on 29 August 2025.