Modern Chinese Medicine Group Co., Ltd.
現代中藥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1643)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2026

FINANCIAL HIGHLIGHTS

- Revenue increased from approximately RMB64.8 million for the Last Corresponding Period to approximately RMB118.5 million for the Period, representing an increase of approximately 82.9%.
- Gross profit increased from approximately RMB16.2 million for the Last Corresponding Period to approximately RMB22.1 million for the Period, representing an increase of approximately 36.4%.
- Loss attributable to the owners of the Company for the Period was RMB25.9 million, while earnings of RMB2.5 million was recorded for the Last Corresponding Period.
- Basic and diluted earnings/(loss) per share turned from earnings of RMB0.41 cents for the Last Corresponding Period to loss of RMB3.60 cents for the Period.

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 2026 (the "**Period**") together with comparative figures for the six months ended 30 June 2025 (the "**Last Corresponding Period**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2026	2025
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue	*4*	**118,538**	64,758
Cost of sales		**(96,423)**	(48,568)
Gross profit		**22,115**	16,190
Other income and gains, net	*5*	**3,600**	1,406
Selling and distribution expenses		**(33,384)**	(10,389)
Administrative and other operating expenses		**(8,534)**	(3,774)
Research and development costs		**(15,275)**	–
Finance costs	*6*	**(54)**	(3)
Share of profit of associates		**40**	–
(Loss) profit before tax	*6*	**(31,492)**	3,430
Income tax credit (expense)	*7*	**5,591**	(977)
(Loss) profit for the period		**(25,901)**	2,453
Other comprehensive (loss) income			
Items that will not be reclassified to profit or loss			
Exchange differences on translation of the Company's financial statements to presentation currency		**(3,820)**	(1,169)
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive loss of associates		**(1)**	–
Exchange differences on consolidation		**131**	8
Other comprehensive loss for the period, net of tax		**(3,690)**	(1,161)
Total comprehensive (loss) income for the period		**(29,591)**	1,292
(Losses) earnings per share attributable to owners of the Company		***RMB cent***	*RMB cent*
Basic and diluted	*8*	**(3.60)**	0.41

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2026 RMB'000 (Unaudited)	At 31 December 2025 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**197,894**	195,330
Intangible assets		**11,698**	–
Investments in associates		**37,279**	–
Right-of-use assets		**3,588**	1,757
Prepayment for long-term assets		**15,095**	14,340
Deferred tax assets		**5,644**	881
		271,198	212,308
Current assets			
Inventories	*10*	**39,234**	28,952
Income tax recoverable		**–**	1,225
Trade and other receivables	*11*	**69,079**	71,202
Bank balances and cash		**119,683**	229,712
		227,996	331,091
Current liabilities			
Trade and other payables	*12*	**23,793**	38,709
Lease liabilities		**1,201**	69
		24,994	38,778
Net current assets		**203,002**	292,313
Total assets less current liabilities		**474,200**	504,621
Non-current liabilities			
Deferred tax liabilities		**5,804**	6,634
NET ASSETS		**468,396**	497,987
Capital and reserves			
Share capital	*13*	**6,104**	6,104
Reserves		**462,292**	491,883
TOTAL EQUITY		**468,396**	497,987

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Reserves					
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Capital reserve** *RMB'000*	**Translation reserve** *RMB'000*	**Statutory reserve** *RMB'000*	**Accumulated profits** *RMB'000*	**Total** *RMB'000*
At 1 January 2026 (Audited)	**6,104**	**137,089**	**29,540**	**7,712**	**15,113**	**302,429**	**497,987**
Loss for the period	–	–	–	–	–	(25,901)	(25,901)
Other comprehensive (loss) income							
Items that will not be reclassified to profit or loss							
Exchange differences on translation of the Company's financial statements to presentation currency	–	–	–	(3,820)	–	–	(3,820)
Items that may be reclassified subsequently to profit or loss							
Share of other comprehensive loss of associates	–	–	–	(1)	–	–	(1)
Exchange differences on consolidation	–	–	–	131	–	–	131
Total comprehensive loss for the period	–	–	–	(3,690)	–	(25,901)	(29,591)
At 30 June 2026 (Unaudited)	**6,104**	**137,089**	**29,540**	**4,022**	**15,113**	**276,528**	**468,396**

		Reserves					
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Translation reserve *RMB'000*	Statutory reserve *RMB'000*	Accumulated profits *RMB'000*	Total *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							
Items that will not be reclassified to profit or loss							
Exchange differences on translation of the Company's financial statements to presentation currency	–	–	–	(1,169)	–	–	(1,169)
Items that may be reclassified subsequently to profit or loss							
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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Modern Chinese Medicine Group Co., Ltd. (the "**Company**", together with its subsidiaries are collectively referred to as the "**Group**") 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 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, 24th Floor, 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 Chinese Mainland of 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**"). In the opinion of the directors of the Company, the ultimate controlling party is Ms. Sun Xinlei.

The unaudited condensed consolidated financial statements of the Group for the Period (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "*Interim Financial Reporting*" 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 Group's 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 period 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**").

1. CORPORATE INFORMATION AND BASIS OF PREPARATION (CONTINUED)

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 2025, 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 ("**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 2025 (the "**2025 Annual Report**").

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.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies, methods of computation, significant judgements made by the Group's management in applying the Group's accounting policies and the key sources of estimation uncertainty applied in the preparation of the Interim Financial Statements is consistent with those applied in preparing the 2025 Annual Report 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 2026.

Adoption of new/revised HKFRS Accounting Standards

In the current interim period, the Group has applied, for the first time, certain new/revised HKFRS Accounting Standards issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2026 for the preparation of the Interim Financial Statements:

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.

Future changes in HKFRS Accounting Standards

At the date of authorisation of the Interim Financial Statements, the HKICPA has issued the following new/revised HKFRS Accounting Standards that are not yet effective for the current period, which the Group has not early adopted.

HKFRS 18	Presentation and Disclosure in Financial Statements[1]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[1]
Amendments to HKAS 21	Translation to Hyperinflationary Presentation Currency[1]
HKFRS 20	Regulatory Assets and Regulatory Liabilities[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2027
2 Effective for annual periods beginning on or after 1 January 2029
3 The effective date to be determined

The directors of the Company are in the process of assessing the possible impact on the future adoption of the new/revised HKFRS Accounting Standards, but are not yet in a position to reasonably estimate their impact on the Company's consolidated financial statements.

3. SEGMENT INFORMATION

The management of the Group 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 Chinese Mainland and Hong Kong of the PRC. The executive directors, 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.

In determining the Group's geographical segments, revenue is attributable to the countries based on the location of customers; and specified non-current assets information is based on the locations of assets and included the Group's property, plant and equipment, intangible assets and right-of-use assets.

Geographic Information

(a) Revenue from external customers

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Chinese Mainland of the PRC	**93,527**	64,758
Other locations	**25,011**	–
	118,538	64,758

(b) Specified non-current assets

	At 30 June	At 31 December
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Chinese Mainland of the PRC	**208,180**	197,087
Hong Kong	**5,000**	–
	213,180	197,087

The Group's revenue did not have any single external customer contributing 10% or more of the total revenue of the Group during the Period and the Last Corresponding Period.

4. REVENUE

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within HKFRS 15		
At a point in time		
– Production of PCM	**118,538**	64,758

5. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**270**	372
Exchange gains, net	**3,330**	1,180
Loss on disposal of property, plant and equipment, net	**–**	(202)
Reversal of loss allowance on trade receivables, net	**–**	316
Others	**–**	(260)
	3,600	1,406

6. (LOSS) PROFIT BEFORE TAX

This is stated after charging:

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance costs		
Interest on lease liabilities	**54**	3
Staff costs (including directors' emoluments)		
Salaries, allowances, discretionary bonus, and other benefits in kind	**5,684**	4,272
Contributions to defined contribution plans	**1,325**	1,549
	7,009	5,821
Other items		
Auditors' remuneration	**1,045**	1,037
Cost of inventories sold *(Note)*	**96,423**	48,568
Depreciation of right-of-use assets (charged to "administrative and other operating expenses")	**1,972**	64
Depreciation of property, plant and equipment (charged to "cost of sales" and "administrative and other operating expenses", as appropriate)	**6,716**	5,593
Amortisation of intangible assets (charged to "administrative and other operating expenses")	**–**	48
Advertising and promotion expenses (charged to "selling and distribution expenses")	**28,475**	7,954
Expenses under short-term leases	**90**	90
Provision for loss allowances on trade receivables, net	**7**	–

Note: Cost of inventories included approximately RMB4,474,000 and RMB5,830,000 (Last Corresponding Period: approximately RMB3,445,000 and RMB5,540,000) relating to staff costs and depreciation, respectively, which were included in the respective amounts as disclosed above for the Period.

7. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC enterprise income tax ("**PRC EIT**")	**2**	895
Deferred tax		
Origination and changes in temporary differences	**(5,593)**	82
Total income tax (credit) expense for the period	**(5,591)**	977

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 Chinese Mainland of the PRC are subject to PRC EIT at a statutory rate of 25% for the Period and the Last Corresponding Period.

Hong Kong profits tax has not been provided as the Group had no assessable profit arising from Hong Kong for the Period and the Last Corresponding Period.

8. (LOSSES) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Losses) Profit for the period attributable to owners of the Company, used in basic and diluted (losses) earnings per share calculation	**(25,901)**	2,453
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for basic and diluted (losses) earnings per share calculation	**720,000**	600,000

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

Diluted (losses) earnings per share are same as the basic (losses) earnings per share as there are no dilutive potential ordinary shares outstanding during the Period and the Last Corresponding Period.

9. DIVIDEND

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

10. INVENTORIES

	At 30 June 2026 RMB'000 (Unaudited)	At 31 December 2025 RMB'000 (Audited)
Raw materials	**8,806**	16,355
Work-in-progress	**3,825**	3,147
Finished goods	**26,603**	9,450
	39,234	28,952

11. TRADE AND OTHER RECEIVABLES

	Note	At 30 June 2026 RMB'000 (Unaudited)	At 31 December 2025 RMB'000 (Audited)
Trade receivables			
From third parties		**61,826**	60,237
Less: Loss allowances		**(309)**	(302)
	11(a)	**61,517**	59,935
Other receivables			
Prepayments *(Note)*		**7,236**	10,517
Other deposits and receivables		**326**	750
		7,562	11,267
		69,079	71,202

Note: The amounts at 30 June 2026 included prepaid advertising and promotion expenses of approximately RMB5,419,000 (31 December 2025: approximately RMB10,260,000).

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

	At 30 June 2026 RMB'000 (Unaudited)	At 31 December 2025 RMB'000 (Audited)
Within 30 days	**23,443**	19,616
31 to 60 days	**19,576**	21,783
61 to 90 days	**18,498**	18,536
	61,517	59,935

The Group normally grants credit terms up to 90 days from the date of issuance of invoices.

12. TRADE AND OTHER PAYABLES

	Note	**At 30 June 2026** *RMB'000* **(Unaudited)**	At 31 December 2025 *RMB'000* (Audited)
Trade payables			
To third parties	*12(a)*	**19,037**	30,330
Other payables			
Monetary marketing incentives payables *(Note)*		**–**	4,129
Value-added tax and other tax payables		**261**	8
Salary payables		**806**	841
Accruals and other payables		**3,689**	3,401
		4,756	8,379
		23,793	38,709

Note:

The credit terms for the monetary marketing incentive payables were not more than 90 days from the date of issuance of invoices.

(a) At the end of each reporting period, the ageing analysis of trade payables based on invoice date was as follows:

	At 30 June 2026 *RMB'000* **(Unaudited)**	At 31 December 2025 *RMB'000* (Audited)
Within 30 days	**9,758**	30,330
31 to 60 days	**4,867**	–
61 to 90 days	**4,412**	–
	19,037	30,330

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

13. SHARE CAPITAL

	Number of shares	Amount	Equivalent to RMB Approximately
	'000	*HK'000*	*RMB'000*
Ordinary share of HK$0.01 each			
Authorised:			
At 1 January 2025 (audited), 30 June 2025 (unaudited), 1 January 2026 (audited) and 30 June 2026 (unaudited)	10,000,000	100,000	84,349
Issued and fully paid:			
At 1 January 2025 (audited) and 30 June 2025 (unaudited)	600,000	6,000	5,010
Issue of shares pursuant to the Share Subscription	120,000	1,200	1,094
At 31 December 2025 (audited), 1 January 2026 (audited) and 30 June 2026 (unaudited)	720,000	7,200	6,104

14. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Interim Financial Statements, during the six months ended 30 June 2026 and 2025, 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	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, allowances, discretionary bonus, and other benefits in kind	**737**	856
Contributions to defined contribution plans	**20**	49
	757	905

15. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved by the Board on 28 August 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL OVERVIEW

The Group is principally engaged in the production of PCM, in particular, over-the-counter and prescribed medicines intended for use by the middle-aged and the elderly in the PRC. The Group currently has about 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 2026, the Group had a distribution network of 95 distributors covering about 50 cities in the PRC, and had expanded its business in the eastern region of the PRC and Hong Kong during the first half of 2026. Sales revenue generated from northeast region of the PRC was still the highest compared to other regions of the PRC. 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 the 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.

During the Period, the Group completed the acquisition of 30% interest (the "**Acquisition**") in AI Health Global Holdings Limited ("**AI Health**"). The operating subsidiaries of AI Health, namely Allways Health-Care Corporation Limited ("**Allways**") and Hong Kong Wing Ming Medical Limited ("**Wing Ming**") are principally engaged in manufacturing of registered traditional Chinese medicines, which include a series of exceptional products, such as "Shen Dun Strong Seal Pills" (神盾海狗丸) and "Wing Ming Pai Feng Pill" (永明烏雞白鳳丸), and online sales of proprietary Chinese medicine. As at the date of this announcement, Allways has registered 184 proprietary Chinese medicine in Hong Kong, while Wing Ming has established different official flagship stores across major e-commerce platforms.

OUTLOOK AND PROSPECTS

Looking back on the first half of 2026, the Chinese pharmaceutical market remained in a critical period of deep integration and structural adjustment. Although short-term competition remained intense in the industry, the medium-to-long-term development logic of the traditional Chinese medicine ("**TCM**") industry remained solid and full of potential. The Central Committee of the Communist Party of China and the State Council continued to deepen strategic support for the TCM industry, steadfastly advancing the Implementation Plan for the Major Project for the Revitalization and Development of TCM (《中醫藥振興發展重大工程實施方案》), and deeply integrating the inheritance and innovation of TCM into the "Healthy China 2030" Planning Outline. National policies explicitly encouraged the application of the TCM in primary healthcare systems and were committed to promoting the modernization, standardization and internationalization of PCM.

During the Period, driven by the intensifying trend of ageing population in China and the public's growing emphasis on chronic disease management and the health philosophy of "preventive healthcare", terminal market demand for high-quality PCM continued to rise steadily. Meanwhile, with the progressive improvement of the industry's regulatory system and the establishment of traceability system across the entire industrial chain, market resources were accelerating their concentration towards high-quality enterprises with standardized management capabilities and solid production foundations. The industry landscape was moving towards a healthier and more orderly direction of development.

In the face of both opportunities and challenges in the industry, the Group adhered to steady operation in the first half of 2026. While optimising internal management and product structure, it actively sought external growth to broaden future profitability.

We are well aware that promoting the globalisation of the TCM is an important part of the national strategy and an essential path for the Group to achieve leapfrog development. To this end, during the Period, the Group took a key step in its international expansion, through the Acquisition.

This strategic acquisition is of great significance to the Group. We are and will actively leverage the well-established network of AI Health and its business presence in Hong Kong and Macau. This not only opens up a channel for the Group's high-quality products to enter the Hong Kong and Macau markets, but also serves as a springboard to gradually expand the Group's sales network into overseas regions, thereby effectively diversifying the risk of a single market and creating new revenue growth points for the Group.

Looking ahead to the second half of 2026 and forward, the Group will continue to focus on enhancing quality control standards and strengthen cost control to address market volatility, thereby laying a solid foundation for restoring and improving profitability. In overseas markets, we will accelerate the integration of AI Health's resources, leverage synergies, and steadily advance the implementation of our business in Hong Kong, Macau and international markets.

Challenges certainly exist, but the path forward is already clear. The Group will closely follow the national policy to revitalize and develop TCM. We firmly believe that the Group will capitalized on the opportunity in the reshaping of the PCM industry, and remain committed to maximizing profits and long-term value of the shareholders of the Company by continuously optimizing our industrial chain layout and actively expanding into international markets.

FINANCIAL REVIEW

The Group posted consolidated revenue of approximately RMB118.5 million for the Period, representing an increase of approximately RMB53.7 million or 82.9% as compared to the revenue of approximately RMB64.8 million for the Last Corresponding Period. The increase in revenue was mainly due to increase in orders from both Hong Kong and Chinese Mainland distributors.

Vigour and Vitality Supplement Pill (補腎填精丸) and Additional Ingredient Huoxiang ZhengQi Pill (加味藿香正氣丸) were the top two selling products for the Period, accounting for approximately 27.3% of the Group's total revenue. For the Last Corresponding Period, the top two selling products were Vigour and Vitality Supplement Pill (補腎填精丸) and Circulation Enhancement Pill (氣血雙補丸), which accounted for approximately 36.2% of the Group's total revenue.

The northeast region of the PRC remained the largest contributor to the Group's total revenue for the Period. It contributed over 43.5% of the total revenue of the Group for the Period as compared to over 50% for 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 18.7% from approximately 25.0% for the Last Corresponding Period. The decline was mainly due to the fact that the products sold in Hong Kong are primarily health supplements and are sold in wholesale form, resulting in lower gross profit margins.

OPERATING COSTS AND EXPENSES

For the Period, selling and distribution expenses of the Group increased by approximately 221.3% from approximately RMB10.4 million for the Last Corresponding Period to approximately RMB33.4 million for the Period. It was mainly attributable to the increase in promotion and marketing expenses incurred to enhance brand awareness and deepen the market penetration of the Group's products and brand in key regions of the PRC.

Administrative and other operating expenses primarily consist of staff costs, other taxes and legal and professional fees. There was an increase of approximately 126.1% 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) increased administrative and professional expenses incurred from investments in associates during the Period; and 2) increased in depreciation of right-of-use assets.

Additional research and development ("**R&D**") costs of approximately RMB15.3 million (Last Corresponding Period: Nil) incurred during the Period in order to improve product quality and enhance clinical value research.

Finance costs increased to approximately RMB54,000 for this Period from RMB3,000 for the Last Corresponding Period. It was mainly due to the increase in interest paid on lease liabilities resulted from new leases capitalised.

OPERATING RESULTS

The Group turned from profit after tax of approximately RMB2.5 million for the Last Corresponding Period to loss of approximately RMB25.9 million for the Period. This was primarily due to increased in promotion and marketing expenses and R&D costs, which incurred to support the Group's expansion in the PRC and to improve product quality and enhance clinical-value, respectively, both are for the purpose of the Group's its long-term development.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2026, the Group held total assets of approximately RMB499.2 million (31 December 2025: approximately RMB543.4 million), including property, plant and equipment of approximately RMB197.9 million (31 December 2025: approximately RMB195.3 million), trade and other receivables of approximately RMB69.1 million (31 December 2025: approximately RMB71.2 million) and bank balances and cash of approximately RMB119.7 million (31 December 2025: approximately RMB229.7 million).

As at 30 June 2026, the Group had total liabilities of approximately RMB30.8 million (31 December 2025: approximately RMB45.4 million), which comprises mainly of trade and other payables amounting to approximately RMB23.8 million (31 December 2025: approximately RMB38.7 million).

As at 30 June 2026, the gearing ratio, expressed as a percentage of total loans (including lease liabilities) over total equity, was about 0.26% (31 December 2025: approximately 0.01%).

CASH FLOW

During the Period, the Group's net cash used in operating activities was approximately RMB48.5 million (Last Corresponding Period: net cash proceeds were approximately RMB63.5 million). The substantial decrease in net cash generated from operating activities mainly resulted from increased in inventories.

Net cash used in investing activities was approximately RMB58.7 million for the Period (Last Corresponding Period: approximately RMB9.9 million). The increase in net cash used in investing activities resulted from purchase of intangible assets, and property, plant and equipment and investments in associates during the Period.

Net cash used in financing activities was approximately RMB2.7 million for the Period (Last Corresponding Period: no financing activities). The increase in net cash used in financing activities mainly resulted from increased payments on lease liabilities and interest resulted from new lease capitalised.

CONTINGENT LIABILITIES

As at 30 June 2026, the Group had no contingent liabilities (31 December 2025: Nil).

CAPITAL COMMITMENTS

As at 30 June 2026, the Group had no capital commitments (31 December 2025: approximately RMB0.8 million).

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 Renminbi 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 2026, the Group did not have any charge on its assets (31 December 2025: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2026, the Group had 189 employees (31 December 2025: 189). The total staff costs including directors' remuneration for the Period were approximately RMB7.0 million (Last Corresponding Period: approximately RMB5.8 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

Save for the Acquisition, 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 2026.

CAPITAL EXPENDITURE

For the Period, the Group spent approximately RMB59.0 million (including prepayment for long-term assets) (for the year ended 31 December 2025: approximately RMB36.3 million) on capital expenditure, which was primarily related to the acquisition of property, plant and equipment, intangible assets and investments in associates.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (Last Corresponding Period: Nil).

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

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

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.

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 Company's shares on the Stock Exchange (i.e. 15 January 2021) and therefore, there were no outstanding share options as at 30 June 2026 and no share option was exercised, vested, expired or cancelled or lapsed under the Share Option Scheme for the period from the Listing Date to 30 June 2026, and up to the date of this interim report.

EVENT AFTER THE REPORTING PERIOD

No important event has occurred after the Period and up to the date of this announcement.

AUDIT COMMITTEE

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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Stock Exchange's website (https://www.hkexnews.hk) and the Company's website (http://www.cdysjdyy.com). The 2026 interim report of the Company will be despatched to the shareholders of the Company and will be available on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Modern Chinese Medicine Group Co., Ltd.
Zhang Hongli
Executive Director

Hong Kong, 28 August 2026

As at the date of this announcement, the Board comprises three executive Directors, namely Ms. Sun Xinlei, Ms. Zhang Hongli and Ms. Jia Yanru; and three independent non-executive Directors, namely Ms. Liu Ling, Mr. Leung Tsz Wing and Mr. Wong Chi Kin.