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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2025

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Modern Chinese Medicine Group Co., Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to announce the consolidated financial results of the Group for the year ended 31 December 2025 (the “**Year 2025**”), together with the comparative figures for the year ended 31 December 2024 (the “**Year 2024**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | <i>Notes</i> | For the year ended | |
|---|--------------|------------------------|------------------|
| | | 31 December | |
| | | 2025 | 2024 |
| | | RMB'000 | RMB'000 |
| Revenue | 4 | 145,174 | 214,068 |
| Cost of sales | | <u>(121,614)</u> | <u>(158,871)</u> |
| Gross profit | | 23,560 | 55,197 |
| Other income, gains and losses, net | 5 | 2,527 | (9,009) |
| Selling and distribution expenses | | (31,328) | (22,281) |
| Administrative and other operating expenses | | (8,774) | (9,087) |
| Finance costs | 6 | <u>(6)</u> | <u>(1)</u> |
| (Loss) Profit before tax | 6 | (14,021) | 14,819 |
| Income tax credit (expenses) | 7 | <u>464</u> | <u>(5,149)</u> |
| (Loss) Profit for the year | | <u>(13,557)</u> | <u>9,670</u> |
| Other comprehensive (loss) income: | | | |
| <i>Item that will not be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences on translation of the Company's financial statements from functional currency to presentation currency | | (2,129) | 1,688 |
| <i>Item that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences on consolidation | | <u>(61)</u> | <u>(22)</u> |
| Total other comprehensive (loss) income for the year, net of tax | | <u>(2,190)</u> | <u>1,666</u> |
| Total comprehensive (loss) income for the year | | <u>(15,747)</u> | <u>11,336</u> |
| (Loss) Earnings per share attributable to owners of the Company | | | |
| | | <i>RMB cents</i> | <i>RMB cents</i> |
| Basic and diluted | 8 | <u>(2.05)</u> | <u>1.61</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | As at 31 December | |
|--|-------|-------------------|-----------------|
| | | 2025 RMB'000 | 2024 RMB'000 |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 195,330 | 184,983 |
| Intangible assets | | – | 97 |
| Right-of-use assets | | 1,757 | 1,885 |
| Prepayment for long-term assets | | 14,340 | – |
| Deferred tax assets | | 881 | 837 |
| | | <u>212,308</u> | <u>187,802</u> |
| Current assets | | | |
| Inventories | | 28,952 | 30,549 |
| Income tax recoverable | | 1,225 | 1,003 |
| Trade and other receivables | 11 | 71,202 | 89,336 |
| Restricted bank balance | | – | 1,950 |
| Bank balances and cash | | 229,712 | 229,668 |
| | | <u>331,091</u> | <u>352,506</u> |
| Current liabilities | | | |
| Trade and other payables | 12 | 38,709 | 48,894 |
| Lease liabilities | | 69 | 66 |
| | | <u>38,778</u> | <u>48,960</u> |
| Net current assets | | <u>292,313</u> | <u>303,546</u> |
| Total assets less current liabilities | | <u>504,621</u> | <u>491,348</u> |
| Non-current liabilities | | | |
| Lease liabilities | | – | 69 |
| Deferred tax liabilities | | 6,634 | 7,054 |
| | | <u>6,634</u> | <u>7,123</u> |
| NET ASSETS | | <u>497,987</u> | <u>484,225</u> |
| Capital and reserves | | | |
| Share capital | 13 | 6,104 | 5,010 |
| Reserves | | 491,883 | 479,215 |
| TOTAL EQUITY | | <u>497,987</u> | <u>484,225</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Reserves | | | | | | Total RMB'000 |
|--|--|-----------------------------|-------------------------------|-----------------------------------|---------------------------------|-----------------------------------|------------------|
| | Share capital RMB'000 (Note 13) | Share premium RMB'000 | Capital reserve RMB'000 | Translation reserve RMB'000 | Statutory reserve RMB'000 | Accumulated profits RMB'000 | |
| As at 1 January 2025 | 5,010 | 108,674 | 29,540 | 9,902 | 15,113 | 315,986 | 484,225 |
| Loss for the year | - | - | - | - | - | (13,557) | (13,557) |
| Other comprehensive loss: | | | | | | | |
| <i>Item that will not be reclassified subsequently to profit or loss</i> | | | | | | | |
| Exchange differences on translation of the Company's financial statements from functional currency to presentation currency | - | - | - | (2,129) | - | - | (2,129) |
| <i>Item that may be reclassified subsequently to profit or loss</i> | | | | | | | |
| Exchange differences on consolidation | - | - | - | (61) | - | - | (61) |
| Total other comprehensive loss for the year, net of tax | - | - | - | (2,190) | - | - | (2,190) |
| Total comprehensive loss for the year | - | - | - | (2,190) | - | (13,557) | (15,747) |
| Transactions with owners: | | | | | | | |
| <i>Contributions and distributions</i> | | | | | | | |
| Issue of shares pursuant to the Share Subscription | 1,094 | 28,415 | - | - | - | - | 29,509 |
| Total transactions with owners | 1,094 | 28,415 | - | - | - | - | 29,509 |
| As at 31 December 2025 | <u>6,104</u> | <u>137,089</u> | <u>29,540</u> | <u>7,712</u> | <u>15,113</u> | <u>302,429</u> | <u>497,987</u> |

| | Reserves | | | | | | Total RMB'000 |
|--|--|-----------------------------|-------------------------------|-----------------------------------|---------------------------------|-----------------------------------|-----------------------|
| | Share capital RMB'000 (Note 13) | Share premium RMB'000 | Capital reserve RMB'000 | Translation reserve RMB'000 | Statutory reserve RMB'000 | Accumulated profits RMB'000 | |
| As at 1 January 2024 | <u>5,010</u> | <u>108,674</u> | <u>29,540</u> | <u>8,236</u> | <u>15,113</u> | <u>306,316</u> | <u>472,889</u> |
| Profit for the year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,670</u> | <u>9,670</u> |
| Other comprehensive income (losses): | | | | | | | |
| <i>Item that will not be reclassified subsequently to profit or loss</i> | | | | | | | |
| Exchange differences on translation of the Company's financial statements from functional currency to presentation currency | - | - | - | 1,688 | - | - | 1,688 |
| <i>Item that may be reclassified subsequently to profit or loss</i> | | | | | | | |
| Exchange differences on consolidation | <u>-</u> | <u>-</u> | <u>-</u> | <u>(22)</u> | <u>-</u> | <u>-</u> | <u>(22)</u> |
| Total other comprehensive income for the year, net of tax | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,666</u> | <u>-</u> | <u>-</u> | <u>1,666</u> |
| Total comprehensive income for the year | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,666</u> | <u>-</u> | <u>9,670</u> | <u>11,336</u> |
| As at 31 December 2024 | <u><u>5,010</u></u> | <u><u>108,674</u></u> | <u><u>29,540</u></u> | <u><u>9,902</u></u> | <u><u>15,113</u></u> | <u><u>315,986</u></u> | <u><u>484,225</u></u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

1. CORPORATE INFORMATION

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 have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 15 January 2021 (the “**Listing**”). 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 of the Company is 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 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 (“**Ms. Sun**”; or the “**Ultimate Controlling Party**”).

2. MATERIAL ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with 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 Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The consolidated financial statements are presented in Renminbi (“**RMB**”) and all amounts have been rounded to the nearest thousand (“**RMB’000**”), unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2024 consolidated financial statements except for the adoption of the following new/revised HKFRS Accounting Standards that are relevant to the Group and effective from the current year.

Changes in accounting policies

The Group has applied, for the first time, the following new/revised HKFRS Accounting Standards that are relevant to the Group:

Amendments to HKAS 21

Lack of Exchangeability

Amendments to HKAS 21: Lack of Exchangeability

The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

Basis of consolidations

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

Subsidiaries

A subsidiary is an entity (including a structured entity), that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes; investment in a subsidiary is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of a subsidiary are accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

| | |
|--|--------------------|
| Buildings | 20 years |
| Plant and machinery | 10 years |
| Furniture, fixtures and office equipment | 3 years to 5 years |
| Motor vehicles | 4 years |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Construction in progress represents plant and equipment under construction. It is stated at cost less any impairment losses, and is not depreciated. The cost includes cost of construction, plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent that these are regarded as an adjustment to borrowing costs.

Future changes in HKFRS Accounting Standards

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRS Accounting Standards that are not yet effective for the current year, which the Group has not early adopted.

| | |
|---|--|
| Amendments to HKFRS 9 and HKFRS 7 | Amendments to the Classification and Measurement of Financial Instruments ⁽¹⁾ |
| Annual Improvements to HKFRS Accounting Standards | Volume 11 ⁽¹⁾ |
| Amendments to HKFRS 9 and HKFRS 7 | Contracts Referencing Nature dependent Electricity ⁽¹⁾ |
| HKFRS 18 | Presentation and Disclosure in Financial Statements ⁽²⁾ |
| HKFRS 19 | Subsidiaries without Public Accountability Disclosure ⁽²⁾ |
| Amendments to HKAS 21 | Translation to Hyperinflationary Presentation Currency ⁽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 2026

(2) Effective for annual periods beginning on or after 1 January 2027

(3) The effective date to be determined

The management of the Company do not anticipate that the adoption of these new/revised HKFRS Accounting Standards in future periods will have any material impact on the Group's consolidated financial position or performance.

3. SEGMENT INFORMATION

The management of the Company has determined that the Group has only one operating and reportable segment throughout the reporting period, as the Group manages its business as a whole 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 located in the PRC. All of the Group's revenue from external customers during the reporting period is derived from the PRC and almost all of the Group's assets and liabilities are located in the PRC.

Information about major customers

Details of the customers (including entities under common control) individually accounting for 10% or more of total revenue of the Group during the reporting periods are as follows:

| | 2025 | 2024 |
|------------|-----------------------|--------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Customer A | <u>15,307</u> | <u><i>Note</i></u> |

Note: This customer individually contributed less than 10% of the total revenue of the Group during the year ended 31 December 2024.

4. REVENUE

| | 2025 | 2024 |
|---|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue from contracts with customers within HKFRS 15 <i>At a point in time and at fixed price</i> | | |
| – Production of PCM | <u>145,174</u> | <u>214,068</u> |

5. OTHER INCOME, GAINS AND LOSSES, NET

| | 2025 | 2024 |
|---|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Interest income | 714 | 766 |
| Exchange gain (loss), net | 1,871 | (1,260) |
| Loss on disposal of property, plant and equipment (<i>Note</i>) | (212) | (8,589) |
| Reversal of loss allowances on trade receivables, net | 143 | 73 |
| Sundry income | <u>11</u> | <u>1</u> |
| | <u>2,527</u> | <u>(9,009)</u> |

Note: The loss on disposal of property, plant and equipment during the year ended 31 December 2024 was resulted from the demolition of a preparation workshop.

6. (LOSS) PROFIT BEFORE TAX

This is stated after charging (crediting):

| | 2025 <i>RMB'000</i> | 2024 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Finance costs | | |
| Interest on lease liabilities | <u>6</u> | <u>1</u> |
| Staff costs (including directors' emoluments) | | |
| Salaries, allowances, discretionary bonus, and other benefits in kind | 8,832 | 11,242 |
| Contributions to defined contribution plans | <u>2,851</u> | <u>3,145</u> |
| | <u>11,683</u> | <u>14,387</u> |
| Other items | | |
| Auditor's remuneration | 1,328 | 1,322 |
| Cost of inventories (<i>Note</i>) | 121,614 | 158,871 |
| Depreciation of property, plant and equipment (charged to "cost of sales" and "administrative and other operating expenses", as appropriate) | 11,423 | 9,048 |
| Amortisation of intangible assets (charged to "administrative and other operating expenses") | 97 | 98 |
| Depreciation of right-of-use assets (charged to "administrative and other operating expenses") | 128 | 128 |
| Expenses recognised under short-term leases | 180 | 180 |
| Reversal of loss allowances on trade receivables, net | (143) | (73) |
| Advertising and promotion expenses (charged to "selling and distribution expenses") | 26,169 | 15,908 |
| Research and development expenses (charged to "administrative and other operating expenses") | <u>–</u> | <u>1,500</u> |

Note: Cost of inventories included approximately RMB6,920,000 and RMB11,317,000 (2024: approximately RMB9,618,000 and RMB9,000,000) relating to staff costs and depreciation, respectively, which were included in the respective amounts as disclosed above for the year ended 31 December 2025.

7. INCOME TAX (CREDIT) EXPENSES

| | 2025 <i>RMB'000</i> | 2024 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Current tax | | |
| PRC enterprise income tax ("PRC EIT") | <u>–</u> | <u>1,574</u> |
| Deferred tax | | |
| Origination and changes in temporary differences | <u>(464)</u> | <u>3,575</u> |
| Total income tax (credit) expenses for the year | <u>(464)</u> | <u>5,149</u> |

The Group 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 years ended 31 December 2025 and 2024.

Hong Kong profits tax has not been provided as the Group had no assessable profits arising from Hong Kong for the years ended 31 December 2025 and 2024.

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

| | 2025 | 2024 |
|---|------------------------|----------------|
| | RMB'000 | RMB'000 |
| (Loss) Profit for the year attributable to owners of the Company, used in basic and diluted (loss) earnings per share calculation | <u>(13,557)</u> | <u>9,670</u> |
| | '000 | '000 |
| <i>Number of shares:</i> | | |
| Weighted average number of ordinary shares for basic and diluted (loss) earnings per share calculation | <u>660,164</u> | <u>600,000</u> |

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 year.

Diluted (loss) earnings per share are same as the basic (loss) earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2025 and 2024.

9. DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the years ended 31 December 2025 and 2024.

10. PROPERTY, PLANT AND EQUIPMENT

| | Buildings <i>RMB'000</i> | Plant and machinery <i>RMB'000</i> | Furniture, fixtures and office equipment <i>RMB'000</i> | Motor vehicles <i>RMB'000</i> | Construction in progress <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|------------------------------------|--|---|---|---|--------------------------------|
| Reconciliation of carrying amount – year ended 31 December 2024 | | | | | | |
| As at 1 January 2024 | 73,109 | 12,178 | 5 | 612 | – | 85,904 |
| Additions | 115,696 | 712 | – | 308 | – | 116,716 |
| Depreciation | (6,894) | (1,806) | (5) | (343) | – | (9,048) |
| Disposals | (8,589) | – | – | – | – | (8,589) |
| As at 31 December 2024 | <u>173,322</u> | <u>11,084</u> | <u>–</u> | <u>577</u> | <u>–</u> | <u>184,983</u> |
| Reconciliation of carrying amount – year ended 31 December 2025 | | | | | | |
| As at 1 January 2025 | 173,322 | 11,084 | – | 577 | – | 184,983 |
| Additions | 17,233 | 561 | – | 485 | 3,723 | 22,002 |
| Depreciation | (9,538) | (1,553) | – | (332) | – | (11,423) |
| Disposals | – | (232) | – | – | – | (232) |
| As at 31 December 2025 | <u>181,017</u> | <u>9,860</u> | <u>–</u> | <u>730</u> | <u>3,723</u> | <u>195,330</u> |
| As at 31 December 2024 | | | | | | |
| Cost | 196,304 | 24,830 | 1,522 | 2,197 | – | 224,853 |
| Accumulated depreciation | (22,982) | (13,746) | (1,522) | (1,620) | – | (39,870) |
| Net carrying amounts | <u>173,322</u> | <u>11,084</u> | <u>–</u> | <u>577</u> | <u>–</u> | <u>184,983</u> |
| As at 31 December 2025 | | | | | | |
| Cost | 213,537 | 20,201 | 1,522 | 2,632 | 3,723 | 241,615 |
| Accumulated depreciation | (32,520) | (10,341) | (1,522) | (1,902) | – | (46,285) |
| Net carrying amounts | <u>181,017</u> | <u>9,860</u> | <u>–</u> | <u>730</u> | <u>3,723</u> | <u>195,330</u> |

11. TRADE AND OTHER RECEIVABLES

| | Notes | 2025 <i>RMB'000</i> | 2024 <i>RMB'000</i> |
|--------------------------------|-------|------------------------|------------------------|
| Trade receivables | | | |
| From third parties | | 60,237 | 88,928 |
| Less: Loss allowances | | <u>(302)</u> | <u>(445)</u> |
| | 11(a) | <u>59,935</u> | <u>88,483</u> |
| Other receivables | | | |
| Prepayments (<i>Note</i>) | | 10,517 | 450 |
| Other deposits and receivables | | <u>750</u> | <u>403</u> |
| | | <u>11,267</u> | <u>853</u> |
| | | <u>71,202</u> | <u>89,336</u> |

Note: The amounts at 31 December 2025 included prepaid advertising and promotion expense of approximately RMB10,260,000 (2024: Nil)

11(a) Trade receivables

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

| | 2025 <i>RMB'000</i> | 2024 <i>RMB'000</i> |
|----------------|------------------------|------------------------|
| Within 30 days | 19,616 | 29,963 |
| 31 to 60 days | 21,783 | 29,823 |
| 61 to 90 days | <u>18,536</u> | <u>28,697</u> |
| | <u>59,935</u> | <u>88,483</u> |

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

At the end of each reporting period, the ageing analysis of trade receivables, net of loss allowances, by due date is as follows:

| | 2025 <i>RMB'000</i> | 2024 <i>RMB'000</i> |
|------------------|------------------------|------------------------|
| Not yet past due | <u>59,935</u> | <u>88,483</u> |

12. TRADE AND OTHER PAYABLES

| | Notes | 2025 <i>RMB'000</i> | 2024 <i>RMB'000</i> |
|--|-------|------------------------|------------------------|
| Trade payables | | | |
| To third parties | 12(a) | <u>30,330</u> | <u>32,577</u> |
| Other payables | | | |
| Monetary marketing incentives payables | 12(i) | 4,129 | 7,505 |
| Value-added tax and other tax payables | | 8 | 1,892 |
| Salary payables | | 841 | 1,468 |
| Accruals and other payables | | <u>3,401</u> | <u>5,452</u> |
| | | <u>8,379</u> | <u>16,317</u> |
| | | <u><u>38,709</u></u> | <u><u>48,894</u></u> |

Notes:

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

12(a) Trade payables

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

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

| | 2025 <i>RMB'000</i> | 2024 <i>RMB'000</i> |
|----------------|------------------------|------------------------|
| Within 30 days | <u><u>30,330</u></u> | <u><u>32,577</u></u> |

13. SHARE CAPITAL

| | <i>Note</i> | Number of shares '000 | Amount HK\$'000 | Equivalent to RMB RMB'000 |
|--|--------------|-----------------------------|--------------------|---------------------------------|
| Ordinary share of HK\$0.01 each | | | | |
| Authorised: | | | | |
| As at 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025 | | 10,000,000 | 100,000 | 84,349 |
| Issued and fully paid: | | | | |
| As at 1 January 2024, 31 December 2024 and 1 January 2025 | | 600,000 | 6,000 | 5,010 |
| Issue of shares pursuant to the Share Subscription | <i>13(i)</i> | 120,000 | 1,200 | 1,094 |
| As at 31 December 2025 | | 720,000 | 7,200 | 6,104 |

Note:

- (i) On 8 April 2025, the Company and a subscriber (the “**Subscriber**”) entered into a subscription agreement, pursuant to which the Company had conditionally agreed to allot and issue, and the Subscriber had 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 (the “**Share Subscription**”). The Share Subscription had been completed on 2 July 2025 and the net proceeds from the Share Subscription amounted to HK\$32,375,000 (equivalent to RMB29,509,000) were used to provide the additional working capital to finance the investment and business development of the Group. These shares rank pari passu with the existing shares in all respects. Details of the Share Subscription are set out in the Company’s announcements dated 8 April 2025 and 5 June 2025.

14. RELATED PARTY INFORMATION

In addition to the transactions/information disclosed elsewhere in the consolidated financial statements, during the years ended 31 December 2025 and 2024, further information of the related parties is set out below.

Related party transactions

Remuneration for key management personnel (i.e. directors and senior management of the Company) of the Group:

| | 2025 RMB'000 | 2024 RMB'000 |
|--|-----------------|-----------------|
| Salaries, housing allowances, other allowances, discretionary bonus, and other benefits in kind | 1,710 | 1,655 |
| Contributions to defined contribution plans | 94 | 141 |
| | 1,804 | 1,796 |

15. CAPITAL COMMITMENTS

Capital expenditure commitments

| | 2025 RMB'000 | 2024 RMB'000 |
|---|-----------------|-----------------|
| Contracted but not provided net of deposit paid for acquisition of intangible asset | 755 | – |

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2025, against the background of moderate macroeconomic recovery and the continued deepening of pharmaceutical policies, the overall market of the PCM industry in Mainland China has shown a structural recovery trend. The scale of the industry has maintained steady growth, with market size exceeding RMB500 billion. With the acceleration of aging population, rising demand for chronic disease management and the continuous advancement of the “Healthy China” strategy, the importance of TCM in the fields of prevention, treatment and rehabilitation has become increasingly prominent, providing a stable long-term demand foundation for the PCM industry.

At the policy level, the State continued to promote the revitalization and development of TCM, strengthen its application in the primary healthcare systems, and encourage the modernization, standardization and quality enhancement of TCM. Meanwhile, the normalization of volume-based procurement and further deepening of the reform in medical insurance payment methods have exerted certain pressures on product price and corporate profitability. However, these measures have also accelerated industry standardization and the survival of the fittest, driving the concentration of market resources toward enterprises with advantages in scale, quality and compliance.

Overall, in 2025, the PCM industry is shifting from a development model previously focused on scale expansion to a high-quality development stage centered on quality improvement, brand building and refined management. As short-term challenges coexist with long-term opportunities, rising industry concentration, coupled with stronger policy support, will create more stable development potentials for enterprises with core product advantages and standardized operational capabilities.

BUSINESS REVIEW

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. During the Year 2025, the Group had 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 Zheng Qi 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.

The Group has currently established a distribution network of 77 distributors covering about 41 cities in the PRC, which are in turn served and administered by over 37 marketing staff members with relevant experience in the TCM industry. It is believed that the Group's distribution network and distributorship model will continue to support further development of the Group's business operations in the foreseeable future. In addition, the distribution network would not only help to develop the business operations geographically from 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. For the Year 2025, the revenue contribution from northeast region, northern region and southern region of the PRC amounted to approximately RMB88.3 million, RMB23.9 million and RMB22.1 million, respectively (2024: approximately RMB114.9 million, RMB35.5 million and RMB35.4 million).

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING AND THE SHARE SUBSCRIPTION

During the Year 2025, the Group implemented its business objectives and strategies in accordance with (i) the proposed applications set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 31 December 2020 in relation to global offering (the “**Global Offering**”) (the “**Prospectus**”) and; (ii) the announcements of the Company dated 8 April 2025 and 5 June 2025 in relation to the Share Subscription (collectively the “**Announcements**”). As at the date of this announcement, there had been no change to its plan on the use of proceeds as stated in the Prospectus and the Announcements. The net proceeds (after deduction of underwriting fees, commissions and expenses) from the Global Offering amounted to approximately HK\$114.1 million, while the net proceeds from the Share Subscription amounted to HK\$32,400,000 (collectively the “**Net Proceeds**”). The table below sets out the planned allocations of the Net Proceeds and actual use of the Net Proceeds up to 31 December 2025:

| Business Strategies | Planned use of Net Proceeds from Global Offering in total | | Actual use of Net Proceeds up to 31 December 2024 | Amount utilised during the year ended 31 December 2025 | Unutilised amount as at 31 December 2025 | Expected timeline for the utilisation of the remaining balance ⁽¹⁾ |
|---|---|--------------|---|--|--|---|
| | (HK\$'million) | % | (HK\$'million) | (HK\$'million) | (HK\$'million) | |
| <i>From the Global Offering</i> | | | | | | |
| • 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 southern region and eastern region of the PRC | 19.7 | 17.3 | 2.2 | 17.5 | – | Not applicable |
| • Raising the brand awareness through media marketing and promotion efforts | 12.0 | 10.5 | 12.0 | – | – | Not applicable |
| • Further raising the R&D efforts, procuring quality management equipment and broadening the product portfolio ⁽²⁾ | 23.4 | 20.5 | 17.2 | – | 6.2 | By the end of 2026 |
| • Upgrading the IT system | 4.0 | 3.5 | 0.6 | 3.4 | – | Not applicable |
| • Increasing general working capital | 3.3 | 2.9 | 3.3 | – | – | Not applicable |
| Total | <u>114.1</u> | <u>100.0</u> | <u>87</u> | <u>20.9</u> | <u>6.2</u> | |

| Business Strategies | Planned use of net proceeds from the Share Subscription (HK\$' million) | % | Amount utilised during the Year 2025 (HK\$' million) | Unutilised amount as at 31 December 2025 (HK\$' million) | Expected timeline for the utilisation of the remaining balance |
|--|--|--------------|---|---|---|
| <i>From the Share Subscription</i> | | | | | |
| • New business opportunities relating to Chinese medicine, including investment in Chinese medicine manufacturer | 16.2 | 50.0 | – | 16.2 | First half of 2026 |
| • Continuous enhancement of the research and development capabilities | 16.2 | 50.0 | – | 16.2 | Second half of 2026 |
| Total | 32.4 | 100.0 | – | 32.4 | |

Notes:

- (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) Due to the unfavorable economic condition, the Company has adopted a more prudent approach. The original plan was to complete the recruitment of professional traditional medicine research and development personnel by the end of 2025. As the economic condition has not improved, the Group has decided to further postpone the recruitment of medical schools for research and development to the second half of 2026. The Board will reassess whether it is necessary to change the use and publish an announcement if there be any change.

FINANCIAL REVIEW

The Group recorded revenue of approximately RMB145.2 million for the Year 2025, representing a decrease of approximately RMB68.9 million or 32.2% as compared to the Year 2024. The decrease in revenue was mainly due to 1) the loss of some distributors; 2) the exclusion of some best-selling products of the Group, such as Cardiotonic Enhancement Capsule (山玫膠囊), from the national medical insurance list due to the reform of the medical insurance, leading to a decrease in sales; and 3) the decline in overall gross profit margin due to price reduction for other products included in the medical insurance catalog.

Vigour and Vitality Supplement Pill (補腎填精丸), Circulation Enhancement Pill (氣血雙補丸) and Additional Ingredient Huoxiang Zheng Qi Pill (加味藿香正氣丸) were the three top selling products for the Year 2025, accounted for approximately 28.5% (2024: 27.6%), 10.6% (2024: 16.3%) and 8.3% (2024: 10.7%) of the Group's total revenue for the Year 2025, respectively.

Breakdown of the Group's revenue by geographic location is as follows:

| | For the year ended 31 December | | | |
|-------------------------------------|--------------------------------|---|----------------|---|
| | 2025 | | 2024 | |
| | <i>RMB'000</i> | <i>Approximate % of total revenue</i> | <i>RMB'000</i> | <i>Approximate % of total revenue</i> |
| Northeast region <i>(Note (i))</i> | 88,289 | 60.8 | 114,859 | 53.7 |
| Eastern region <i>(Note (ii))</i> | 8,237 | 5.7 | 18,326 | 8.5 |
| Southern region <i>(Note (iii))</i> | 22,126 | 15.2 | 35,373 | 16.5 |
| Northern region <i>(Note (iv))</i> | 23,936 | 16.5 | 35,463 | 16.6 |
| Southwest region <i>(Note (v))</i> | 1,533 | 1.1 | 6,137 | 2.9 |
| Northwest region <i>(Note (vi))</i> | 1,053 | 0.7 | 3,910 | 1.8 |
| Total | <u>145,174</u> | <u>100.0</u> | <u>214,068</u> | <u>100.0</u> |

Notes:

- (i) Northeast region represents Heilongjiang, Jilin, Liaoning, the PRC
- (ii) Eastern region represents Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong, the PRC
- (iii) Southern region represents Henan, Hubei, Hunan, Guangxi, Guangdong, Hainan, the PRC
- (iv) Northern region represents Beijing, Tianjin, Shanxi, Hebei, Inner Mongolia, the PRC
- (v) Southwest region represents Chongqing, Sichuan, Guizhou, Yunnan, Tibet, the PRC
- (vi) Northwest region represents Shaanxi, Gansu, Qinghai, Ningxia Hui, Xinjiang, the PRC

Northeast region remained the largest contributor to the Group's total revenue for the Year 2025. It contributed 60.8% and 53.7% of the total revenue of the Group for the Year 2025 and the Year 2024, respectively. The decrease in total revenue of the Group by approximately 32.2% for the Year 2025 as compared to that of the Year 2024 was mainly due to 1) the loss of some distributors; 2) the exclusion of some best-selling products of the Group, such as Cardiotonic Enhancement Capsule (山玫膠囊), from the national medical insurance list due to the reform of the medical insurance, leading to a decrease in sales; and 3) the decline in overall gross profit margin due to price reduction for other products included in the medical insurance catalog.

The overall gross profit margin for the Year 2025 decreased to approximately 16.2% from approximately 25.8% for the Year 2024. This is mainly due to reduced purchase orders, resulting in persistently high unit fixed costs.

OPERATING COSTS AND EXPENSES

For the Year 2025, selling and distribution expenses of the Group increased by approximately 40.4% from approximately RMB22.3 million for the Year 2024 to approximately RMB31.3 million for the Year 2025. The increase was mainly due to the increase in advertising expenses by approximately RMB10.3 million.

Administrative and other operating expenses consist primarily of staff costs, legal and professional fees, other taxes, research and development (“**R&D**”) costs and others. There was a decrease of approximately 3.4% in the administrative and other operating expenses from approximately RMB9.1 million for the Year 2024 to approximately RMB8.8 million for the Year 2025. This is mainly due to the fact that there was no R&D costs incurred for the Year 2025.

Finance costs increased by approximately RMB5,000 for the Year 2025. Such increase was primarily due to the increase in interest of lease liabilities during the Year 2025.

OPERATING RESULTS

Loss before tax was approximately RMB14.0 million, compared to profit before tax of approximately RMB14.8 million for the Year 2024. This was mainly due to a decrease in sales and overall gross margin, as well as persistently high unit fixed costs.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2025, total assets held by the Group was approximately RMB543.4 million (31 December 2024: approximately RMB540.3 million), which comprise mainly of bank balances and cash of approximately RMB229.7 million (31 December 2024: approximately RMB231.6 million) and property, plant and equipment of approximately RMB195.3 million (31 December 2024: approximately RMB185.0 million).

As at 31 December 2025, the Group had total liabilities of approximately RMB45.4 million (31 December 2024: approximately RMB56.1 million) which comprise mainly of trade and other payables amounting to approximately RMB38.7 million (31 December 2024: approximately RMB48.9 million).

As at 31 December 2025, the gearing ratio, expressed as a percentage of total borrowings including lease liabilities over total equity, was about 0.01% (31 December 2024: approximately 0.01%).

CONTINGENT LIABILITIES

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

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's business and borrowings are denominated and accounted for in RMB. 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.

CHARGES ON GROUP'S ASSETS

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2025, the Group had 189 employees (31 December 2024: 190). The total staff costs including directors' remuneration for the Year 2025 were approximately RMB11.7 million (Year 2024: approximately RMB14.4 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 member, 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 Year 2025.

The Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries, associated companies and joint ventures for the Year 2025.

SHARE SUBSCRIPTION

On 8 April 2025, 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\$32.4 million were raised under the Share 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.

CAPITAL EXPENDITURE

For the Year 2025, the Group spent approximately RMB36.3 million (Year 2024: approximately RMB116.7 million) on capital expenditure, which was primarily related to the acquisition of property, plant and machinery and intangible asset.

DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the Year 2025 (Year 2024: Nil).

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

During the Year 2025, save for the Share Subscription, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as the basis of the Company's corporate governance practices.

For the Year 2025, 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 Year 2025.

CONTRACTUAL ARRANGEMENTS

Following Ms. Sun became the registered shareholder of Chengde Yushi Jindan Pharmaceutical Co., Ltd. (承德御室金丹藥業有限公司) (“**Chengde Yushi**”) in December 2021 and also completed the inheritance of the estate of the late Mr. Xie Wei (“**Mr. Xie**”), in particular all the shares held by Mr. Xie in Modern Biotechnology, in early July 2024, the Group executed the new contractual arrangements (the “**New Contractual Arrangements**”) substantially on the same terms as those arrangements prior to the New Contractual Arrangements, save that (a) the identity of the sole registered shareholder of Chengde Yushi was changed from Mr. Xie to Ms. Sun and (b) Ms. Sun has executed the no spouse undertaking as a replacement to the existing spouse’s undertaking as further detailed in the Company’s announcement dated 14 June 2024. The New Contractual Arrangements took effect on 4 July 2024 and the previous contractual arrangements were terminated concurrently upon the New Contractual Arrangements taking effect. The Group, through the New Contractual Arrangements, has exposure and rights to variable returns from its involvement with Chengde Yushi and has ability to affect those returns through its power over Chengde Yushi. Therefore, the Group continues to have control over Chengde Yushi.

EVENTS AFTER THE REPORTING PERIOD

On 19 January 2026, the Company as purchaser entered into a sale and purchase agreement with Huang Yu Holdings Limited (“**Huang Yu**”) as vendor, pursuant to which the Company conditionally agreed to purchase, and Huang Yu agreed to sell, 30% interest in AI Health Global Holdings Limited (the “**Acquisition**” and “**AI Health**” respectively). The subsidiaries of AI Health are licensed under the Chinese Medicine Ordinance (Cap. 549 of the laws of Hong Kong) to carry out PCM manufacturing and sales.

Save for the Acquisition, the Directors are not aware of any significant event affecting the Group which has taken place subsequent to 31 December 2025 and up to the date of this announcement.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company has established its audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the CG Code. As of the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Ms. Liu Ling, Mr. Leung Tsz Wing (chairman) and Mr. Wong Chi Kin. The Audit Committee examined the accounting principles and practices adopted by the Group and discussed with management its internal controls. The Audit Committee has reviewed the consolidated financial results of the Group for the Year 2025.

SCOPE OF WORK OF FORVIS MAZARS CPA LIMITED

The figures in respect of the Company's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for the Year 2025 as set out in this announcement have been agreed by the Company's auditor, Forvis Mazars CPA Limited, to the amounts set out in the Company's consolidated financial statements for the Year 2025. The work performed by Forvis Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Forvis Mazars CPA Limited on this preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement has been published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cdysjdyy.com). The annual report of the Company will be published on the aforesaid websites and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 30 March 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.