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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)

SUPPLEMENTAL ANNOUNCEMENT SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

Reference is made to the announcement of Modern Chinese Medicine Group Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 8 April 2025 in relation to subscription of new shares under general mandate (the “**Announcement**”). Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, among other things, the Board wishes to update the Shareholders that the Company intends to apply such net proceeds for future investment and business development. Approximately 50% of the net proceeds will be used for new business opportunities relating to Chinese medicine, including investment in Chinese medicine manufacturer; and (ii) 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 wishes to update its Shareholders that 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. The Board believes that the acquisition will enable the Group to extend its sales locations to Hong Kong and overseas.

Notwithstanding the above, the Company emphasizes that only preliminary discussions have been held with the vendor of the manufacturer, and no legally binding agreement has been entered into nor concrete terms finalized. There is no guarantee that the acquisition of the specified manufacturer will proceed, as the Company is concurrently seeking and evaluating other suitable TCM manufacturers that could serve as a springboard for extending its sales network to Hong Kong and overseas. The Company will further update its Shareholders as and when appropriate in accordance with the Listing Rules.

As at 31 March 2025, the Group's cash at bank was approximately RMB230 million. Such cash is planned to be used in the following manner:

Establishment of and investment in health care food factory	Approximately RMB20 million	Expected to be fully utilised by the end of August 2025
Setting up a research and development team with professional traditional Chinese medicine expertise	Approximately RMB10 million	Expected to be fully utilised by the end of June 2026
Upgrading and transforming the IT system	Approximately RMB15 million	Expected to be fully utilised by the end of June 2026
Acquiring a pharmaceutical logistics and distribution company to improve market layout and enhance competitiveness	Approximately RMB45 million	Expected to be fully utilised by the end of October 2025
Expanding distribution networks in South and East China: Including management fees, public facilities, and hiring a marketing team	Approximately RMB30 million	Expected to be fully utilised by the end of June 2026
Enhancing brand awareness, increasing media marketing and promotion, forming an e-commerce team, and market promotion	Approximately RMB80 million	Expected to be fully utilised by the end of June 2026
General working capital	Approximately RMB30 million	Expected to be fully utilised by the end of May 2026

The Company will update its Shareholders by way of an announcement if there be any change in the above use.

The Company stresses that notwithstanding that the Group had cash balance of approximately RMB230 million as at 31 March 2025, approximately HK\$27.1 million (approximately RMB24.8 million) (the "Remaining IPO Net Proceeds" has been earmarked for such usage as disclosed under the section headed "USE OF NET PROCEEDS FROM THE GLOBAL OFFERING" in the Annual Report 2024 of the Company and the remaining cash balance of approximately RMB205.2 million will be used for the implementation of further business development plan which are not covered by the Remaining IPO Net Proceeds and general working capital. After due consideration, for the benefit of the Group and its shareholders, the Company believes now is the opportune moment to capitalize on this evolving industry landscape. By taking decisive and proactive measures ahead of competitors, we will maximize shareholder value and strengthen our market position.

Given that substantially all of the Group's product sales are currently concentrated in mainland China, the Company believes it is essential to expand its market reach beyond the mainland China. This strategic expansion into other countries and regions, including Hong Kong, will enable the Group to grow its market share and diversify its revenue streams. Accordingly, the Company considers the acquisition of certain interests in the TCM Manufacturer to be a prudent step toward achieving this international growth objective. Staying put provides no competitive benefit to the Group.

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

Hong Kong, 5 June 2025

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.