

# 現代中藥集團有限公司

Modern Chinese Medicine Group Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1643

2022

INTERIM REPORT

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*Important:*

*This report has been prepared in both Chinese and English. In the event of any discrepancy between the two versions, the English version shall prevail.*

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Ms. Zhang Hongli (Chief Executive Officer)  
Mr. Li Jinglian  
Mr. Jiang Zhendong

### Independent non-executive Directors

Ms. Liu Ling  
Mr. Leung Tsz Wing  
Mr. Chan Kam Leung

### Audit Committee

Mr. Leung Tsz Wing (Chairman)  
Ms. Liu Ling  
Mr. Chan Kam Leung

### Remuneration Committee

Ms. Liu Ling (Chairlady)  
Ms. Zhang Hongli  
Mr. Chan Kam Leung

### Nomination Committee

Mr. Chan Kam Leung (Chairman)  
Mr. Jiang Zhendong  
Ms. Liu Ling

## COMPANY SECRETARY

Ms. Leung Kwan Wai

## AUTHORISED REPRESENTATIVES

Ms. Zhang Hongli  
Ms. Leung Kwan Wai

## INDEPENDENT AUDITOR

Mazars CPA Limited  
*Certified Public Accountants*  
42nd Floor, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

## COMPLIANCE ADVISER

Soochow Securities International Capital Limited  
Level 17, Three Pacific Place  
1 Queen's Road East  
Hong Kong

## LEGAL ADVISER

King & Wood Mallesons  
13th Floor Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

## PRINCIPAL BANKER

Bank of China Limited  
Longhua Branch  
No. 7 Anzhou North Street, Longhua Town  
Longhua County, Chengde City  
Hebei Province  
PRC

## REGISTERED OFFICE

89 Nexus Way, Camana Bay  
Grand Cayman  
KY1-9009  
Cayman Islands

## CORPORATE HEADQUARTERS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 88 Jinwei Road  
Chengde City  
Hebei Province  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place  
348 Kwun Tong Road  
Kowloon  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ogier Global (Cayman) Limited  
89 Nexus Way, Camana Bay  
Grand Cayman  
KY1-9009  
Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## WEBSITE

[www.cdysjdy.com](http://www.cdysjdy.com)

## STOCK CODE

1643

# Board's Statement and Executive Directors' Message

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Modern Chinese Medicine Group Co., Ltd. (the “**Company**”) and together with its subsidiaries collectively referred to as the “**Group**”), I hereby present the interim report of the Group for the six months ended 30 June 2022 (the “**Period**”) for shareholder’s review.

Looking back to the first half of year 2022, social distancing and certain prevention and control measures have become social norms due to COVID-19 pandemic around the world. The Group overcame adversity, adhered to our mission and achieved remarkable growth. Our revenue and net profit for the six months ended 30 June 2022 reached approximately RMB196.1 million and approximately RMB49.9 million, representing an increase of approximately 14.1% and an increase of approximately 13.1%, respectively, as compared to that of the six months ended 30 June 2021.

The People’s Republic of China (the “**PRC**”) government has made great efforts on promoting the development of the traditional Chinese medicine (“**TCM**”) sector accompanied by the introduction of favourable policies. In March 2022, the General Office of the State Council (國務院辦公廳) released a circular named “14th Five-Year Plan for Traditional Chinese Medicine Development” (《「十四五」中醫藥發展規劃》), which aims to promote the comprehensive development of TCM. According to the circular, the service capability of TCM will exhibit significant growth, the developmental policies and systems of TCM will be perfected, and the development of TCM will have a revitalising and positive outcome by 2025. The unique position of TCM will also occupy the foreground of promoting public health and fitness in China. In May 2022, 14th Five-Year Plan for National Health (《「十四五」國民健康規劃》) was issued by the General Office of the State Council to improve the policies on national health. This plan urged that TCM should be further developed through technological innovation.

We believe that along with the high-quality development of the TCM industry, only TCM enterprises with premium and diversified product portfolios, extraordinary research and development (“**R&D**”) capacities, and well-established distribution networks are capable of becoming more competitive in the TCM market. In the first half of the year 2022, by seizing the opportunities of favourable policies on promoting the revitalisation and development of TCM, the Group actively fortified the market position of our key products, continuously emphasised R&D and strengthened the internal controls and corporate governance, in order to lay a solid foundation for sustainable and high-quality development of our business. We shall continue to be dedicated to becoming the pioneer of Chinese traditional medicine modernisation.

## BUSINESS REVIEW

The Group continued to focus on the development strategy of establishing a diversified product portfolio, which strengthens our competitiveness in the TCM industry. We now own 71 drug approval numbers which are associated with about 60 types of proprietary Chinese medicine (the “**PCM**”) products, with intended therapeutic effects for the treatment and/or alleviation of qi-deficiency and blood-stasis condition, cardio-cerebrovascular condition, digestive and gastrointestinal condition, gynaecological condition, respiratory system condition and nervous system condition, etc. Some of the Group’s major products are believed to be having the intended therapeutic effect for the treatment of the symptoms of COVID-19 and/or similar illnesses.

Despite the complicated and difficult situation in the first half of year 2022, thanks to the experience gained in coping with the pandemic as well as difficulties and challenges in the past two years, the Group managed to strategically expand its distribution network. During the six months ended 30 June 2022, the Group had a distribution network of 83 distributors, covering about 40 cities in the PRC. The market in Northeast China remained the core market of the Group, and for the six months ended 30 June 2022, sales from Northeast China achieved approximately 18.3% growth and accounted for over 50% of total revenue. The Group’s expansion in Huadong (華東) and other regions has also gained a considerable growth.

## Board's Statement and Executive Directors' Message (Continued)

Meanwhile, the Group continued to capitalise on the development trend of TCM and strengthen R&D on our key products, driving the future development of the Group. The Group mainly develops new products by collaborating with research institutes, for example, our collaboration with Heilongjiang University of Chinese Medicine (黑龍江中醫藥大學) to develop Stroke Prevention Capsule (耆丹禦風膠囊). Our product Heart Wellness Capsule (心安膠囊) is also under quality enhancement, the product enhancement research of which is in the final stage.

### OUTLOOK

Looking ahead, repeated COVID-19 outbreaks remain the most unstable factor in the course of world economic recovery, yet TCM and the medical, health and hygiene forces of various countries still carry the mission of safeguarding the common destiny of mankind. In China, with an increasingly ageing population, the improvement of public health awareness and the recurrent pandemic will continue to contribute to the vigorous development of the TCM industry. Along with the consumption upgrades in China and the continuous release of benefits from favourable government policies, the TCM industry will head into a golden era.

In the future, the Group shall adhere to its development strategies and exploit favourable government policies, in order to further promote the diversity of its product portfolio and boost its revenue. We will continue to integrate the advantageous resources accumulated over the years, such as technological innovation, production technology, and distribution network; and make contributions to society, create value for shareholders, and lay a solid foundation for sustainable and stable growth in the future.

### APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all our management and all colleagues for their valuable contribution to the Group. Moreover, I would also like to express appreciation to our valued shareholders, clients and business partners who have been supportive as always.

**Ms. Zhang Hongli**

*Executive Director*

**Modern Chinese Medicine Group Co., Ltd.**

25 August 2022

## Financial Highlights

- Revenue increased from approximately RMB171.8 million for the six months ended 30 June 2021 to approximately RMB196.1 million for the six months ended 30 June 2022, representing an increase of approximately 14.1%.
- Gross profit increased from approximately RMB78.6 million for the six months ended 30 June 2021 to approximately RMB86.4 million for the six months ended 30 June 2022, representing an increase of approximately 9.9%.
- Profit attributable to the owners of the Company increased from RMB44.1 million for the six months ended 30 June 2021 to approximately RMB49.9 million for the six months ended 30 June 2022, representing an increase of approximately 13.1%.
- Basic and diluted earnings per share increased from RMB7.43 cents for the six months ended 30 June 2021 to RMB8.32 cents for the six months ended 30 June 2022, representing an increase of approximately 12.0%.

# 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 60 types of PCM products, the major products of which include Vigour and Vitality Supplement Pill (補腎填精丸), Circulation Enhancement Pill (氣血雙補丸), Cardiotonic Enhancement Capsule (山玫膠囊), Kidney Invigoration Pill (金匱腎氣丸), Heart Wellness Capsule (心安膠囊), Menstrual Discomfort Relief Pill (加味逍遙丸), Liver Detox Tablet (護肝片), Additional Ingredient Huoxiang ZhengQi Pill (加味藿香正氣丸), Liver-dispersing and Stomach Regulating Pill (舒肝和胃丸) and Fever-removing and Detoxification Pill (清瘟解毒丸).

The Group is considered as one of the leading companies engaged in the production of PCM in terms of the sales of Qi (氣) – deficiency and blood-stasis PCM pills (補氣補血類中成藥丸) and cardio-cerebrovascular PCM capsules (心腦血管中成藥膠囊) in Northeast, the PRC. Generally, the intended therapeutic effects of the Group's major products are for the treatment and/or alleviation of (i) Qi (氣) – deficiency and blood-stasis condition; (ii) cardio-cerebrovascular condition; (iii) digestive and gastrointestinal condition; and (iv) gynaecological condition. Some of the Group's major products are believed to be having the intended therapeutic effect for the treatment of the symptoms of COVID-19 and/or similar illnesses.

The Group has currently established a distribution network of 83 distributors covering about 40 cities in the PRC, which are in turn served and administered by over 37 marketing staff members with relevant experience in the traditional Chinese medicine 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 Northeast and Huanan (華南) to other areas in the PRC, but also allow the Group to penetrate in reasonably extensive width and breadth both in Northeast and Huanan (華南), where the Group is strategically targeting at in view of the Group's established footprint and the large population there. For the Period, the revenue contribution from Northeast and Huanan (華南) amounted to approximately RMB109.2 million and RMB32.1 million, respectively (six months ended 30 June 2021: approximately RMB92.3 million and RMB30.0 million, respectively).

### OUTLOOK AND PROSPECTS

During the first half of 2022, the PRC Government continued to implement a dynamic zero-COVID policy to fight against the COVID-19 pandemic, which largely minimised the widespread of coronavirus across the country. To cope with the COVID-19 situation in Shanghai earlier this year, the PRC Government has, on a number of occasions, implemented various stringent anti-epidemic measures (including traffic and travel control and other social distancing measures), which led to a stagnation of economic activities across the region and negatively impacted the gross domestic product of the country. In any event, while the COVID-19 pandemic may have posed difficulties to the production and operation of some pharmaceutical companies, the overall industry is still experiencing positive growth with favourable support from various government policies for the promotion of the PCM industry. The COVID-19 pandemic has also brought the outstanding contribution of traditional Chinese medicine to the limelight.

The Group has confidence in the future prospects of the economy of the PRC as well as the PCM industry. In line with the development trend of the PRC PCM market, the Group shall adhere to its development strategies and exploit the favourable government policies (“Development Plan for Promoting the High-quality Integration of Traditional Chinese Medicine into the Belt and Road Initiative (2021-2025)” 《推進中醫藥高質量融入共建「一帶一路」發展規劃(2021-2025年)》 issued on 15 January 2022 by the National Administration of Traditional Chinese Medicine) in order to further promote and revitalise its product portfolio.

The Board believes that the various sales channels of the Group would be able to expand the distribution network and hereby augment the sales revenue. In addition, with the growing public awareness of traditional Chinese medicine, the Group will seize the opportunities presented by the growth of the industry to achieve outstanding results and create better value for our shareholders in the near future.

## Management Discussion and Analysis (Continued)

### FINANCIAL REVIEW

The Group posted a consolidated revenue of approximately RMB196.1 million for the Period, representing an increase of approximately RMB24.3 million or 14.1% as compared to the six months ended 30 June 2021. The increase in revenue was primarily driven by the surge in revenue generated from the sales of our major products, namely Vigour and Vitality Supplement Pill (補腎填精丸), Fever-removing and Detoxification Pill (清瘟解毒丸) and Additional Ingredient Huoxiang Zheng Qi Pill (加味藿香正氣丸) due to the improved marketing tactics adopted by our existing distributors. Fever-removing and Detoxification Pill (清瘟解毒丸) and Additional Ingredient Huoxiang Zheng Qi Pill (加味藿香正氣丸) were believed to have intended therapeutic effect for the treatment of the symptoms of COVID-19 and/or similar illness.

The increase in revenue generated from the sales of Vigour and Vitality Supplement Pill (補腎填精丸), Fever-removing and Detoxification Pill (清瘟解毒丸) and Additional Ingredient Huoxiang Zheng Qi Pill (加味藿香正氣丸) was somehow offset by the decrease in revenue generated from the sales of Circulation Enhancement Pill (氣血雙補丸) and Kidney Invigoration Pill (金匱腎氣丸).

Vigour and Vitality Supplement Pill (補腎填精丸) and Circulation Enhancement Pill (氣血雙補丸) were the two top selling products for both the Period and the six months ended 30 June 2021. These two products contributed approximately 45.5% and 46.4% of the Group's total revenue for the Period and the six months ended 30 June 2021, respectively.

The Northeast remained the largest contributor to the Group's total revenue for the Period. It contributed over 50.0% of the total revenue of the Group for both the Period and the six months ended 30 June 2021. The increase in total revenue of the Group by approximately 14.1% during the Period as compared to that of the six months ended 30 June 2021 was mainly due to the sales growth in the Northeast and Huadong (華東) by approximately RMB16.9 million and approximately RMB2.5 million, respectively.

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 slightly to approximately 44.0% as compared to approximately 45.7% for the six months ended 30 June 2021. It was mainly due to the relatively lower gross profit margin of Vigour and Vitality Supplement Pill (補腎填精丸), the sales revenue of which increased by approximately RMB12.7 million during the Period. On the other hand, the production costs for other products were also augmented due to the increased purchase prices of certain major ingredients during the Period, which exerted a negative impact on the overall gross profit margin.

### OPERATING COSTS AND EXPENSES

Selling and distribution expenses of the Group increased by approximately 18.6% from approximately RMB9.5 million for the six months ended 30 June 2021 to approximately RMB11.2 million for the Period. It was mainly due to the increase in advertisement expenses by approximately RMB1.1 million spent on various marketing campaigns for promoting the Group's brand name during the Period.

Administrative and other operating expenses primarily consist of staff costs, other taxes, legal and professional fees, and R&D costs. There was a reduction of approximately 13.1% in respect of the administrative and other operating expenses for the Period in comparison with those of the six months ended 30 June 2021. This was mainly due to the decrease of approximately RMB1.1 million in research and development expenses for the Period.

Finance costs decreased by approximately RMB61,000 to approximately RMB6,000 for the Period as compared to that of the six months ended 30 June 2021, which was primarily due to the repayment of a loan in late March 2021.

### OPERATING RESULTS

Profit for the Period increased by approximately 13.1% from approximately RMB44.1 million for the six months ended 30 June 2021 to approximately RMB49.9 million for the Period. This was primarily due to the increase in sales of Vigour and Vitality Supplement Pill (補腎填精丸), Additional Ingredient Huoxiang Zheng Qi Pill (加味藿香正氣丸) and Fever-removing and Detoxification Pill (清瘟解毒丸), which were the major products of the Group during the Period.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group held total assets of approximately RMB429.2 million (31 December 2021: approximately RMB395.9 million), including property, plant and equipment of approximately RMB70.2 million (31 December 2021: approximately RMB71.8 million), trade and other receivables of approximately RMB85.4 million (31 December 2021: approximately RMB72.1 million) and bank balances and cash of approximately RMB221.8 million (31 December 2021: approximately RMB176.1 million).

As at 30 June 2022, the Group had total liabilities of approximately RMB50.1 million (31 December 2021: approximately RMB58.6 million), which comprises mainly of trade and other payables amounting to approximately RMB40.3 million (31 December 2021: approximately RMB50.9 million).

As at 30 June 2022, the gearing ratio, expressed as a percentage of total loans (including interest-bearing borrowings and lease liabilities) over total equity, was about 0.04% (31 December 2021: approximately 0.12%). This reduction was mainly resulted from the decrease of lease liabilities during the Period.

## Management Discussion and Analysis (Continued)

### CASHFLOW

During the Period, the Group generated net cash of approximately RMB58.5 million (six months ended 30 June 2021: approximately RMB24.9 million) from operating activities. The substantial increase in net cash generated from operating activities mainly resulted from the increase in cash inflow from the operating profit and working capital.

Net cash used in investing activities was approximately RMB4.1 million for the Period (six months ended 30 June 2021: approximately RMB40.1 million). The decrease in net cash used in investing activities resulted from the reduction in payment for the acquisition of property, plant and equipment during the Period.

Net cash used in financing activities was approximately RMB8.6 million for the Period; the net cash of approximately RMB115.9 million was generated from financing activities for the six months ended 30 June 2021. The change from net cash inflow to net cash outflow in respect of financing activities was mainly resulted from the proceeds received from the shares of the Company offered through public offering (the “**Global Offering**”) during the six months ended 30 June 2021 and the dividend paid during the Period.

### CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: 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 the RMB exchange rate and other foreign exchange fluctuations 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 2022, the Group did not have any charge on its assets (31 December 2021: Nil).

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had 186 employees (31 December 2021: 196). The total staff costs including directors' remuneration for the Period were approximately RMB9.6 million (six months ended 30 June 2021: approximately RMB9.3 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 the provision of retirement benefits, various types of training 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 raises and promotions.

### SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

There were no significant investments held, acquisitions or disposals of subsidiaries, associated companies and joint ventures by the Group during the Period.

The Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries, associated companies and joint ventures as at 30 June 2022.

### CAPITAL EXPENDITURE

For the Period, the Group spent approximately RMB0.9 million (31 December 2021: approximately RMB62.4 million) on capital expenditure, which was primarily related to the acquisition of property, plant and machinery in accordance with the planned use of net proceeds from the Global Offering as disclosed in the prospectus of the Company dated 31 December 2020 (the “Prospectus”).

### INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the Period (six months ended 30 June 2021: Nil).

### USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Group implemented its business objectives and strategies in accordance with the proposed applications set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus during the Period. As of the date of this interim report the Board does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus. The net proceeds (after deduction of underwriting fees, commissions and expenses) from the Global Offering amounted to approximately HK\$114.1 million. The table below sets out the planned allocations of the net proceeds and actual usage up to 30 June 2022:

## Management Discussion and Analysis (Continued)

	Net proceeds from the Global Offering (HK\$' million)	Actual use of proceeds as at 30 June 2022 (HK\$' million)	Unutilised amount as at 30 June 2022 (HK\$' million)	Expected timeline for the utilisation of the remaining balance <sup>(1)</sup>
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) conditions <sup>(2)</sup>	51.7	51.7	–	–
Broadening the distribution network in Huanan (華南) and Huadong (華東) in the PRC	19.7	1.6	18.1	By the second quarter of 2023
Raising brand awareness through media marketing and promotion efforts	12.0	12.0	–	–
Further raising the research and development efforts, procuring quality management equipment and broadening the product portfolio	23.4	9.4	14.0	By the third quarter of 2023
Upgrading the IT system	4.0	–	4.0	By the end of 2022
Increasing general working capital	3.3	3.3	–	–
<b>Total</b>	<b>114.1</b>	<b>78.0</b>	<b>36.1</b>	

### 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 from the Global Offering is based on the best estimation of future market conditions made by the Group and subject to changes in accordance with our actual business operation. If there is any change in the use of proceeds, the Company will publish a separate announcement accordingly.
- (2) The new production line, which was originally scheduled to commence trial production in the second quarter of 2022, has been delayed due to the impact of COVID-19 pandemic. The trial production is expected to be commenced by the end of 2022.

## Other Information

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

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

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to formulating and implementing corporate governance practices appropriate to the Company's needs. The Company has adopted the principles and code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 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.

In the opinion of the Directors, during the six months ended 30 June 2022, the Company complied with all applicable code provisions as set out in the CG Code save for the deviations from code provision C.2.1.

According to provision C.2.1 of the code provisions, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The deviation from C.2.1 of the CG Code is due to the passing away of Mr. Xie Wei ("**Mr. Xie**"), the then chairman and executive Director of the Board, on 24 December 2021. The position of the chairman has been vacant since the passing away of Mr. Xie and up to the date of this interim report. The duties and responsibilities of chairman of the Board have been temporarily shared among other members of the Board and senior management, including Ms. Zhang Hongli, our executive Director and chief executive officer. A new chairman will be appointed by the Board in due course and further announcement will be made as soon as practicable.

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 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries to all the Directors of the Company, each of the Directors has confirmed that he/she has complied with the required standards set out in the Model Code during the Period.

## Other Information (Continued)

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which have been notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or under the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### (a) Interests in Shares

Name	Capacity/Nature of interest	Number of Shares interested in	Percentage of interest in the Company
Mr. Xie (deceased) (Notes 1 and 2)	Interest in a controlled corporation	450,000,000 (long position)	75%

Notes:

- (1) These Shares are held by Modern Biotechnology Group Holdings Co., Ltd (現代生物科技集團控股有限公司) ("Modern Biotechnology"), which is a company incorporated in the British Virgin Islands ("BVI"). The entire issued share capital of Modern Biotechnology is owned by Mr. Xie, who passed away on 24 December 2021, it is therefore deemed to be interested in the Shares held by Modern Biotechnology under the SFO.
- (2) Due to the passing away of Mr. Xie in December 2021, the spouse of Mr. Xie, Ms. Sun Xinlei (孫新磊) ("Ms. Sun") had engaged her legal counsel in the BVI to process her application for the inheritance of Mr. Xie's estate as at the date of this interim report.

#### (b) Interests in the shares of associated corporations

Name	Name of associated corporation	Capacity/ Nature of interest	Number of shares	Percentage of interest in associated corporations
Mr. Xie (deceased)	Modern Biotechnology	Beneficial owner	One share of US\$1.00 (long position)	100%
	Chengde Yushi Jindan Pharmaceutical Co., Ltd ("Chengde Yushi") (承德御室金丹藥業 有限公司) (Note 1 and 3)	Beneficial owner	N/A (Note 2)	100%

Notes:

- (1) Chengde Yushi is a limited liability company established in the PRC. It is regarded as an indirect wholly-owned subsidiary of the Group by virtue of the contractual arrangements entered into with the Group.
- (2) The percentage of shareholding is determined with reference to the percentage of subscribed registered capital of the shareholder.
- (3) Due to the passing away of Mr. Xie in December 2021, the spouse of Mr. Xie, Ms. Sun had engaged her legal counsel in the BVI to process her application for the inheritance of Mr. Xie's estate as at the date of this interim report.

## DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, at no time during the six months ended 30 June 2022 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or had exercised any such right during the six months ended 30 June 2022.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2022, so far as is known to the Directors, the following person (not being a Director or chief executive of the Company) had interests or short positions in Shares or underlying Shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Capacity/Nature of interest	Number of Shares held	Percentage of interest in the Company
Modern Biotechnology	Beneficial owner	450,000,000 (long position)	75%

Save as disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION" in this interim report, none of the controlling shareholders, the Directors nor their respective close associates (as defined in the Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the six months ended 30 June 2022 and up to the date of this interim report.

## SHARE OPTION SCHEME

Pursuant to the written resolutions of all the shareholders of the Company passed on 18 December 2020, the Company adopted a share option scheme (the "**Share Option Scheme**"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules, which became effective on 15 January 2021. No share option has been granted since 15 January 2021, the date of Listing of the Shares (the "**Listing Date**") and therefore, there were no outstanding share options as at 30 June 2022 and no share option was exercised, expired or cancelled or lapsed under the Share Option Scheme for the period from the Listing Date to 30 June 2022 and up to the date of this interim report.

## Other Information (Continued)

### CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Saved for the continuing connected transactions arise by virtue of the contractual arrangements entered into with the Group, during the six months ended 30 June 2022, the Group did not enter into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules. Details of the material related party transactions are set out in note 17 of the Interim Financial Statements. These related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

### EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or the Group after 30 June 2022 and up to the date of this interim report.

### CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

### COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

### PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, as at the date of this interim report, the Company maintained a sufficient public float of the issued Shares (i.e. at least 25% of the issued Shares in the public hands) as required under the Listing Rules.

## PRINCIPAL RISKS AND UNCERTAINTIES

Pursuant to the Group's risk assessment, two major risks were identified in 2021, namely (i) policy risk; and (ii) market competition risk.

*Policy risk:* the PCM industry is significantly affected by national policies, and with new policies issued frequently, the market pattern has been continuously adjusted and changed in a short time. China has been continuing to deepen its reforms in the PCM industry. For example, measures such as the enforcement and adjustment of medical insurance catalogue, the continuous implementation of centralized bulk-buying and new guiding principles for R&D may have a deep and lasting impact on the future development of the PCM and may also have different levels of impact on the Group's production and sales. In early December 2021, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security issued the Catalogue of Drugs for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2021) (the "**National Medical Insurance Catalogue (2021)**"). Through this adjustment to the catalogue, the total number of drugs in the National Medical Insurance Catalogue (2021) is 2,860, including 1,486 western drugs, 1,374 Chinese patent drugs, and 892 traditional Chinese medicine tablets.

*Market competition risk:* with the deepening of PCM industry reform policy, it is possible the overall growth rate of the PCM industry might slow down and result in a decreasing number of PCM products distributors. It may also further intensify the market competition among market players. Further, cross-industry competitors might use their resources to participate in industry competition, increasing the competition in the PCM industry field and changing the PCM industry rules. The outbreak of COVID-19 epidemic has brought uncertainty to the market competition pattern of the PCM industry.

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely, Ms. Liu Ling, Mr. Leung Tsz Wing and Mr. Chan Kam Leung. The chairman of the Audit Committee is Mr. Leung Tsz Wing. The unaudited interim results of the Group for the Period have been reviewed by the Audit Committee.

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

		Six months ended 30 June	
	Note	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Revenue</b>	4	<b>196,064</b>	171,798
Cost of sales		<b>(109,711)</b>	(93,223)
<b>Gross profit</b>		<b>86,353</b>	78,575
Other income	5	<b>299</b>	220
Selling and distribution expenses		<b>(11,208)</b>	(9,452)
Administrative and other operating expenses		<b>(7,896)</b>	(9,084)
Finance costs	6	<b>(6)</b>	(67)
<b>Profit before tax</b>	6	<b>67,542</b>	60,192
Income tax expenses	7	<b>(17,626)</b>	(16,072)
<b>Profit for the period</b>		<b>49,916</b>	44,120
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on consolidation		<b>161</b>	18
<b>Total comprehensive income for the period</b>		<b>50,077</b>	44,138
<b>Earnings per share attributable to owners of the Company</b>		<b>RMB cent</b>	<b>RMB cent</b>
Basic and diluted	8	<b>8.32</b>	7.43

# Condensed Consolidated Statement of Financial Position

At 30 June 2022

	Note	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		70,208	71,843
Intangible assets		340	389
Right-of-use assets		2,029	2,261
Deposits paid for acquisition of property, plant and equipment	10	12,935	9,435
Deferred tax assets	15	5,170	5,170
		<b>90,682</b>	89,098
<b>Current assets</b>			
Inventories	11	31,306	58,692
Trade and other receivables	12	85,391	72,062
Bank balances and cash		221,806	176,091
		<b>338,503</b>	306,845
<b>Current liabilities</b>			
Trade and other payables	13	40,287	50,896
Lease liabilities	14	97	341
Income tax payables		9,614	7,276
		<b>49,998</b>	58,513
<b>Net current assets</b>		<b>288,505</b>	248,332
<b>Total assets less current liabilities</b>		<b>379,187</b>	337,430
<b>Non-current liabilities</b>			
Lease liabilities	14	71	69
<b>NET ASSETS</b>		<b>379,116</b>	337,361
<b>Capital and reserves</b>			
Share capital	16	5,010	5,010
Reserves		374,106	332,351
<b>TOTAL EQUITY</b>		<b>379,116</b>	337,361

# Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2022

	Reserves						Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000	Accumulated profits RMB'000	
At 1 January 2021 (Audited)	–*	842	29,540	1,421	15,113	87,916	134,832
Profit for the period	–	–	–	–	–	44,120	44,120
Other comprehensive income							
<i>Item that may be reclassified subsequently to profit or loss</i>							
Exchange differences on consolidation	–	–	–	18	–	–	18
<b>Total comprehensive income for the period</b>	–	–	–	18	–	44,120	44,138
<b>Transactions with owners:</b>							
<i>Contributions and distributions</i>							
Issue of shares pursuant to the Global Offering (as defined in Note 16)	1,252	146,550	–	–	–	–	147,802
Issue of shares pursuant to the Capitalisation Issue (as defined in Note 16)	3,758	(3,758)	–	–	–	–	–
Transaction costs attributable to issue of shares	–	(26,638)	–	–	–	–	(26,638)
<b>Total transactions with owners</b>	5,010	116,154	–	–	–	–	121,164
<b>At 30 June 2021 (Unaudited)</b>	5,010	116,996	29,540	1,439	15,113	132,036	300,134

\* Represent amount less than RMB1,000.

## Condensed Consolidated Statement of Changes In Equity (Continued)

For the six months ended 30 June 2022

	Reserves						Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000	Accumulated profits RMB'000	
<b>At 1 January 2022 (Audited)</b>	5,010	116,996	29,540	1,010	15,113	169,692	337,361
Profit for the period	-	-	-	-	-	49,916	49,916
<b>Other comprehensive income</b> <i>Item that may be reclassified subsequently to profit or loss</i>							
Exchange differences on consolidation	-	-	-	161	-	-	161
<b>Total comprehensive income for the period</b>	-	-	-	161	-	49,916	50,077
<b>Transactions with owners:</b>							
2021 Dividend approved and paid	-	-	-	-	-	(8,322)	(8,322)
<b>Total transactions with owners</b>	-	-	-	-	-	(8,322)	(8,322)
<b>At 30 June 2022 (Unaudited)</b>	5,010	116,996	29,540	1,171	15,113	211,286	379,116

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Net cash generated from operating activities</b>	<b>58,461</b>	24,928
<b>INVESTING ACTIVITIES</b>		
Interest received	291	185
Deposits paid for acquisition of property, plant and equipment	(3,500)	–
Payment for purchase of property, plant and equipment	(851)	(39,876)
Payment for acquisition of intangible assets	–	(437)
<b>Net cash used in investing activities</b>	<b>(4,060)</b>	(40,128)
<b>FINANCING ACTIVITIES</b>		
Proceeds from the Global Offering	–	147,802
Repayment of interest-bearing borrowings	–	(5,000)
Payment of transaction costs attributable to issue of shares	–	(26,638)
Payment of lease liabilities	(242)	(166)
Interest paid	(6)	(67)
Dividend paid	(8,322)	–
<b>Net cash (used in)/generated from financing activities</b>	<b>(8,570)</b>	115,931
<b>Net increase in cash and cash equivalents</b>	<b>45,831</b>	100,731
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>176,091</b>	73,191
Effect on exchange rate changes	(116)	10
<b>Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash</b>	<b>221,806</b>	173,932

# Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 1. CORPORATE INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 August 2019. The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. The address of the Company's registered office is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The Group's headquarters is situated at No. 88 Jinwei Road, Chengde City, Hebei Province, the PRC.

The Company is an investment holding company and its subsidiaries are principally engaged in the production of PCM in the PRC.

The immediate and ultimate holding company of the Company is Modern Biotechnology, which is incorporated in the BVI. As further detailed in the Company's announcement dated 24 December 2021, Mr. Xie, the ultimate controlling party passed away on 24 December 2021.

As at the date of approval of these unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022 (the "**Interim Financial Statements**"), Ms. Sun has engaged her legal counsel in the BVI to process her application for the inheritance of Mr. Xie's estate.

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements are unaudited but have been reviewed by the audit committee of the Company.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and financial performance of the Group since 31 December 2021, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) the collective term of which includes all applicable individual HKFRSs, 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 2021 (the “**2021 Financial Statements**”).

The Interim Financial Statements have been prepared on the historical costs basis and presented in Renminbi (“**RMB**”) and rounded to the nearest thousands (“**RMB’000**”), unless otherwise indicated.

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in preparing the 2021 Financial Statements except for the adoption of the new/ revised HKFRSs further described in the “Adoption of new/revised HKFRSs” section which are relevant to the Group and effective for the Group’s financial period beginning on 1 January 2022.

#### Adoption of new/revised HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of the Interim Financial Statements:

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018-2020 Cycle

The adoption of the new/revised HKFRSs in the current period has no material impact on the Group’s financial position and performance for the current and prior periods and/or on the disclosures set out in the Interim Financial Statements.

At the date of authorisation of the Interim Financial Statements, the Group has not early adopted the new/ revised HKFRSs that have been issued but are not yet effective. The directors of the Company do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group’s consolidated financial statements.

### 3. SEGMENT INFORMATION

The management of the Company has determined that the Group has only one operating and reportable segment throughout the reporting periods, as the Group manages its business as a whole as the production of PCM in the PRC and the executive directors of the Company, being the chief operating decision-makers of the Group, regularly review the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group.

Segment information is not presented accordingly.

The Company is an investment holding company and the principal place of the Group’s operation is the PRC. All of the Group’s revenue from external customers during the reporting periods is derived from the PRC and almost all of the Group’s assets and liabilities are located in the PRC.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2022

### 3. SEGMENT INFORMATION (Continued)

#### Information about major customer

Revenue from customer individually contributing 10% or more of the total revenue of the Group is as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Customer A	N/A <sup>Note</sup>	17,941

Note: The individual customer contributed less than 10% of the total revenue of the Group for the reporting period.

### 4. REVENUE

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from contracts with customers within HKFRS 15 At a point in time – Production of PCM	196,064	171,798

### 5. OTHER INCOME

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest income	291	185
Exchange gain, net	–	35
Sundry income	8	–
	299	220

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2022

### 6. PROFIT BEFORE TAX

This is stated after charging:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Finance costs</b>		
Interest on interest-bearing borrowings	–	57
Interest on lease liabilities	6	10
	<b>6</b>	<b>67</b>
<b>Staff costs (including directors' emoluments)</b>		
Salaries, allowances, discretionary bonus, and other benefits in kind	7,792	8,016
Contributions to defined contribution plans	1,822	1,234
	<b>9,614</b>	<b>9,250</b>
<b>Other items</b>		
Depreciation of right-of-use assets (charged to "administrative and other operating expenses")	232	283
Depreciation of property, plant and equipment (charged to "cost of sales" and "administrative and other operating expenses", as appropriate)	2,486	835
Amortisation of intangible assets (charged to "administrative and other operating expenses")	49	–
Research and development expenses	1,500	2,600

### 7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Current tax</b>		
PRC enterprise income tax ("PRC EIT")	17,626	16,722
<b>Deferred tax</b>		
Changes in temporary differences	–	(650)
Total income tax expenses for the period	<b>17,626</b>	<b>16,072</b>

The Group's entities established in the Cayman Islands and the BVI are exempted from income tax of those jurisdictions.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2022

### 7. INCOME TAX EXPENSES (Continued)

The Group's entities established in the PRC are subject to PRC EIT at a statutory rate of 25% during the six months ended 30 June 2022 and 2021.

Hong Kong profits tax has not been provided as the Group had no assessable profit arising from Hong Kong during the six months ended 30 June 2022 and 2021.

### 8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit for the period attributable to owners of the Company, used in the calculation of basic and diluted earnings per share	49,916	44,120
	'000	'000
<i>Number of shares:</i> Weighted average number of ordinary shares for the calculation of basic and diluted earnings per share	600,000	593,836

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the period. For the six months ended 30 June 2021, the weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share were on the basis as if the reorganisation and Capitalisation Issue (as defined in Note 16) had been effective on 1 January 2020.

Diluted earnings per share are the same as the basic earnings per share as there are no dilutive potential ordinary shares in existence for the six months ended 30 June 2022 and 2021.

### 9. DIVIDENDS

The Directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2022

### 10. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	<b>At 30 June 2022 RMB'000 (Unaudited)</b>	At 31 December 2021 RMB'000 (Audited)
Deposit paid for		
Purchase of plant and machinery (Note)	<b>9,435</b>	9,435
Other construction works	<b>3,500</b>	–
	<b>12,935</b>	9,435

Note: At 30 June 2022 and 31 December 2021, full proceeds of approximately RMB9,435,000 was paid by the Group to a supplier for purchasing plant and machinery (the "Plant and Machinery"). At 30 June 2022, the Plant and Machinery are still not yet being delivered. The Group's had no capital commitment in relation to the Plant and Machinery at 30 June 2022.

### 11. INVENTORIES

	<b>At 30 June 2022 RMB'000 (Unaudited)</b>	At 31 December 2021 RMB'000 (Audited)
Raw materials	<b>10,657</b>	25,006
Work-in-progress	<b>2,710</b>	15,228
Finished goods	<b>17,939</b>	18,458
	<b>31,306</b>	58,692

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2022

### 12. TRADE AND OTHER RECEIVABLES

	<b>At 30 June 2022 RMB'000 (Unaudited)</b>	At 31 December 2021 RMB'000 (Audited)
<b>Trade receivables</b>		
From third parties	<b>84,042</b>	71,849
Less: Loss allowances	<b>(420)</b>	(359)
	<b>83,622</b>	71,490
<b>Other receivables</b>		
Prepayments	<b>861</b>	316
Other deposits and receivables	<b>908</b>	256
	<b>1,769</b>	572
	<b>85,391</b>	72,062

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

	<b>At 30 June 2022 RMB'000 (Unaudited)</b>	At 31 December 2021 RMB'000 (Audited)
Within 30 days	<b>41,022</b>	38,402
31 to 60 days	<b>42,600</b>	33,088
	<b>83,622</b>	71,490

The Group normally grants credit terms up to 60 days from the date of issuance of invoices.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2022

### 13. TRADE AND OTHER PAYABLES

	<b>At 30 June 2022 RMB'000 (Unaudited)</b>	At 31 December 2021 RMB'000 (Audited)
<b>Trade payables</b>		
To third parties	<b>20,381</b>	28,822
<b>Other payables</b>		
Monetary marketing incentives payables (Note)	<b>7,635</b>	7,230
Value-added tax and other tax payables	<b>3,219</b>	2,511
Salary payables	<b>1,870</b>	1,503
Accruals and other payables	<b>7,182</b>	10,830
	<b>19,906</b>	22,074
	<b>40,287</b>	50,896

Note: The credit term for the monetary marketing incentives payables are not more than 90 days from the date of issuance of invoices.

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

	<b>At 30 June 2022 RMB'000 (Unaudited)</b>	At 31 December 2021 RMB'000 (Audited)
Within 30 days	<b>18,621</b>	27,749
31 to 60 days	<b>1,760</b>	1,073
	<b>20,381</b>	28,822

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

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2022

### 14. LEASE LIABILITIES

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
<b>Lease liabilities</b>		
Current portion	97	341
Non-current portion	71	69
	<b>168</b>	<b>410</b>

Commitments and present value of lease liabilities:

	At 30 June 2022 Lease payment RMB'000 (Unaudited)	Present value of lease payments RMB'000 (Unaudited)
<b>Amount payable:</b>		
Within one year	101	97
In the second to fifth years inclusive	72	71
	<b>173</b>	<b>168</b>
Less: future finance charges	(5)	-
<b>Total lease liabilities</b>	<b>168</b>	<b>168</b>

	At 31 December 2021 Lease payment RMB'000 (Audited)	Present value of lease payments RMB'000 (Audited)
Amount payable:		
Within one year	349	341
In the second to fifth years inclusive	72	69
	<b>421</b>	<b>410</b>
Less: future finance charges	(11)	-
<b>Total lease liabilities</b>	<b>410</b>	<b>410</b>

The total cash outflows for leases for the six months ended 30 June 2022 was approximately RMB0.2 million (six months ended 30 June 2021: approximately RMB0.2 million).

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2022

### 15. DEFERRED TAX ASSETS

The movements in the Group's deferred tax assets (liabilities) for the respective reporting period were as follows:

	Assets		Liabilities	
	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Deferred tax assets (liabilities)	7,699	7,699	(2,529)	(2,529)
Offsetting	(2,529)	(2,529)	2,529	2,529
Net deferred tax assets	5,170	5,170	-	-

  

	Research and development expenses RMB'000	Accrued revenue and costs RMB'000	Withholding tax on undistributed profits of PRC subsidiary RMB'000	Total RMB'000
At 1 January 2021 (Audited)	4,625	(207)	-	4,418
Income tax (expense) credit	2,625	656	(2,529)	752
At 30 December 2021 and 1 January 2022 (Audited)	7,250	449	(2,529)	5,170
Income tax credit	-	-	-	-
At 30 June 2022 (Unaudited)	7,250	449	(2,529)	5,170

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2022

### 16. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK'000	Equivalent to RMB Approximately RMB'000
<b>Ordinary share of HK\$0.01 each:</b>				
<b>Authorised:</b>				
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022		10,000,000	100,000	84,349
<b>Issued and fully paid:</b>				
At 1 January 2021 (Audited)		—*	—*	—*
Issue of shares pursuant to the Capitalisation Issue	16(a)	450,000	4,500	3,758
Issue of shares pursuant to the Global Offering	16(b)	150,000	1,500	1,252
At 31 December 2021, 1 January 2022 and 30 June 2022 (Unaudited)		600,000	6,000	5,010

\* Represent amount less than RMB1,000.

Notes:

- (a) Pursuant to the resolution in writing of the Company's shareholders passed on 18 December 2020, subject to the share premium account of the Company being credited as a result of the offering of the Company's shares, the directors were authorised to allot and issue a total of 449,999,900 shares of HK\$0.01 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK\$4,499,999 standing to the credit of the share premium account of the Company (the "Capitalisation Issue") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the right to participate in the Capitalisation Issue). The Capitalisation Issue was fully completed on 15 January 2021.
- (b) On 15 January 2021, the shares of the Company were listed on the Main Board of the Stock Exchange and 150,000,000 new ordinary shares of HK\$0.01 each were issued at HK\$1.18 per share by way of global offering (the "Global Offering"). The gross proceeds from the Global Offering amounted to HK\$177,000,000 (equivalent to approximately RMB147,802,000). The expenses attributable to issue of shares pursuant to the Global Offering of approximately HK\$31,891,000 (equivalent to approximately RMB26,638,000) were recognised in the share premium account of the Company.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2022

### 17. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Interim Financial Statements, during the six months ended 30 June 2022 and 2021, 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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Salaries, allowances, discretionary bonus, and other benefits in kind	880	872
Contributions to defined contribution plans	107	141
	<b>987</b>	1,013

### 18. COMMITMENTS

#### Capital expenditure commitments

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Contracted but not provided net of deposits paid for acquisition of property, plant and equipment	8,024	–

### 19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved by the Board on 25 August 2022.