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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)

MAJOR TRANSACTION ENGINEERING CONTRACT

THE ENGINEERING CONTRACT

The Board wishes to announce that on 3 November 2023, Chengde Yushi, a wholly-owned subsidiary of the Company, entered into the Engineering Contract with NPR Engineering, pursuant to which NPR Engineering agreed to provide water supply and electrical engineering services for the renovation of Chengde Yushi's pharmaceutical manufacturing building with gross area of approximately 3,500m² at the total consideration of approximately RMB121 million located at Longhua County, Chengde City, Hebei Province, PRC.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Engineering Contract exceeds 25%, but less than 75%, the transaction contemplated under the Engineering Contract constitutes a major transaction of the Company pursuant to Rule 14.06(3) of the Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Company has obtained written approval for the Engineering Contract in accordance with Rule 14.44 of the Listing Rules from Modern Biotechnology, a controlling Shareholder holding 450,000,000 Shares, representing 75% of the total issued share capital of the Company as at the date of this announcement. As such, since written approval has been obtained pursuant to Rule 14.44 of the Listing Rules, no extraordinary general meeting will be convened for the purpose of approving the Engineering Contract and the transaction contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for such approval.

A circular containing, amongst others, details of the Contract and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 24 November 2023. If additional time is required for preparing the circular, the Company will apply for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and thereafter publish an announcement in accordance with the Listing Rules.

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The principal terms of the Engineering Contract are set out below:

Date:	3 November 2023
Parties:	(1) Chengde Yushi (2) NPR Engineering (as contractor)
Subject matter:	NPR Engineering will act as the general contractor responsible for providing water supply and electrical engineering services on Chengde Yushi's pharmaceutical manufacturing building located at Longhua County, Chengde City, Hebei Province, PRC, with a total gross area of 3,500 m ² .
Work commencement date:	10 November 2023
Work period:	10 November 2023 to 31 December 2023
Consideration:	Approximately RMB121 million
Payment terms:	The parties adopted a milestone payment methodology. Up to 85% of the Consideration shall be paid upon satisfactory completion of the work Up to 98% of the Consideration shall be paid upon satisfactory usage; and

The balance shall be paid within 30 days upon expiry of the 10-day warranty period.

Basis of Consideration

The Consideration was arrived at from a tender process whereby invitation to bid for the engineering work within Chengde Yushi's pharmaceutical manufacturing building was solicited by NPR Engineering and the tender submitted by NPR Engineering was considered the most appropriate after taking into account the tender price and payment terms, as well as NPR Engineering's background, capacity, qualifications and experiences. Accordingly, the Directors consider that the Consideration is fair and reasonable.

The Consideration will be satisfied by the internal resources of the Group.

INFORMATION ON CHENGDE YUSHI

Chengde Yushi is a company established in the PRC and controlled by the Company through a series of contractual arrangements. The Group conducts its business of production of proprietary Chinese medicine, which involves the application of processing techniques for traditional Chinese medicine decoction pieces such as steaming, frying, simmering and calcining through Chengde Yushi under a series of contractual arrangements entered into by Shijiazhuang Medical Research Advisory Company Limited (石家莊藥研諮詢有限公司), a wholly-owned subsidiary of the Company.

INFORMATION ON NPR ENGINEERING

NPR Engineering is a company incorporated in the PRC with limited liability and is principally engaging in power equipment, communication equipment, electronic components and devices, instrumentation, sales of automation control equipment, power transmission and distribution equipment, monitoring equipment, etc. and power engineering.

NPR Engineering is affiliated to Guoxin Changhe Group* (國信長和集團) and is an Independent Third Party. To the best knowledge of the Company after making reasonable enquiry to the Purchaser, the ultimate beneficial owner of NPR Engineering is Liu Fei (劉飛), an Independent Third Party.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ENGINEERING CONTRACT

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.

As the Group's GMP Certificate will expire in May 2024, in order for the Group to renew and meet the requirements and renew the GMP Certificate, the Group is required to make certain alternations. According to the new requirements of the GMP Certificate, the cleanliness of pharmaceutical factory production areas must reach D grade. Meanwhile, must also meet the standards of the production environment, sanitation, temperature and humidity control, ventilation system and air quality of the Group's pharmaceutical factory

must also meet the prescribed standard. With the development of the PRC in recent years, a more stringent requirement on fire protection and safety supervision has also been imposed by the PRC government. As a result, it is necessary for the Group to carry on renovation work.

After taking into account the tender price and payment terms as well as NPR Engineering's background, capacity, qualifications and experiences, the Group is of the view that NPR Engineering is the most suitable contractor and the Directors (including the independent non-executive directors) consider that the terms of the Engineering Contract and the transaction contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

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As the highest applicable percentage ratio in respect of the Engineering Contract exceeds 25%, but less than 75%, the transaction contemplated under the Engineering Contract constitutes a major transaction of the Company pursuant to Rule 14.06(3) of the Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Company has obtained written approval for the Engineering Contract in accordance with Rule 14.44 of the Listing Rules from Modern Biotechnology, a controlling Shareholder holding 75% of the total issued share capital of the Company as at the date of this announcement. As such, since written approval has been obtained pursuant to Rule 14.44 of the Listing Rules, no extraordinary general meeting will be convened for the purpose of approving the Engineering Contract and the transaction contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for such approval.

A circular containing, amongst others, details of the Contract and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 24 November 2023. If additional time is required for preparing the circular, the Company will apply for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and thereafter publish an announcement in accordance with the Listing Rules.

DEFINITIONS

Unless the context requires otherwise, the use of capitalised terms in this announcement shall have the following meanings:

“Board”	the board of Directors
“BVI”	British Virgin Islands

“Chengde Yushi”	Chengde Yushi Jindan Pharmaceutical Co., Ltd. (承德御室金丹藥業有限公司), a company established in the PRC and controlled by the Company through a series of contractual arrangements
“Company”	Modern Chinese Medicine Group Co., Ltd. (現代中藥集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 15 January 2021, the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Engineering Contract”	the construction agreement dated 3 November 2023 entered into between the Chengde Yushi and NPR Engineering (as contractor) in relation to the water supply and electrical engineering services for the expansion of Chengde Yushi’s pharmaceutical manufacturing building
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“GMP Certificate”	the certificate of good manufacturing practice
“Modern Biotechnology”	Modern Biotechnology Group Holdings Co., Ltd (現代生物科技集團控股有限公司), a company incorporated in the BVI with limited liability and a controlling shareholder of the Company
“NPR Engineering”	National Power Runke Engineering (Beijing) Company Limited* (國電潤科電力設備工程北京股份有限公司), a company incorporated in the PRC with limited liability
“PRC”	the People’s Republic of China, excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	the lawful currency of PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“%”

per cent

* *For identification purposes only*

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

Hong Kong, 3 November 2023

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