

23 December 2016

MiLOC GROUP LIMITED

TRADING UPDATE

MiLOC Group Limited ("MiLOC" or the "Company") announced on 7 January 2016 that MiLOC Pharmaceutical (HK) Limited ("MiLOC Pharmaceutical"), a subsidiary of the Company, entered into a distribution agreement (the "Distribution Agreement") with 信永太移動科技有限公司, a Taiwan based company which specializes in the distribution of traditional Chinese medicine skincare products across Taiwan (the "Distributor").

As detailed in the Company's interim results as announced on 30 September 2016, due to the proposed advertising and marketing of the skincare products, which includes issuing of product leaflets and promotion materials, an authorising certificate was required from the Taiwanese Government to enable distribution of the products to be effected. After extensive discussions with all parties involved, this was obtained in early September. However, due to this unforeseen delay, and the additional time spent by the Distributor building its marketing channels in Taiwan, the Distributor has requested an extension of the contract term. The Distributor has guaranteed to the Company that the sales target of HK\$20 million will be met by the end of the extended contract term, and accordingly MiLOC Pharmaceutical has agreed to extend the contract term of the Distribution Agreement to 31 March 2017.

The directors of the Company (the "Directors") believe that by extending the contract term, this will help maintain the good business relationship with the Distributor. Orders have already been placed pursuant to the Distribution Agreement, and having held extensive conversations with the Distributor, the Directors are confident that extending the contract term of the Distribution Agreement will result in an increase in overall revenue to the Group.

The Company also announces an update in relation to MiLOC Pharmaceutical's agreement with Aaron Kwok to collaborate and work together with respect to the design, content, promotion and marketing of a range of TCM hair care products, which contain traditional Chinese herbal ingredients (the "Products") as announced on 5 July 2016 (the "Endorsement Agreement"). The endorsement Agreement was entered into by the Company with BrandKing Worldwide Limited (the "Artist's Royalty Company") and First Strong Workshop Limited (the "Artist's Management Company") (the "Parties"),

MiLOC Pharmaceutical had originally targeted the launch of the Products by the end of the calendar year, however, following several conversations with the Parties in relation to proposed changes made to the design of bottling and ingredients of the Products, and in order to maximise the impact of the

launch of the Products at the appropriate time, the parties have agreed that the launch will be postponed to early April 2017.

Pursuant to the Endorsement Agreement, an instalment of US\$320,513 of the US\$641,026 has been paid to the Artist's Royalty Company by the Company. The second instalment of USD320,513 is payable by the Company on the launch date or 31 December 2016, whichever is earlier. Due to these developments, the Parties have agreed that this payment will instead be payable by the Company, at a date of its choosing, and by no later than 1 April 2017.

A further announcement will be made at the end of the extended contract term of the Distribution Agreement and also following the launch of the Products.

For further information, please contact:-

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