

1 August 2022

MiLOC Group Limited
(the “Company” or the “Group”)

Final audited results for the year ended 31 December 2021 and Directorate Changes

Board Roles

MiLOC Group Limited (AQSE: ML.P), the AQUIS Stock Exchange (Formerly: NEX) quoted pharmaceutical and healthcare group, presents its audited consolidated financial statements for the year ended 31 December 2021.

The Company also announces that Dr. Chow Ching Fung has ceased to be an Executive Director and Chairman of the Company, and Dr. Chow Ching will become a Non-Executive Director with immediate effect. Mr. Ivor Colin Shrago who is currently a Non-Executive Director of the Company becomes the Non-Executive Chairman.

Dr. Chow has served as an Executive Director and Chairman of the Company since March 2010. Due to health issue, Dr. Chow decided to change his role to a Non-Executive role, with the consent of the Board.

The Company’s new Chairman, Mr. Ivor Shrago said:

"I'd like to thank Dr. Chow for all his work since the time of his appointment. In particular, I would like to recognise the role Dr. Chow has played in the past years to provide professional Traditional Chinese Medical services to every patient of the Company and to introduce all the excellent FMCG products with TCM ingredients to the Company.

Looking forward, the Company will continue to act in the best interests of our shareholders."

Key financial highlights:

- Revenue for the year ended 31 December 2021: HK\$4,939,527 (2020: HK\$20,466,164)
- Loss for the year: HK\$9,455,585 (Profit for 2020: HK\$6,219,723)
- The basic loss per share for the year: HK\$0.06 (Profit per share for 2020: HK\$0.11)
- The Group’s cash position as at 31 December 2021: HK\$435,836 (2020: HK\$234,118)

Chairman’s Statement

I am pleased to report the 2021 financial year results for MiLOC Group Limited.

The nature of the Company’s operations and its principal activities are to act as the holding company of a group engaged in:

- (i) the provision of healthcare services, through and assisted by Traditional Chinese Medicine (“TCM”) and medical products
- (ii) therapies and consultations through a network of clinics in Hong Kong.
- (iii) the sale and distribution of TCM healthcare and skincare products through wholesale outlets and TCM clinics, the Group’s retail store in Hong Kong and other non-related TCM retail outlets, as well as directly to customers through the Company’s online store.

COVID-19

The outbreak of COVID-19 continues and creates highly unpredictable challenges. However the Board, as separately reported, has determined to follow strategies that it believes will provide the Group with a secure financial base.

The investment in online platforms for selling products over recent years has resulted in the business being well placed to deliver services and products to its customers without significant disruption and with no increase in operational risk.

The Group has been taking extensive steps to reduce operating costs to the absolute minimum and has continued to explore for new products to be sold by the Group. The management remain confident that the business can adjust to the challenges it presents.

Review of significant activities

(i) Private Placings

In 2021, the Company raised approximately HK\$3.6 million through private placings. The proceeds of these subscriptions have been used for general working capital purposes.

(ii) Convertible Bond

On 19 July 2021, the Company entered into an extension agreement for the Convertible Bond. The maturity date was extended to 19 January 2023 and the coupon rate adjusted to seven point five percent (7.5%) per annum for the period from 20 July 2021 to 19 April 2022 and eight point five percent (8.5%) per annum for the period from 20 April 2022 to 19 January 2023. All other terms remain unchanged.

(iii) Suspension of Clinic Activities

Due to the covid-19 pandemic in Hong Kong, following the suspension of the Traditional Chinese Medicine Centre ("TCM Centre") since October 2021, the Company decided to officially close the TCM Centre in June 2022 (Please refer to announcement made on 13 June 2022 about business restructuring).

(iv) Termination of Endorsement Agreement

The Company's wholly owned subsidiary, MiLOC Pharmaceutical (HK) Limited ("MPHK"), has entered into a termination of the endorsement agreement with Master Kingdom Limited (Artist's Management Company), a company incorporated in Hong Kong, which is owned by Mr. Koo Tin-lok, an entertainer in Hong Kong (the "Artist"), and received the agreement on 12 January 2022. The termination of the Endorsement Agreement was for the KooCool+ bodycare products, which was signed and announced on 21st January 2019.

Due to the outbreak of Covid-19, the Company's operation faces challenges like other companies worldwide. The Company, the Artist and the Artist's Management Company mutually agreed that the Company would stop selling with the Artist's endorsement on 31 May 2021. MPHK has also entered into a termination of the commission agreement which was signed with CN Workshop Limited together with the Endorsement Agreement on 21st January 2019.

Financial review

(i) Revenue, gross profit and other revenue

The Group's revenue for the year ended 31 December 2021 amounted to HK\$4,939,527 which represented a 75.9% decrease as compared to the year ended 31 December 2020. It included sales of TCM skincare and haircare products that amounted to approximately HK\$2,955,000 (2020: approximately HK\$15,698,000) and revenue from its clinic operations that amounted to approximately HK\$1,985,000 (2020: approximately HK\$4,768,000).

The sales revenue of TCM skincare and hair care products in 2021 has significantly decreased as the Company has stopped selling KooCool+ products since 31 May 2021 and AKFS+ products since November 2021. The revenue from the clinic operations decreased by 58.4% as the Clinic operations has suspended since September 2021 due to COVID-19 pandemic since the beginning of 2020.

The Group's gross loss and gross loss margin for the year ended 31 December 2021 amounted to HK\$213,957 and 4% (gross profit and gross profit margin for 2020: HK\$6,914,739 and 34%) respectively. The Group's other revenue for the year ended 31 December 2021 amounted to HK\$2,498,000, and a decrease of 92% compared to the year ended 31 December 2020 because of the large amount of reversal of provision of accrued commission and royalty fee last year.

(ii) Operating expenses

The Group's distribution costs for the year ended 31 December 2021 amounted to HK\$402,676 which decreased by 97.5% as compared to the year ended 31 December 2020. It was due to the termination of the endorsement agreement of AKFS+ and revised the over provision of royalty fee and commission fee. The Group's administrative expenses for the year ended 31 December 2021 were approximately HK\$11,254,000 compared to approximately HK\$14,248,000 for the year ended 31 December 2020, a decrease of 21% and less rental expenses occurred during the year.

(iii) Profit and profit per share

The Group's loss for the year amounted to HK\$9,455,585 (Profit for 2020: HK\$6,219,723). As a result, the Group's basic loss per share for the year was HK\$0.06 (Profit per share for 2020: HK\$0.11).

The Directors do not recommend the payment of a dividend.

(iv) Balance sheet items

The Group's tangible fixed assets as at 31 December 2021 amounted to HK\$53,872 which mainly comprised leasehold improvements, furniture and fixtures and office equipment. A decrease of approximately HK\$312,000 over the balance as at 31 December 2020, was mainly due to the depreciation of fixed assets for the year.

The Group's other intangible assets as at 31 December 2021 amounted to HK\$2,857,142 which represented a decrease of approximately HK\$357,000 compared to approximately HK\$3,214,285 as at 31 December 2020 due to an amortisation for the year.

The Group's right-of-use assets and Lease liabilities-right-of-use assets as at 31 December 2021 amounted to HK\$185,826 and HK\$348,808 respectively which represented a decrease of approximately HK\$2,185,000 and a decrease of approximately HK\$2,330,000 respectively as compared to the year ended 2020. The decrease was due to the depreciation charge for the year.

The Group's inventories as at 31 December 2021 amounted to HK\$Nil with a decrease of approximately HK\$4,373,000 over the balance as at 31 December 2020. This was mainly due to the disposal and write off of inventories during the year after the termination of endorsement agreements for KooCool+ and AKFS+ products.

The Group's other receivables and prepayments as at 31 December 2021 amounted to HK\$976,100 with a decrease of approximately HK\$1,135,000 over the balance as at 31 December 2020 was due to rental deposit returned in 2021.

The Group's trade payables as at 31 December 2021 amounted to HK\$4,835,437 with a decrease of HK\$2,374,000 over the balance as at 31 December 2020.

The Group's cash and cash equivalents increased from HK\$234,000 as at 31 December 2020 to HK\$436,000 as at 31 December 2021. For details of these movements, please refer to the Group's cash flow statement included in the non-statutory group financial statements.

Outlook

The Company faced different challenges during the year 2021, not only because of the continuous impact of Covid-19 but also because of the termination of our endorsements with the haircare and body-care

products. Nevertheless, the Company remains positive about its transformation to a more diversified Group with various innovative products to be released to the market.

In the coming year, the Group will continue to maintain income through the following strategy:

- a. to continue to focus on promoting and generate more sales from our online distribution of the Crushmetric series of products, including but not limited to the Crushmetric SwitchPens which was launched and the Crushmetric Chairs to be launched soon;
- b. to launch a drink with special designed crushing can;
- c. to sell SD Labs products including but not limited to SDST and SD Pro that with one spray can inactivate viruses, and kill bacteria and fungi for 90-180 days. We are the exclusive distributor in Hong Kong. We believe this product will continue to contribute income in the coming years;
- d. to cut down non-profit making products and to minimize operating costs.

The outbreak of COVID-19 and the restrictions imposed by the local Governments in both mainland China and Hong Kong remains uncertain to the Company. However, the Board believes that the Group can cope with it with flexible policies including but not limited to working from home office and continue to do its business through online channels. The Board's objective is the same as previous year, which is to protect, safeguard and improve the business, to minimise cost and generate more sales income through online products.

The Board will continue to take all reasonable efforts to ensure that sufficient working capital is maintained.

On behalf of the Board of Directors, I would like to thank our management and staff for the great loyalty and dedication they continue to show through these delicate times. I would also like to extend our utmost appreciation to all our partners, shareholders, customers, business associates and suppliers, for their continued support.

Ivor Colin Shrago

Chairman

29 July 2022

The financial information in this announcement is derived from the Group's audited consolidated financial statements for the year ended 31 December 2021 which are available at the Company's website www.miloc.com.

The Directors of the Company accept responsibility for the contents of this announcement.

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MiLOC Group Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended December 2021

	2021	2020
	HK\$	HK\$
From continuing operations		
Revenue	4,939,527	20,466,164
Cost of sales	(4,101,932)	(11,562,972)
Impairment loss on inventory	(1,051,552)	(1,988,453)
Gross (loss)/profit	(213,957)	6,914,739
Other revenue	2,497,506	32,519,220
Distribution costs	(402,676)	(16,004,562)
Administrative expenses	(11,253,978)	(14,248,318)
Foreign exchange gain/(loss), net	460,283	(159,439)
Adjusted Operating (loss)/profit	(8,912,822)	9,021,640
Impairment loss for intangible asset and goodwill	-	-
Impairment loss on trade receivable	(143,550)	(2,382,672)
Operating (loss)/profit	(9,056,372)	6,638,968
Loss on disposal of subsidiaries	-	-
Finance costs	(399,673)	(419,559)
Interest income	460	314
(Loss)/profit before taxation	(9,455,585)	6,219,723
Taxation	-	-
(Loss)/profit for the for year	(9,455,585)	6,219,723
Other comprehensive income / (loss)		
Exchange differences arising from translation	(280,737)	(453,717)
Total comprehensive result for the year	(9,736,322)	5,766,006
(Loss)/profit for the year attributable to:		
The equity holders of the parent entity	(5,216,634)	9,176,764
Non-controlling interests	(4,238,951)	(2,957,041)
(Loss)/profit for the for year	(9,455,585)	6,219,723

Total comprehensive (loss)/profit for the year attributable to:				
The equity holders of the parent entity		(5,497,371)		8,723,047
Non-controlling interests		(4,238,951)		(2,957,041)
		(9,736,322)		5,766,006
(Loss)/profit per share – from continuing operations (HK\$)				
Basic		(0.06)		0.11

MiLOC Group Limited
Consolidated Statement of Financial Position
As of 31 December 2021

			As at 31 December 2021	As at 31 December 2020
			<i>HK\$</i>	<i>HK\$</i>
Assets				
<i>Non-current assets</i>				
Fixed assets			53,872	365,788
Other intangible assets			2,857,142	3,214,285
Right-of-use assets			185,826	2,370,463
			3,096,840	5,950,536
<i>Current assets</i>				
Inventories			-	4,393,462
Trade receivables			495,904	376,798
Other receivables and prepayments			976,100	2,111,512
Cash and cash equivalents			435,836	234,118
			1,907,840	7,115,890
Total assets			5,004,680	13,066,426
Equity and liabilities				
Equity				
Share capital			666,358	656,981
Share premium			96,546,867	92,908,360
Retained earnings			(136,983,820)	(131,486,449)
Equity attributable to the parent entity			(39,770,595)	(37,921,108)
Non-controlling interests			(289,136)	3,949,815
Total equity			(40,059,731)	(33,971,293)
Liabilities				
<i>Current liabilities</i>				
Trade payables			4,835,437	7,209,544
Other payables and accruals			30,824,176	28,365,680
Amounts due to directors			3,899,385	3,444,748
Lease liabilities – right-of-use assets			348,808	2,679,127
Borrowings			5,156,605	5,338,620
			45,064,411	47,037,719
<i>Non-current liabilities</i>				
Lease liabilities – right-of-use assets			-	-
Total liabilities			45,064,411	47,037,719
Total equity and liabilities			5,004,680	13,066,426

MiLOC Group Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2021

	As at 31 December 2021	As at 31 December 2020
	<i>HK\$</i>	<i>HK\$</i>
OPERATING ACTIVITIES		
Cash used in operations	(188,879)	2,448,816
INVESTING ACTIVITIES		
Purchase of fixed assets	-	(42,735)
Interest received	460	314
Net cash used in investing activities	460	(42,421)
FINANCING ACTIVITIES		
Issuance of shares	3,647,884	1,513,981
Proceed received for incorporation of a subsidiary	-	40
Repayment on leases	(2,708,303)	(3,358,585)
Interest paid	(548,809)	(403,640)
Net cash generated from financing activities	390,772	(2,248,204)
Net increase in cash and cash equivalents	202,353	158,191
Cash and cash equivalents at beginning of year	234,118	86,975
Effects of currency translation on cash and cash equivalents	(635)	(11,048)
Cash and cash equivalents at end of year	435,836	234,118