

**30 September 2019**

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

**Interim results for the six months ended 30 June 2019**

**CHIEF EXECUTIVE OFFICER’S STATEMENT**

MiLOC Group Limited (NEX: ML.P), the pharmaceutical and healthcare group announces the results of the Company and its subsidiaries for the six month period ended 30 June 2019.

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 Traditional Chinese Medicine (“TCM”) healthcare services, including consultations and TCM therapies, through a network of clinics in Hong Kong, and (ii) 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.

This announcement contains inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

**Financial highlights**

- Revenue for the six months ended 30 June 2019: HK\$6,101,387 (30 June 2018: HK\$5,268,337)
- Gross profit for the six months ended 30 June 2019: HK\$2,254,680 (30 June 2018: HK\$2,232,572)
- Loss for the six months ended 30 June 2019: HK\$19,404,141 (30 June 2018: HK\$24,955,951)
- The basic and diluted loss per share for the six months ended 30 June 2019: HK\$0.24 (30 June 2018: HK\$0.34)
- The Group’s cash position as at 30 June 2019: HK\$420,835 (30 June 2018: HK\$7,650,652)

**Review of significant activities**

The Group has, over the last few years, invested considerable time and expense in establishing itself and introducing the concept of TCM, medical products and healthcare to the wider public. The Board believes that the establishment of TCM Plus skincare products and AKFS Plus haircare products will make a very substantial positive contribution to the Group’s revenue in long term.

**(a) Private Placings**

In February 2019, the Company entered into placing agreements with three individual shareholders to issue 210,801 new US\$0.001 ordinary shares at a placing price of 30p per share to raise approximately HK\$661,859. 97,824 shares were allotted during August and September 2019. The rest of 112,977 shares were allotted on 26 September 2019.

On 4 May 2019, the Company entered into placing agreements with two individual shareholders to issue 1,170,528 new US\$0.001 ordinary shares at the placing price of 28.5p per share to raise approximately HK\$3,542,100. The Company also agreed to pay a referral fee of 5% of the fundraising amount to consultants of the Company by allotting and issuing a total of 55,600 new

ordinary shares of US\$0.001 each at a price of 30.0p per share. These placings and allotments were completed on 21 May 2019.

(b) Convertible Bond

On 19 January 2019, the Company entered into an extension agreement for the Convertible Bond. The maturity date extended to 19 January 2020 and the coupon rate increased from to seven point two percent (7.2%) per annum to eight percent (8%) per annum. All other terms remain unchanged.

(c) Update on the Significant Endorsement Agreement and Commission Agreement

On 21 January 2019, one of the Group's wholly owned subsidiaries, MiLOC Pharmaceutical (HK) Limited, entered into agreements to collaborate and work together with Koo Tin-lok (otherwise Louis Koo), a widely known actor and entertainer in Hong Kong (the "Artist"), with respect to the TCM body care products, which contain traditional Chinese herbal ingredients ("the Products").

The proposed Chinese and English logos in respect of the Products have been confirmed by the Parties. The trademark was successfully registered in Hong Kong and Mainland China. The bottling design and ingredients of the Products have been finalised. Sample products have been provided to our potential distributors and a few distribution agreements are finalising. The Company will also continue to pursue marketing activities and partnerships to ensure maximum media exposure of the products, which includes both online and offline marketing.

## Financial review

### *(i) Income statement items*

The Group's revenue for the six months ended 30 June 2019 amounted to HK\$6,101,387, an increase of HK\$833,050 or 15.81% as compared to the six months ended 30 June 2018. This was attributable to increased revenue generated from clinic income by approximately HK\$883,000. The Group's gross profits and gross profit margin for the six months ended 30 June 2019 amounted to HK\$2,254,680 and 36.95% (30 June 2018: HK\$2,232,572 and 42.38%) respectively. The Group's other revenue from management fee income for the six months ended 30 June 2019 amounted to HK\$128,983, a decrease of 18.2% as compared to the six months ended 30 June 2018.

The Group's distribution costs for the six months ended 30 June 2019 amounted to HK\$13,615,564, a decrease of HK\$6,959,047 or 33.82% as compared to the same period in 2018. This was due to the decrease of the provision of the royalty fee and the commission fee. The Group's administrative expenses for the six months ended 30 June 2019 amounted to HK\$7,991,934, an increase of HK\$1,582,833 or 24.70% as compared to the six months ended 30 June 2018. This was due to the increased administrative expenses incurred by the subsidiary in China which was incorporated on 28 April 2018.

The finance costs for the six months ended 30 June 2019 amounted to HK\$155,999 which was related to the interest paid for the convertible bond.

The unaudited net loss for the period ended 30 June 2019 shows a decrease of HK\$5,551,811 and 22.25% compared to the same period in 2018. This was attributable to the decrease of the provision of royalty fee and the commission fee by the Group during the period.

The Directors do not recommend the payment of a dividend in respect of the period.

The interim results have not been reviewed by the Company's auditor.

**(ii) Balance sheet items**

The Group's tangible fixed assets mainly comprised of leasehold improvements and office equipment, it was increased in amount by HK\$117,800 as at 30 June 2019 as compared to the same period in 2018. This was mainly due to the depreciation for leasehold improvement and additional tangible fixed assets for subsidiary in China which was incorporated on 28 April 2018.

The Group's goodwill as at 30 June 2019 was valued at HK\$0 as the good will of a subsidiary was fully impaired during the year.

The Group's inventories as at 30 June 2019 amounted to HK\$3,676,803 with a decrease of HK\$2,408,575 over the balance as at 30 June 2018. This was mainly due to the Company's sale of TCM Plus skincare products and AKFS Plus haircare products. Inventories mainly consisted of TCM Plus Skincare and AKFS Plus haircare products purchased during in 2016 and 2017 respectively.

The Group's other receivables and prepayments as at 30 June 2019 increased by HK\$533,865 or 28.6% compared to the same period in 2018. This was due to the rental deposit paid by a subsidiary.

The Group's trade payables as at 30 June 2019 amounted to HK\$1,171,128 with an increase of HK\$193,799 over the balance as at 30 June 2018, this was mainly due to better credit period was obtained from the vendors during the period.

The Group's cash and cash equivalents decreased by HK\$7,229,817 as at 30 June 2019 compared to 30 June 2018, this was mainly due to more funds being expensed for the operation of the subsidiary in China which was incorporated on 28 April 2018.

**Outlook**

The Group has invested more time and effort on sourcing and developing its channels of distribution in both Hong Kong and Mainland China. After actively meeting with different distributors, the Group has confirmed various distribution and sales channels including a number of online and offline sales platforms. On 4th July 2019, the Group launched the Aaron Kwok exclusive Tmall Store at tmall.com, one of the world's largest ecommerce website, which sells Aaron Kwok's celebrity-Branded products AKFS+. This store is Tmall's first of its Celebrities' Exclusive Stores. 150,000 bottles of the products were sold out within five seconds instantly after the opening of the Store was announced.

The TCM body care product branding with Louis Koo is in progress and the Company will confirm the Launch date in due course.

Our Board anticipates that a significant amount of revenue will be generated through the distribution and sales of various celebrities TCM Fast-Moving Consumer Goods which including skin-care, hair-care and body-care products through both online and offline channels in the coming years.

Finally, on behalf of the Board of Directors, I would like to extend our utmost appreciation to all our employees, partners, shareholders, customers, business associates and suppliers, for their continue support.

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

Michael Ong  
Chief Executive Officer

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**MiLOC Group Limited**  
**Consolidated Statement of Comprehensive Income**  
**For the six months ended 30 June 2019**

	<i>The Group</i>		
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	<i>6 months ended 30 June 2019</i>	<i>6 months ended 30 June 2018</i>	<i>Year ended 31 December 2018</i>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>From continuing operations</b>			
<b>Revenue</b>	6,101,387	5,268,337	10,673,572
Cost of sales	(3,846,707)	(3,035,765)	(6,748,401)
<b>Gross profit</b>	2,254,680	2,232,572	3,925,171
Other revenue	128,983	157,734	270,556
Distribution costs	(13,615,564)	(20,574,611)	(25,748,889)
Administrative expenses	(7,991,934)	(6,409,101)	(15,087,535)
Foreign exchange gains/(losses), net	(18,852)	(213,336)	(596,250)
<b>Operating loss</b>	(19,242,687)	(24,806,742)	(37,236,947)
Impairment for intangible asset and goodwill	(46,127)	-	(439,872)
Loss on disposal of subsidiaries	-	-	(20,099)
Finance costs	(155,999)	(149,723)	(227,447)
Interest income	1,404	514	6,180
<b>Loss before taxation</b>	(19,443,409)	(24,955,951)	(37,918,185)
Taxation	(341)	-	-
<b>Loss for the period/year</b>	(19,443,750)	(24,955,951)	(37,918,185)
Other comprehensive income	39,610	-	-
<b>Total comprehensive result for the period/year</b>	(19,404,140)	(24,955,951)	(37,918,185)
<b>Attributable to:</b>			
Equity holders of the parent entity	(18,264,646)	(24,915,691)	(35,225,225)
Non-controlling interests	(1,139,494)	(40,260)	(2,692,960)
	(19,404,140)	(24,955,951)	(37,918,185)
<b>Loss per share - from continuing operations (HK\$)</b>			
Basic and diluted	(0.24)	(0.34)	(0.46)

## **Loss per share – from continuing operations**

The calculation of basic loss per share is based on the consolidated loss attributable to the equity holders of the parent entity of HK\$18,264,646 (For the six months ended 30 June 2018: Loss of HK\$24,915,691; For the 12 months ended 31 December 2018: Loss of HK\$35,225,225) and the weighted average number of ordinary shares of 76,983,235 (For the six months ended 30 June 2018 weighted average number of ordinary shares of 73,269,911; For the 12 months ended 31 December 2018: 76,797,868) in issue during the period.

**MiLOC Group Limited**  
**Consolidated Statement of Financial Position**  
**As at 30 June 2019**

	<i>Unaudited As at 30 June 2019</i>	<i>Unaudited As at 30 June 2018</i>	<i>Audited As at 31 December 2018</i>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Assets</b>			
<i>Non-current assets</i>			
Fixed assets	831,397	713,517	883,250
Other intangible assets	3,750,000	4,285,714	3,928,571
Goodwill	-	485,999	46,127
	<b>4,581,397</b>	<b>5,485,230</b>	<b>4,857,948</b>
<i>Current assets</i>			
Inventories	3,676,803	6,085,378	5,724,696
Trade receivables	68,835	84,182	59,528
Other receivables and prepayments	2,400,451	1,866,586	2,540,722
Cash and cash equivalents	420,835	7,650,652	2,754,507
	6,566,924	15,686,798	11,079,453
<b>Total assets</b>	<b>11,148,321</b>	<b>21,172,028</b>	<b>15,937,401</b>
<b>Equity and liabilities</b>			
<i>Equity</i>			
Share capital	607,897	598,333	598,333
Share premium	75,032,174	71,417,033	71,417,033
Reserve	(120,882,953)	(92,329,169)	(102,618,307)
Equity attributable to the parent entity	(45,242,882)	(20,313,803)	(30,602,941)
Non-controlling interest	8,679,556	9,134,821	9,819,050
<b>Total equity</b>	<b>(36,563,326)</b>	<b>(11,178,982)</b>	<b>(20,783,891)</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade payables	1,171,128	977,329	904,845
Other payables and accruals	39,207,182	23,899,027	28,274,069
Amount due to directors	2,101,056	2,111,056	2,101,056
Borrowings	5,232,281	-	5,441,322
	<b>47,711,647</b>	<b>26,987,412</b>	<b>36,721,292</b>
<i>Non-current liabilities</i>			
Borrowings	-	5,363,598	-
<b>Total liabilities</b>	47,711,647	32,351,010	36,721,292
<b>Total equity and liabilities</b>	<b>11,148,321</b>	<b>21,172,028</b>	<b>15,937,401</b>

The Group's consolidated financial statements for the six months ended 30 June 2018 and 2019 disclosed above have neither been audited nor reviewed by the Company's auditors.

The same accounting policies and methods of computation as included in the Group's consolidated financial statements for the year ended 31 December 2018 have been adopted in the preparation of the Group's unaudited consolidated financial statements for the six months ended 30 June 2019.