28 September 2018

MiLOC Group Limited
("MiLOC", the "Group" or the "Company")

Interim results for the six months ended 30 June 2018

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 2018.

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 2018: HK$5,268,337 (30 June 2017: HK$7,222,843)
- Gross profit for the six months ended 30 June 2018: HK$2,232,572 (30 June 2017: HK$3,266,360)
- Loss for the six months ended 30 June 2018: HK$24,955,951 (30 June 2017: HK$4,112,418)
- The basic and diluted loss per share for the six months ended 30 June 2018: HK$0.34 (30 June 2017: HK$0.058)
- The Group's cash position as at 30 June 2018: HK$7,650,652 (30 June 2017: HK$801,342)

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 and it has invested significantly in research and development of these products.

(a) Private Placings

On 14, 15, 22 and 27 December 2017, the Company entered into a total of four agreements to issue 1,684,551 new US$0.001 ordinary shares at the placing price of 28.5p per share to raise approximately HK$5,106,010. The Company also agreed to pay a referral fee of 5% of the fundraising amount to a consultant of the Company by allotting and issuing a total of 78,283 new ordinary shares of US$0.001 each at a price of 30.0p per share. These placings and allotments were completed during January 2018.

On 26 February 2018, the Company entered into a placing agreement to issue 313,396 new US$0.001 ordinary shares at a placing price of 28.5p per share to raise approximately HK$1,000,000. The Company also agreed to pay a referral fee of 5% of the fundraising amount to a consultant of the Company by allotting and issuing a total of 14,887 new ordinary shares of US$0.001 each at a price of 30.0p per share. The placing and allotment were completed during March 2018.

(b) Convertible Bond

On 19 January 2018, the Company entered into an extension agreement for the Convertible Bond. The maturity date extended to 19 January 2019 and the coupon rate increased from six percent (6%) per annum to seven point two percent (7.2%) per annum. All other terms remain unchanged.

(c) Incorporation of Subsidiaries

On 20 March 2018, MiLOC Pharmaceutical (HK) Limited ("MPHK"), one of the Group's wholly owned subsidiaries, signed a subscription agreement with Huge Port International Limited ("HPL"), a company incorporated in Hong Kong which is owned by one of the Company's substantial shareholders, Mr. Liu Wei Hung. HPL agreed to invest RMB10,000,000 (Approximately £ 1,160,000) into Richmond Group Limited ("RGL"), a newly incorporated company in Hong Kong, of which HPL owns 33% of the issued share capital of RGL. MPHK owns 57% of the shares of RGL and Mr. Yuan Fei, who is a resident of the People's Republic of China, owns 10% of the shares of RGL. Mr. Yuan will contribute to the business with his experience and networks in China. The principal activity of RGL is investment holding.

On 28 April 2018, RGL set up a wholly owned subsidiary, namely Star Collaboration (Guangzhou) Limited ("StarC") in Guangzhou China with a registered capital of RMB10 million. The principal activity of StarC is the distribution of MiLOC's TCM hair-care and skin-care products.

Financial review

(i) Income statement items

The Group's revenue for the six months ended 30 June 2018 amounted to HK$5,268,337, a decrease of HK$1,954,506 or 27.1% as compared to the six months ended 30 June 2017. This was attributable to decreased revenue generated from wholesale orders by approximately HK$1,680,000. The wholesales business consists of health supplement products and TCM Plus skincare and AKFS Plus haircare products. The Group's gross profits and gross profit margin for the six months ended 30 June 2018 amounted to HK$2,232,572 and 42.4% (30 June 2017: HK$3,266,360 and 45.2%) respectively. The Group's other revenue from management fee income for the six months ended 30 June 2018 amounted to HK$157,733, an increase of 23.8% as compared to the six months ended 30 June 2017.

The Group's distribution costs for the six months ended 30 June 2018 amounted to HK$20,574,611, a significant increase of HK$18,842,313 or 1087.7% as compared to the same period in 2017. This was due to the provision of royalty fee of HK$ 16,692,679 and the provision of commission fee of HK$3,510,000 related to the AKFS Plus haircare products which was launched on 16 December 2017. The Group's administrative expenses for the six months ended 30 June 2018 amounted to HK$6,409,101, an increase of HK$641,897 or 11.1% as compared to the six months ended 30 June 2017. This was due to recognition of legal and professional fee expenses and the rental expenses for the period ended 30 June 2018.

The Finance Costs for the six months ended 30 June 2018 amounted to HK$149,723, this was related to the interest paid for the convertible bond.

The unaudited net loss for the period ended 30 June 2018 shows a significant increase of HK$20,843,533 and 506.8% compared to the same period in 2017. This was attributable to the provision of royalty fee and commission fee in distribution costs and administrative expenses incurred related to the AKFS haircare products 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, decreased in amount by HK$579,041 as at 30 June 2018, compared to the same period in 2017, mainly due to the depreciation for leasehold improvement.

The Group's goodwill as at 30 June 2018 was valued at HK$485,999 which represented a decrease of HK$439,872 compared with HK$925,871 as at 30 June 2017, due to a recognised impairment for goodwill of a subsidiary.

The Group's inventories as at 30 June 2018 amounted to HK$6,085,378 with a decrease of HK$1,049,558 over the balance as at 30 June 2017. 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 2018 increased by HK$1,138,637 or 156.4% compared to the same period in 2017. This was due to the rental deposit paid by a subsidiary and advance payment for AKFS Plus productions.

The Group's trade payables as at 30 June 2018 amounted to HK$977,329 with a decrease of HK$2,521,401 over the balance as at 30 June 2017, this was mainly due to a settlement of TCM Plus production fee in the year end of 2017.

The Group's cash and cash equivalents increased by HK$6,849,310 as at 30 June 2018 compared to 30 June 2017, this was mainly due to one of substantial shareholder's investment in a newly incorporated subsidiary.

Outlook

The Company will continue to work towards its long term objective to expand its TCM based product portfolio and actively promoting the TCM Fast-Moving Consumer Goods ("FMCG") side of the business. The Group is also actively building up both online and offline distribution channels and to enter into distribution agreements with leading distributors in Hong Kong, Taiwan and Mainland China. The Company is near the end of negotiations with a few large distributors and is confident that the launch of "AKFS Plus", the TCM hair-care product linked with Aaron Kwok, will lead to a significant growth in sales in the coming years.

Regarding our medical business, we will continue to maintain and provide professional TCM services to our patients and we believe that it will promote the brand name of "MiLOC" including the medical services while we continue to input more resources for the marketing of our TCM FMCG products. This will eventually bring more business and positive revenue to the Group.

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 continued 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 2018

	The Group		
	Unaudited	*Unaudited*	*Audited*
	6 months ended 30 June 2018	*6 months ended 30 June 2017*	*Year ended 31 December 2017*
	HK$	*HK$*	*HK$*
From continuing operations			
Revenue	5,268,337	7,222,843	11,618,098
Cost of sales	(3,035,765)	(3,956,483)	(6,384,891)
Gross profit	2,232,572	3,266,360	5,233,207
Other revenue	157,734	127,422	253,146
Distribution costs	(20,574,611)	(1,732,298)	(8,201,371)
Administrative expenses	(6,409,101)	(5,767,204)	(13,350,470)
Foreign exchange gains/(losses), net	(213,336)	(6,698)	(282,949)
Operating loss	(24,806,742)	(4,112,418)	(16,348,437)
Impairment for intangible asset and goodwill	-	-	(439,872)
Finance costs	(149,723)	-	(481,311)
Interest income	514	-	2
Loss before taxation	(24,955,951)	(4,112,418)	(17,269,618)
Taxation	-	-	-
Loss for the period/year	(24,955,951)	(4,112,418)	(17,269,618)
Other comprehensive income	-	-	-
Total comprehensive result for the period/year	(24,955,951)	(4,112,418)	(17,269,618)
Attributable to:			
Equity holders of the parent entity	(24,915,691)	(4,112,418)	(17,269,618)
Non-controlling interests	(40,260)	-	-
	(24,955,951)	(4,112,418)	(17,269,618)
Loss per share - from continuing operations (HK$)			
Basic and diluted	(0.34)	(0.058)	(0.24)

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$24,915,691 (For the six months ended 30 June 2017: Loss of HK$4,112,418; For the 12 months ended 31 December 2017: Loss of HK$17,269,618) and the weighted average number of ordinary shares of 73,269,911 (For the six months ended 30 June 2017 weighted average number of ordinary shares of 71,093,259; For the 12 months ended 31 December 2017: 72,309,826) in issue during the period.

MiLOC Group Limited
Consolidated Statement of Financial Position
As at 30 June 2018

	Unaudited As at 30 June 2018	*Unaudited As at 30 June 2017*	*Audited As at 31 December 2017*
	HK$	*HK$*	*HK$*
Assets			
Non-current assets			
Fixed assets	713,517	1,292,558	892,342
Other intangible assets	4,285,714	4,642,857	4,285,714
Goodwill	485,999	925,871	485,999
Deferred tax assets	-	-	-
	5,485,230	**6,861,286**	**5,664,055**
Current assets			
Inventories	6,085,378	7,134,936	7,366,776
Trade receivables	84,182	67,139	369,824
Other receivables and prepayments	1,866,586	727,948	776,015
Cash and cash equivalents	7,650,652	801,342	3,891,331
	15,686,798	8,731,365	12,403,946
Total assets	**21,172,028**	**15,592,651**	**18,068,001**
Equity and liabilities			
Equity			
Share capital	598,333	558,661	582,022
Share premium	71,417,033	56,157,739	65,027,334
Retained earnings	(92,329,169)	(54,256,278)	(67,413,478)
Equity attributable to the parent entity	(20,313,803)	2,460,122	(1,804,122)
Non-controlling interest	9,134,821	-	-
Total equity	**(11,178,982)**	**2,460,122**	**(1,804,122)**
Liabilities			
Current liabilities			
Trade payables	977,329	3,498,730	934,687
Other payables and accruals	23,899,027	2,636,519	11,459,155
Amount due to directors	2,111,056	2,111,366	2,111,056
	26,987,412	**8,246,615**	**14,504,898**
Non-current liabilities			
Borrowings	5,363,598	4,885,914	5,367,225
Total liabilities	32,351,010	13,132,529	19,872,123
Total equity and liabilities	**21,172,028**	**15,592,651**	**18,068,001**

The Group’s consolidated financial statements for the six months ended 30 June 2017 and 2018 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 2017 have been adopted in the preparation of the Group's unaudited consolidated financial statements for the six months ended 30 June 2018.