

3 August 2020

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

Final audited results for the year ended 31 December 2019

MiLOC Group Limited (AQSE: MLP), the AQSE Growth Market (Formerly: NEX) quoted pharmaceutical and healthcare group, presents its audited consolidated financial statements for the year ended 31 December 2019.

Key financial highlights:

- Revenue for the year ended 31 December 2019: HK\$15,439,675 (2018: HK\$10,673,572)
- Loss for the year: HK\$40,619,447 (2018: HK\$37,918,185)
- The basic loss per share for the year: HK\$0.47 (2018: HK\$0.46)
- The Group’s cash position as at 31 December 2019: HK\$86,975 (2018: HK\$2,754,507)

Chairman’s Statement

I am pleased to report the 2019 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.

The Group has, since its inception, invested considerable time and expense in establishing itself and introducing the concept of TCM and TCM medical products and healthcare to the wider public. TCM is increasingly being recognised by both those providing Western medical treatment as well as the general public as a natural alternative to Western medicine and/or to work alongside Western medical treatment. The Board believes that the establishment of TCM products will make a very substantial positive contribution to the Group’s revenue in a long run.

In 2019, with the support of various celebrities, the Group continued to invest in time and effort on sales and distribution of its TCM Fast-Moving Consumer Goods (“FMCG”) which including skin-care, hair-care and body-care products through both online and offline channels. During the year, the Group has further broadened its product range by launching its KooCool+ TCM body care product branding with the support of Louis Koo.

Review of significant activities

(i) Private Placings

In 2019, the Group raised HK\$19.7 million through private placings. The proceeds of these subscriptions have been applied towards several activities of the Company, including the TCM Plus range of skincare products and AKFS Plus range of hair products as mentioned above.

(ii) Convertible Bond

On 19th January 2019, the Company entered into an extension agreement with Murray Investment Fund Company Limited for the Convertible Bond. The maturity date extended to

19th January 2020 and the coupon rate increased from seven point two percent (7.2%) per annum to eight percent (8%) per annum. All other terms remain unchanged.

(iii) Launch of Aaron Kwok exclusive Tmall Store

On 4th July 2019, we've launched the Aaron Kwok exclusive Tmall Store at tmall.com, one of the world's largest ecommerce websites, which sells Aaron Kwok's celebrity-Branded products AKFS+, 150,000 bottles of the products were sold out within five seconds instantly after the opening of the Store was announced.

(iv) Launch of KooCool+ TCM body care products

On 21st January 2019, the Group's subsidiary, MiLOC Pharmaceutical (HK) Limited ("MiLOC Pharmaceutical"), 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"), with the brand named as KooCool+.

On 21st December 2019, KooCool+ was officially launched, and in the live show presented by both Louis Koo and Wei-Ya (Viyaaa), one of the most popular Key Opinion Leader in Mainland China, 200,000 bottles of the Products were sold out within 20 minutes.

Financial review

(i) Revenue, gross profit and other revenue

The Group's revenue for the year ended 31 December 2019 amounted to HK\$15,439,675 which represented an 44.7% increase as compared to the year ended 31 December 2018. It included sales of TCM skincare and haircare products that amounted to approximately HK\$8,389,000 (2018: approximately HK\$5,479,000) and revenue from its clinic operations that amounted to approximately HK\$7,050,000 (2018: approximately HK\$5,194,000).

The sales revenue of TCM skincare and hair care products in 2019 has increased as the Group has spent a long time building up sales channels for our TCM products both in Hong Kong and Mainland China. The revenue from the clinic operations increased by 35.7% from the health seminars that were conducted to attract new patients since the middle of 2018.

The Group's gross profit and gross profit margin for the year ended 31 December 2019 amounted to HK\$5,242,658 and 34% (2018: HK\$3,925,171 and 37%) respectively. The decrease in gross profit margin was the result of inventory written down provided for the year. The Group's other revenue for the year ended 31 December 2019 amounted to HK\$266K, a decrease of 1.6% compared to the year ended 31 December 2018.

(ii) Operating expenses

The Group's distribution costs for the year ended 31 December 2019 amounted to HK\$28,952,543 which increased by 12.44% as compared to the year ended 31 December 2018. It was due to the increase of the distribution costs of Star C in Guangzhou China. The Group's administrative expenses for the year ended 31 December 2019 were approximately HK\$16,422,000 compared to approximately HK\$15,087,000 for the year ended 31 December 2018, an increase of 8.85% as only seven months expenses was recorded last year for Star C Guangzhou since it was incorporated.

(iii) Loss and loss per share

The Group's loss for the year amounted to HK\$40,619,447 (2018: HK\$37,918,185). As a result, the Group's basic loss per share for the year was HK\$0.47 (2018: HK\$0.46).

The Directors do not recommend the payment of a dividend.

(iv) Balance sheet items

The Group's tangible fixed assets as at 31 December 2019 amounted to HK\$662,786 which mainly comprised of leasehold improvements, furniture and fixtures and office equipment. A decrease of approximately HK\$220,000 over the balance as at 31 December 2018 mainly due to the depreciation of fixed assets for the year.

The Group's other intangible assets as at 31 December 2019 amounted to HK\$3,571,428 which represented a decrease of approximately HK\$357,000 compared to approximately HK\$3,928,000 as at 31 December 2018 due to an amortisation for the year.

The Group's right-of-use assets of HK\$5,994,333 and Lease liabilities-right-of-use assets of HK\$5,908,241 as at 31 December 2019 was due to the impact of the new IFRS 16 standard applied in the current year.

The Group's goodwill as at 31 December 2019 was decreased by HK\$46,000 which represented impairment for goodwill of a subsidiary.

The Group's inventories as at 31 December 2019 amounted to HK\$7,897,946 with an increase of approximately HK\$2,173,000 over the balance as at 31 December 2018.

Inventories mainly consisted of TCM products and healthcare products.

The Group's other receivables and prepayments as at 31 December 2019 amounted to HK\$5,111,688 with an increase of approximately HK\$2,571k over the balance as at 31 December 2018 was due to the prepayment to the manufacturers.

The Group's trade payables as at 31 December 2019 amounted to HK\$8,676K with an increase of HK\$7,771K over the balance as at 31 December 2018.

The Group's cash and cash equivalents decreased from HK\$2,755K as at 31 December 2018 to HK\$86K as at 31 December 2019. For details of these movements, please refer to the Group's cash flow statement included in the non-statutory group financial statements.

Covid-19 Pandemic and Outlook

Like many other companies around the world, the Covid-19 pandemic has affected our business with great challenge. The impact of Covid-19 resulted in the temporary closure for 10 days of our operation in Star C Guangzhou in February 2020 while our clinic operations in Hong Kong remained unchanged.

As a dynamic company, our Group started the following plans to maintain income:

- a. to source medical supplies from different countries and sell to our customers. As we have strong connection in Asia and Europe, we will continue to provide supplies to our customers over the world especially during the pandemic period;
- b. to sell self-disinfecting coating spray SDST that with one spray can inactivate viruses, and kill bacteria and fungi for 90 days. We are the exclusive distributor in Hong Kong. We believe this product will bring us good amount of income in the coming years;
- c. to work with our Japanese partner in the promotion of Rorrigo - a TCM for the treatment of influenza viruses, including the Influenza A virus and its sub-type virus, pandemic Influenza A (H1N1) or Swine flu;
- d. to continue to focus on promoting and generate more sales from our online distribution of our FMCG products China.

We have used this pandemic period as an opportunity to provide more healthcare services and focus on wholesale and distribution of the medical supplies to our customers in local community and over the world.

The outbreak of COVID-19 has changed the commercial world, with the duration and ultimate impact of the virus are not yet known. Our objective is to protect our staff and business, and to ensure we are well placed to resume normal operations if further lockdowns is imposed by the Governments of the cities where we operate and potentially capitalise on opportunities when the virus impact subsides.

Although it will be a challenging year ahead, the Group will continue to make sure 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 continue support.

Chow Ching Fung
Chairman

The financial information in this announcement is derived from the Group's audited consolidated financial statements for the year ended 31 December 2019 which are available at the Company's website www.miloc.com.

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

For further information, please contact:-

MiLOC
ONG Ban Poh Michael - Chief Executive Officer
Ronnie CHOI – Chief Financial Officer

Tel: +852 2110 4221

AQSE Growth Market Corporate Adviser
PETERHOUSE CAPITAL LIMITED
Guy Miller
Mark Anwyl

Tel: +44 (0) 20 7469 0930

MiLOC Group Limited
Consolidated Statement of Comprehensive Income
For the year ended December 2019

| | 2019 | 2018 |
|--|---------------------|---------------------|
| | HK\$ | HK\$ |
| From continuing operations | | |
| Revenue | 15,439,675 | 10,673,572 |
| Cost of sales | (10,197,017) | (6,748,401) |
| Gross profit | 5,242,658 | 3,925,171 |
| Other revenue | 266,213 | 270,556 |
| Distribution costs | (28,952,543) | (25,748,889) |
| Administrative expenses | (16,422,397) | (15,087,535) |
| Foreign exchange gain/ (loss), net | (36,735) | (596,250) |
| Adjusted Operating loss | (39,902,804) | (37,236,947) |
| Impairment loss for intangible asset and goodwill | (46,127) | (439,872) |
| Operating loss | (39,948,931) | (37,676,819) |
| Loss on disposal of subsidiaries | (54,908) | (20,099) |
| Finance costs | (617,745) | (227,447) |
| Interest income | 2,137 | 6,180 |
| Loss before taxation | (40,619,447) | (37,918,185) |
| Taxation | - | - |
| Loss for the for year | (40,619,447) | (37,918,185) |
| Other comprehensive income / (loss) | - | - |
| Exchange differences arising from translation | 20,060 | - |
| Total comprehensive result for the year | (40,599,387) | (37,918,185) |
| Loss for the year attributable to: | | |
| The equity holders of the parent entity | (37,707,213) | (35,225,225) |
| Non-controlling interests | (2,912,234) | (2,692,960) |
| Loss for the for year | (40,619,447) | (37,918,185) |
| Total comprehensive loss for the year attributable to: | | |

| | | | | |
|---|--|--------------|--|--------------|
| The equity holders of the parent entity | | (37,687,153) | | (35,225,225) |
| Non-controlling interests | | (2,912,234) | | (2,692,960) |
| | | (40,599,387) | | (37,918,185) |
| | | | | |
| Loss per share – from continuing operations (HK\$) | | | | |
| Basic | | (0.47) | | (0.46) |

MiLOC Group Limited
Consolidated Statement of Financial Position
As of 31 December 2019

| | | | As at 31 December 2019 | As at 31 December 2018 |
|--|--|--|---------------------------|---------------------------|
| | | | HK\$ | HK\$ |
| Assets | | | | |
| Non-current assets | | | | |
| Fixed assets | | | 662,786 | 883,250 |
| Other intangible assets | | | 3,571,428 | 3,928,571 |
| Right-of-use assets | | | 5,994,333 | - |
| Goodwill | | | - | 46,127 |
| | | | 10,228,547 | 4,857,948 |
| Current assets | | | | |
| Inventories | | | 7,897,946 | 5,724,696 |
| Trade receivables | | | 674,640 | 59,528 |
| Other receivables and prepayments | | | 5,111,688 | 2,540,722 |
| Cash and cash equivalents | | | 86,975 | 2,754,507 |
| | | | 13,771,249 | 11,079,453 |
| Total assets | | | 23,999,796 | 15,937,401 |
| Equity and liabilities | | | | |
| Equity | | | | |
| Share capital | | | 652,935 | 598,333 |
| Share premium | | | 91,398,425 | 71,417,033 |
| Retained earnings | | | (140,209,496) | (102,618,307) |
| Equity attributable to the parent entity | | | (48,158,136) | (30,602,941) |
| Non-controlling interests | | | 6,906,816 | 9,819,050 |
| Total equity | | | (41,251,320) | (20,783,891) |
| Liabilities | | | | |
| Current liabilities | | | | |
| Trade payables | | | 8,675,949 | 904,845 |
| Other payables and accruals | | | 43,113,698 | 28,274,069 |
| Amounts due to directors | | | 2,101,056 | 2,101,056 |
| Lease liabilities – right-of-use assets | | | 3,390,381 | - |
| Borrowings | | | 5,452,172 | 5,441,322 |
| | | | 62,733,256 | 36,721,292 |
| Non-current liabilities | | | | |
| Lease liabilities – right-of-use assets | | | 2,517,860 | - |
| Total liabilities | | | 65,251,116 | 36,721,292 |
| Total equity and liabilities | | | 23,999,796 | 15,937,401 |

MiLOC Group Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2019

| | As at 31 December 2019 | As at 31 December 2018 |
|--|---------------------------|---------------------------|
| | HK\$ | HK\$ |
| OPERATING ACTIVITIES | | |
| Cash used in operations | (18,102,545) | (19,007,603) |
| INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (129,618) | (900,071) |
| Interest received | 2,137 | 6,180 |
| Net cash used in investing activities | (127,481) | (893,891) |
| FINANCING ACTIVITIES | | |
| Issuance of shares | 20,035,994 | 6,406,010 |
| Proceed received for incorporation of a subsidiary | - | 12,512,010 |
| Repayment on leases | (4,154,957) | - |
| Interest paid | (365,040) | (153,350) |
| Net cash generated from financing activities | 15,515,997 | 18,764,670 |
| Net increase in cash and cash equivalents | (2,714,029) | 1,136,824 |
| Cash and cash equivalents at beginning of year | 2,754,507 | 3,891,331 |
| Effects of currency translation on cash and cash equivalents | 46,497 | - |
| Cash and cash equivalents at end of year | 86,975 | 2,754,507 |