30 September 2016

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

Interim results for the six months ended 30 June 2016

CHIEF EXECUTIVE OFFICER’S STATEMENT

MiLOC Group Limited (ISDX: ML.P), the pharmaceutical and healthcare group announces the results of the Company and its subsidiaries (the ‘Group”) for the six month period ended 30 June 2016.

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 TCM healthcare services, including consultations and traditional Chinese medicine (‘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 2016: HK$4,933,206 (30 June 2015: HK$4,022,505)
- Gross profit for the six months ended 30 June 2016: HK$2,596,323 (30 June 2015: HK$2,137,330)
- Loss for the six months ended 30 June 2016: HK$4,062,313 (30 June 2015: HK$7,449,954)
- The basic and diluted loss per share for the six months ended 30 June 2016: HK$0.059 (30 June 2015: HK$0.113)
- The Group’s cash position as at 30 June 2016: HK$2,891,543 (30 June 2015: HK$1,615,356)

The Group's financial performance improved in the first six months of 2016 compared to the same period in 2015. The unaudited financial results for the period ended 30 June 2016 shows a reduction in net loss by HK$3.5 million compared to the same period in 2015 (30 June 2016: HK$4.06 million loss; 30 June 2015: HK$7.45 million loss). This was due to an increase in revenue generated and lower administrative expenses incurred by the Group during the period.

The Group’s revenue for the six months ended 30 June 2016 amounted to HK$4.93 million, an increase of HK$0.91 million or 23% as compared to the six months ended 30 June 2015. This was attributable to increased revenue generated from the newly renovated Jor1Medical Centre, which is now making a positive contribution to the Group’s overall income. The revenue from sales of its products and services through its clinics and retail outlets increased by HK$0.66 million and revenue from wholesale orders increased by HK$0.25 million. The wholesales business consists of health supplement products and TCM Plus skincare products. The Group’s gross profits and gross profit margin for the six months ended 30 June 2016 amounted to HK$2.6 million and 52% (2015 HK$2.1 million and 53%) respectively. The Group’s other revenue from management fee income for the six months ended 30 June 2016 amounted to HK$124K, a slight increase of 11% as compared to the six months ended 30 June 2015.

The Group’s administrative expenses for the six months ended 30 June 2016 amounted to HK$6.7 million, a significant decrease of HK$2.7 million or 28% as compared to the six months ended 30 June 2015. This was largely due to a one-off professional fee charge relating to the Company's intended move to the Standard List of the Main Board of the London Stock Exchange as well as the investment in new OEM products from the TCM PLUS range, in the six months ended 30 June 2015.

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

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 traditional Chinese Medicine, medical products and healthcare to the wider public. The Board believes that this is now happening with a significant number of the general public being attracted to a natural alternative to Western medicine and/or to work alongside Western medical treatment. The revenue from the Group's activities continues to move in a positive direction.

The Board believes that the establishment of TCM Plus skincare products will make a very substantial positive contribution to the Group's revenue and it has invested in research and development of these products. A significant proportion of the capital raised from private placings has been directed towards this area of the Group's activities.

During the first six months of 2016, the Group raised HK$8.8 million through private placings. The proceeds of these subscriptions have been applied towards several activities of the Company as well as the TCM Plus range of skincare products as mentioned above. This has included approximately HK$1.2 million for the renovation of the Medical Centre in Jordan; HK$0.9 million for the inventory of TCM Plus skincare products; HK$2.5 million for working capital; HK$1 million for professional fees including listing and audit fees; and a deposit of HK$0.3 million paid for the counter of TCM Plus skincare products opened in Hysan Place – a shopping mall in Hong Kong. The sales of TCM Plus skincare products were delayed as the Group focused on marketing to build the brand name of the TCM Plus in order to maximise the impact of launching a new skincare brand into the market. The Group has been working on different promotion and marketing events during the period and more events will be organised in the future. Accordingly, the Group expects sales to improve in the second half of the year.

In January 2016, MiLOC Pharmaceutical (HK) Limited ("MiLOC Pharmaceutical"), a subsidiary of the Group entered into a significant distribution agreement with a Taiwan based distributor relating to the marketing and distribution of the Company's TCM PLUS skincare products in Taiwan. The distributor is contracted to purchase and subsequently distribute TCM PLUS products with resulting revenues attributable to MiLOC Pharmaceutical of not less than HK$20 million for the first twelve month period. 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. The distributor had prepared for this unacceptable delay and has assured the Company that it will be able to meet and satisfy the terms and conditions stipulated in the distribution agreement. However, if, despite all expectations, there is a shortfall, the Distributor will be under a liability to make good the difference between what is actually achieved and the contracted figure. In order to meet the timeline pursuant to the distribution agreement, the distributor is undertaking marketing campaigns and valuable promotions offers to buyers of TCM Plus products, in order to accelerate sales. The distributor is also marketing the products to large organisations as well as conducting marketing events to build brand awareness. It will also be targeting online sales through collaboration with well-known bloggers who have strong fans bases. Accordingly, the distributor is confident that its strategy will enable them to satisfy the guaranteed sales pursuant to the terms of the distribution agreement by the year end of 2016. The Group believes that the TCM Plus products will prove significant in relation to the Group's overall revenues.

Post balance sheet events

(1) Significant Endorsement Agreement and Commission Agreement

On 1 July 2016, one of the Group's wholly owned subsidiary, MiLOC Pharmaceutical (HK) Limited ("MPHK"), entered into agreements to collaborate and work together with Kwok Fu Shing also known as Aaron Kwok, a well-known and successful singer, dancer and actor in Asia (“the Artist”), 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”).

One of the agreements is an Endorsement Agreement with BrandKing Worldwide Limited (“the Artist’s Royalty Company”) and First Strong Workshop Limited (“the Artist’s Management Company”) (“the Parties”). The Endorsement Agreement shall commence on the date on which the product is available for purchase in any store located in the territories stipulated by the Agreement (“the Launch Date”), which is to be agreed by all parties in writing, and will continue for a period of six years after the Launch Date (“the Term”). The Artist’s Royalty Company grants to MPHK the exclusive and unlimited right and license to use and exploit the name and collaboration of the Artist in all forms of media, in connection with the endorsement, sales, advertising and promotion of the Product.

MPHK has also entered into a Commission agreement with CN Workshop Limited (“Agent”) to assist it in respect of the conduct of negotiations and co-ordination with the Artist as referred to in the Endorsement Agreement. The Commission Agreement shall be deemed to come into force on the Launch Date or any other date to be agreed by the Parties in writing.

The proposed Chinese and English logos in respect of the Products have been confirmed by the Parties. Applications for registration of the Chinese and English Trademarks have been made in Mainland China, Hong Kong SAR and Taiwan.

According to the changes and requests made by Mr Aaron Kwok, the Board anticipate that the bottling design and the ingredients of the Products shall be finalised in time for the Product Launch. It is intended that the sample products be provided to our potential distributors before agreement of distribution agreements for the various countries. The Company will also be pursuing marketing activities and partnerships to ensure maximum media exposure of the products, which includes both online and offline marketing. The Company is anticipating the Product to be launched by the end of the year and, barring unforeseen events the Company doesn’t expect any delay.

(2) Convertible Bond

On 19 July 2016, the Company entered into an agreement to issue an unsecured convertible bond (“the Bond”) to Murray Investment Fund Company Limited (“Murray”). Murray has agreed to subscribe in cash for the Bond for a principal amount of USD$650,000 (approximately £482,207). The bond has a coupon of 0% per annum for the first twelve months, and thereafter 6% per annum payable half yearly in arrears.

The Bond will be subject to an Automatic Exchange, on the earliest of: (i) 14 calendar days before the scheduled date of the qualified IPO; (ii) at the request of the London Stock Exchange (“LSE”); (iii) upon mutual agreement between the Parties on the maturity date of the Bond, or will otherwise be redeemable at maturity on 19 January 2018 for the Redemption Price of USD$669,500, being a 3% premium over the Principal Amount. If the Bond qualifies for Automatic Exchange, it will convert into ordinary shares (the “Underlying Shares”) in the Company or the entity which will be listed on the Standard Listing of the Main Board of the LSE and which will subsume the businesses of the Company after the Company is delisted from the ISDX (“ISDX”).

The Bond shall be convertible into the Underlying Shares at an Exchange Price which is calculated at a 20% discount to the estimated pricing of the Company’s shares in the IPO.

Outlook

Both the Mainland China and Hong Kong Governments are now promoting traditional Chinese medical products and services as being complementary to Western medical treatments. As a consequence, there is an increase in confidence in the usage and application of these products and services hence the Board is seeking to leverage off this assurance in the market. The Group will maintain its business strategy in, *inter alia*, developing and expanding its channels of distribution and initiating and developing retail units for the distribution of its skincare products. It will also develop and heavily promote its range of products under its brand name “TCM PLUS”. The Group plans to launch the TCM hair care products which will be manufactured by third party OEM manufacturer in the foreseeable future.

The Group is progressing with its proposed listing on Standard List of the Main Board of the London Stock Exchange. The Board believes that this will provide the Group with greater access to capital to achieve its business objectives of providing high quality and reliable TCM healthcare services and products.

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.

Michael Ong
Chief Executive Officer

MiLOC Group Limited
Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2016

	The Group		
	Unaudited	*Unaudited*	*Audited*
	6 months ended 30 June 2016	*6 months ended 30 June 2015*	*Year ended 31 December 2015*
	HK$	*HK$*	*HK$*
From continuing operations			
Revenue	4,933,206	4,022,505	8,307,122
Cost of sales	(2,336,883)	(1,885,175)	(5,202,713)
Gross profit	2,596,323	2,137,330	3,104,409
Other revenue	124,191	139,652	280,296
Distribution costs	(129,048)	(467,627)	(3,447,493)
Administrative expenses	(6,668,751)	(9,325,114)	(14,023,696)
Foreign exchange gains/(losses), net	14,972	65,770	(21,988)
Operating loss	(4,062,313)	(7,449,989)	(14,108,472)
Impairment for intangible asset and goodwill	-	-	(2,823,815)
Finance costs	-	(3)	(2)
Interest income	-	38	38
Loss before taxation	(4,062,313)	(7,449,954)	(16,932,251)
Taxation		-	(125,336)
Loss for the period/year	(4,062,313)	(7,449,954)	(17,057,587)
Other comprehensive income			
Total comprehensive result for the period/year	(4,062,313)	(7,449,954)	(17,057,587)
Attributable to:			
Equity holders of the parent entity	(4,062,313)	(7,441,696)	(17,049,328)
Non-controlling interests		(8,258)	(8,259)
	(4,062,313)	(7,449,954)	(17,057,587)
Loss per share - from continuing operations (HK$)			
Basic and diluted	(0.059)	(0.113)	(0.26)

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$4,062,313 (For the six months ended 30 June 2015: Loss of HK$7,441,696; For the 12 months ended 31 December 2015: Loss of HK$17,049,328) and the weighted average number of ordinary shares of 68,448,550 (For the six months ended 30 June 2015 weighted average number of ordinary shares of 65,673,731 ; For the 12 months ended 31 December 2015: 66,557,973) in issue during the period.

MiLOC Group Limited
Consolidated Statement of Financial Position
As at 30 June 2016

	Group		
	Unaudited As at 30 June 2016	***Unaudited As at 30 June 2015***	***Audited As at 31 December 2015***
	HK$	***HK$***	***HK$***
Assets			
Non-current assets			
Fixed assets	2,327,182	101,708	19,493
Other intangible assets	5,000,000	6,283,333	5,000,000
Goodwill	1,423,149	2,846,964	1,423,149
Deferred tax assets	-	125,000	-
	8,750,331	**9,357,005**	**6,442,642**
Current assets			
Inventories	3,256,724	4,183,913	2,487,414
Trade receivables	25,960	149,747	250,735
Other receivables and prepayments	997,905	648,759	2,072,974
Cash and cash equivalents	2,891,543	1,615,356	1,243,398
	7,172,132	6,597,775	6,054,521
Total assets	**15,922,463**	**15,954,780**	**12,497,163**
Equity and liabilities			
Equity			
Share capital	551,114	519,202	529,242
Share premium	53,364,885	39,890,588	44,261,756
Retained earnings	(42,717,332)	(29,047,387)	(38,655,019)
Total equity	**11,198,667**	**11,362,403**	**6,135,979**
Liabilities			
Current liabilities			
Trade payables	679,076	427,774	499,615
Other payables and accruals	1,933,354	1,368,237	3,750,203
Amount due to directors	2,111,366	2,111,366	2,111,366
Taxation payable	-	685,000	-
Total liabilities	4,723,796	4,592,377	6,361,184
Total equity and liabilities	**15,922,463**	**15,954,780**	**12,497,163**

The Group’s consolidated financial statements for the six months ended 30 June 2015 and 2016 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 2015 have been adopted in the preparation of the Group's unaudited consolidated financial statements for the six months ended 30 June 2016.

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