

**26 September 2014**

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

**Interim results for the six months ended 30 June 2014**

**CHIEF EXECUTIVE OFFICER'S STATEMENT**

MiLOC Group Limited (ISDX: ML.P), the pharmaceutical and healthcare group is pleased to announce the results of the Company and its subsidiaries (the 'Group') for the six months period ended 30 June 2014.

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 research, development, marketing and distribution of traditional Chinese medicine ('TCM') and (ii) the development and operation of a network of TCM clinics and hospitals across China, Hong Kong and Macau.

**Financial highlights**

Revenue for the six months ended 30 June 2014: HK\$8,300,394 (30 June 2013: HK\$9,085,139)  
Gross profit for the six months ended 30 June 2014: HK\$5,496,871 (30 June 2013: HK\$6,823,568)  
Loss for the six months ended 30 June 2014: HK\$553,471 (30 June 2013: profit of HK\$168,361)  
The basic and diluted loss per share for the six months ended 30 June 2014: HK\$0.013 (30 June 2013: HK\$0.002)  
The Group's cash position as at 30 June 2014: HK\$3,344,225 (30 June 2013: HK\$3,527,819)

**Financial review**

The Group's revenue for the six months ended 30 June 2014 amounted to HK\$8.3 million, a decrease of HK\$0.78 million or 9% as compared to the six months ended 30 June 2013. This was mainly attributable to the decline in the performance of clinic operations. Although the Group's revenues from the sales of TCM for the six months ended 30 June 2014 amounted to HK\$3 million (an improvement of HK\$0.6 million or 23% as compared to the six months ended 30 June 2013), the Group's revenue from its clinic operations for the six months ended 30 June 2013 amounted to HK\$5.3 million (a decrease of HK\$1.4 million or 21% as compared to the six months ended 30 June 2013). This was mainly due to the fall in sales caused by increased market competition.

The Group's gross profits for the six months ended 30 June 2014 amounted to HK\$5.50 million, a decreased of HK\$1.32 million or 19% as compared to the six months ended 30 June 2013. In addition, the Group's gross profit margins declined from 75% for the six months ended 30 June 2013 to 66% for the six months ended 30 June 2014. The decrease in the gross profits and gross profit margins were mainly attributable to the decline of the Group's clinic operations.

The Group's other revenue for the six months ended 30 June 2014 amounted to HK\$132K which was decreased by HK\$233K as compared to the six months ended 30 June 2013. This was largely because of the decrease in management service fees caused by the expiration of some of the Group's management agreements during the period.

The Group's administrative expenses for the six months ended 30 June 2014 amounted to HK\$5.9 million, a decrease of HK\$0.3 million or 5% as compared to the six months ended 30 June 2013. This was largely due to the decrease in the amortisation on its intangible assets and staff costs for the current period.

The impairment loss on the Group's other intangible assets for the six months ended 30 June 2013 amounted to HK\$504K. No such loss was incurred for the six months ended 30 June 2014.

As a result, the Group's overall performance declined from a net profit of HK\$168K for the six months ended 30 June 2013 to a loss position of HK\$553K for the six months ended 30 June 2014. The Group's basic and diluted loss per share increased from HK\$0.002 for the six months ended 30 June 2013 to HK\$0.013 for the six months ended 30 June 2014.

The Group's net cash position as at 30 June 2014 was HK\$3.3 million.

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

### **Post balance sheet events**

On 21 July 2014, the Company entered into agreements to issue 1,653,801 new US\$0.001 ordinary shares at the placing price of 28.5p per share to raise approximately HK\$6,289,000. The Company also agreed to pay a referral fee of 3% of the fundraising amount to a consultant of the Company by allotting and issuing 49,614 new ordinary shares of US\$0.001 each.

On 19 August 2014, the Company entered into agreements to issue 642,662 new US\$0.001 ordinary shares at the placing price of 28.5p per share to raise approximately HK\$2,386,375. Part of this placing (as to the issue of 269,305 ordinary shares) was completed during September 2014.

On 21 August 2014, the Company entered into agreements to issue 590,292 new US\$0.001 ordinary shares at 28.5p per share to raise approximately HK\$2,195,780. Part of this placing (as to the issue of 537,660 ordinary shares) was completed during September 2014.

The proceeds from these placings will be used for general working capital purposes.

### **Outlook**

The Group believes that its introduction of reliable TCM on the market as well as the provision of high quality modernized TCM healthcare services is proving to be a successful formula. However, the Group is beginning to face competition in the TCM market as, for example, Universities are now opening TCM Clinics to provide (inter alia) their students with some work experience. The Group feels, however, that it is well placed to see off any competition as its reputation for reliability and the successful treatments it has achieved spreads. The Group has hitherto focused on the acquisition of clinics run by TCM doctors and while this has in the main proved successful, we intend to focus more on the strategic locations of our clinics as well as the development of new TCM products. Thus we will put more resources into this. Accordingly, we intend to promote a true TCM health care integrated delivery model from primary to tertiary care. While we will continue to base our activities in Hong Kong, the PRC and Macau we intend, in the immediate future further to expand strategically elsewhere into South East Asia. In the fullness of time we will look to introducing our model further afield.

Michael Ong  
Chief Executive Officer

**MiLOC Group Limited**  
**Consolidated Statement of Comprehensive Income**  
**For the six months ended 30 June 2014**

	<i>The Group</i>		
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	<i>6 months ended 30 June 2014</i>	<i>6 months ended 30 June 2013</i>	<i>Year ended 31 December 2013</i>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>From continuing operations</b>			
<b>Revenue</b>	8,300,394	9,085,139	18,106,689
Cost of sales	(2,803,523)	(2,261,571)	(6,447,037)
<b>Gross profit</b>	5,496,871	6,823,568	11,659,652
Other revenue	131,584	365,486	568,377
Distribution costs	(207,167)	(83,891)	(141,280)
Administrative expenses	(5,909,069)	(6,218,037)	(12,962,980)
Foreign exchange gains, net	787	2,204	5,194
<b>Operating (loss)/profit before impairment</b>	(486,994)	889,330	(871,037)
<b>Impairment</b>	-	(504,000)	-
<b>Operating (loss)/profit after impairment</b>	(486,994)	385,330	(871,037)
Finance costs	-	(9)	(8)
Interest income	65	66	144
<b>(Loss)/Profit before taxation</b>	(486,929)	385,387	(870,901)
Taxation	(66,542)	(217,026)	(128,179)
<b>(Loss)/Profit for the period/year</b>	(553,471)	168,361	(999,080)
Other comprehensive income	-	-	-
<b>Total comprehensive result for the period/year</b>	(553,471)	168,361	(999,080)
<b>Attributable to:</b>			
Equity holders of the parent entity	(807,971)	(136,361)	(1,193,996)
Non-controlling interests	254,500	304,722	194,916
	(553,471)	168,361	(999,080)
<b>Loss per share - from continuing operations (HK\$)</b>			
Basic and diluted	(0.013)	(0.002)	(0.02)

## **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\$553,471 (For the six months ended 30 June 2013: Profit of HK\$168,361; For the 12 months ended 31 December 2013: Loss of HK\$999,080) and the weighted average number of ordinary shares of 62,332,672 (For the six months ended 30 June 2013: weighted average number of ordinary shares of 62,242,883; For the 12 months ended 31 December 2013: 62,332,672) in issue during the period.

A conditional option agreement dated 20 December 2010 between the Company and ZAI Corporate Finance Limited (“ZAI”) pursuant to which the Company has granted an option to ZAI over 72,161 of Ordinary Shares. The option is exercisable by notice to the Company at the placing price at any time during the five year period commencing on the date of Admission. The effect of the share options are anti-diluted in the current period, therefore, the basic and dilutive loss per share are consistent.

**MiLOC Group Limited**  
**Consolidated Statement of Financial Position**  
**As at 30 June 2014**

	<i>Group</i>		
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	<i>As at 30 June</i>	<i>As at 30 June</i>	<i>As at 31</i>
	<i>2014</i>	<i>2013</i>	<i>December</i>
	<i>HK\$</i>	<i>HK\$</i>	<i>2013</i>
			<i>HK\$</i>
<b>Assets</b>			
<i>Non-current assets</i>			
Fixed assets	233,097	370,723	287,211
Other intangible assets	6,516,667	6,750,000	6,633,333
Goodwill	2,846,964	2,846,964	2,846,964
Deferred tax assets	666,221	664,046	666,221
	<b>10,262,949</b>	<b>10,631,733</b>	<b>10,433,729</b>
<i>Current assets</i>			
Inventories	1,287,743	1,238,567	1,354,823
Trade receivables	458,193	461,990	766,443
Other receivables and prepayments	795,408	1,249,356	772,502
Amount due from shareholders	152,906	152,906	152,907
Cash and cash equivalents	3,344,225	3,527,819	3,849,707
	6,038,475	6,630,638	6,896,382
<b>Total assets</b>	<b>16,301,424</b>	<b>17,262,371</b>	<b>17,330,111</b>
<b>Equity and liabilities</b>			
<i>Equity</i>			
Share capital	484,950	484,378	484,950
Share premium	23,902,317	23,702,888	23,902,317
Retained earnings	(30,082,973)	(28,217,367)	(29,275,002)
<b>Equity attributable to the parent entity</b>	<b>(5,695,706)</b>	<b>(4,030,101)</b>	<b>(4,887,735)</b>
Non-controlling interests	14,006,599	13,861,905	13,752,099
<b>Total equity</b>	<b>8,310,893</b>	<b>9,831,804</b>	<b>8,864,364</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade payables	3,078,923	2,472,870	3,212,602
Other payables and accruals	1,976,256	1,987,861	2,384,336
Amount due to directors	2,111,366	2,111,366	2,111,366
Amount due to shareholders	72,444	72,444	72,443
Taxation payable	751,542	786,026	685,000
<b>Total liabilities</b>	<b>7,990,531</b>	<b>7,430,567</b>	<b>8,465,747</b>
<b>Total equity and liabilities</b>	<b>16,301,424</b>	<b>17,262,371</b>	<b>17,330,111</b>

The Group's consolidated financial statements for the six months ended 30 June 2013 and 2014 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 2013 have been adopted in the preparation of the Group's unaudited consolidated financial statements for the six months ended 30 June 2014.

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