

31<sup>st</sup> May 2012

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

**Final results for the year ended 31 December 2011**

MiLOC Group Limited the PLUS quoted pharmaceutical and healthcare group is pleased to announce the results of the Company's Audited Consolidated Financial Statements and Annual Report for the year ended 31 December

Key highlights

Financial highlights

- Revenue for the year ended 31 December 2011: HK\$10,525K
- Loss for the year: HK\$7,198K
- The basic and diluted loss per share for the year: HK\$0.12
- The Group's net cash position as at 31 December 2011: HK\$2,271K

CHOW Ching Fung, Chairman of MiLOC Group Limited said:

"I am very pleased to report the 2011 financial year results for MiLOC. The Group had a very respectable year ended 31 December 2011 with revenue amounted to HK\$10,525K which represented a significant increase over 2010 revenue of HK\$128,404. This significant growth is attributable to the fact that the Group introduced its TCM clinic operations through the establishment of jointly controlled entities and the acquisitions of the subsidiaries, and further developed its distribution of TCM since it was admitted to the PLUS-quoted market. I am confident that the Group overall performance in 2012 will vastly benefit with the number of marketing plans and acquisitions we are planning."

For further information, please contact:-

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## **Chairman's Statement**

### ***February 2011***

On 9 February 2011, the Company's wholly-owned subsidiary, MiLOC Medical Limited, entered into a joint venture agreement with Modern TCM (BVI) Limited (hereinafter referred to as "Modern TCM") to develop and expand its business ("the Joint Venture"). The Joint Venture objective is to set up and run a traditional Chinese medical clinic network in HK and seek to acquire private traditional Chinese medical practitioners to inject their clinics into the Joint Venture. Modern TCM has significant knowledge, experience and industry contacts in the traditional Chinese medical business and the Company intends to apply that knowledge and experience so as to capitalise on the many opportunities available in Hong Kong. MiLOC Medical owns a majority stake (60%) in the Joint Venture and Modern TCM owns the remaining 40%. Insofar as the joint venture is operated through a company, the same will be treated as a subsidiary of the Company. The respective rights and liabilities of the partners in the Joint Venture are fully set out in the Agreement. Modern TCM will be required, inter alia, to provide clinic operating procedures (under ISO9001) as well as Intellectual Property Rights in relation to the operation of clinics.

### ***March 2011***

Green Health Supplement International Company (hereinafter referred to as "GHS") was established in 1975 and manufactures and markets a wide range of market-leading supplements and drugs such as Cordyceps, Ganoderma and slimming products. It has its own factory in Hong Kong that produces and packages such supplements and drugs.

On 14 March 2011, MiLOC Pharmaceutical (HK) Limited, another subsidiary of the Company, entered into a three year exclusive distribution agreement ("the agreement") with GHS with the intention of widening the distribution by the Group of Traditional Chinese Medicine supplements and drugs within the Hong Kong Territory.

By leveraging GHS's supplements and drugs, the distribution agreement will enhance the brand awareness of MiLOC Group and its sales revenue. In addition, the distribution agreement marks a strategic move by the Company to broaden the range of premium the TCM products it supplies to its customers.

GHS is 100% owned by Mr Chow Ching Fung, Chairman of MiLOC.

On 16 March 2011, MiLOC Medical Limited, a subsidiary of MiLOC entered into an agreement ("the Agreement") for its purchase of the entire issued share capital of Golden Ace Holdings Limited ("GAH") from Lee Mun Keat ("the Vendor") in consideration of the sum of HK\$1.00.

#### ***April 2011***

On 15 April 2011, MiLOC Clinics Limited, a Joint Venture Company of MiLOC Medical Limited entered into an agreement ("the Agreement") with Chan Chi Hang and owned by Tung Chau Man ("the Vendors") for its purchase of 60% of the entire issued share capital of Ichi Chinese Medicine Company Limited ("ICHI"). The consideration for such interest was the allocation of 2,301,004 Class B Ordinary Shares of MiLOC Clinics Limited issued and credited as fully paid and registered in the name of the Vendors.

Chan Chi Hang received 1,840,803 Class B Ordinary Shares and Tung Chau Man received 460,201 Class B Ordinary Shares as a consequence of such agreement.

Based on the unaudited 7 months management account of ICHI from July 2010 to January 2011, the acquired clinic YTD sales turnover was HK\$1,725K (equivalent to GBP137K, exchange rate: 1GBP=HK\$12.55) with a net profit of HK\$256K (equivalent to GBP20K). Mr Chan Chi Hang as Guarantor of this transaction has under the agreement warranted and guaranteed that the after tax net profit of ICHI for each of its financial years shall not be less than HK\$959K (equivalent to GBP 76K). Under the guarantee, if the after tax net profit is less than HK\$959K in the relevant year, Mr Chan shall compensate and make good within 30 days after completion of the audited accounts of ICHI to MiLOC the shortfall for the relevant year.

### **Financial review**

#### ***(i) Revenue and gross profit***

The Group's revenue for the year ended 31 December 2011 amounted to HK\$10,525K which represented a significant increase as compared to the period from incorporation on 10 February 2010 to 31 December 2010. It was mainly attributable to the fact that the Group introduced its TCM clinic operations through the establishment of jointly controlled entities and the acquisitions of the subsidiaries, and further developed its distribution of TCM since it was admitted to the PLUS-quoted market. The Group's revenue for the year included sales of TCM amounted to HK\$4,752K and revenue from its clinic operation amounted to HK\$5,773K. As results, the Group's gross profit and gross profit margin for the year ended 31 December 2011 amounted to HK\$4,686K and was 45%. The gross profit margins for sales of TCM and clinic operation were 6% and 76% respectively.

**(ii) Other revenue and operating expenses**

The Group's other revenue for the year ended 31 December 2011 amounted to HK\$1,163K which mainly included consultancy fee of HK450K and management fee of HK\$335K. The Group's distribution costs for the year ended 31 December 2011 amounted to HK\$365K which increased by HK\$335K as compared to the period from incorporation on 10 February 2010 to 31 December 2010. It was mainly attributable to the increase in the Group's promotion activities. The Group's administrative expenses for the year ended 31 December 2011 amounted to HK\$10,013K which increased by HK\$3,485K as compared to the period from incorporation on 10 February 2010 to 31 December 2010. It was mainly attributable to the acquisition of the subsidiaries and the increase in the Group's staff costs.

**(iii) Loss and loss per share**

The Group's for the year amount HK\$7,198K which was improved by HK\$2,147K as compared to the period from incorporation on 10 February 2010 to 31 December 2010. As a result, the Group's basic and diluted loss per share for the year was HK\$0.12.

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

**(iv) Balance sheet items**

The Group's fixed assets as at 31 December 2011 amounted to HK\$1,068K which mainly included leasehold improvements, furniture and fixtures, office equipment and motor vehicle. The Group's fixed assets increased significantly as compared to HK\$ Nil as at 31 December 2010 was due to the additions and the acquisition of the subsidiaries during the year.

The Group's intangible assets as at 31 December 2011 amounted to HK\$19,400K which was increased by HK\$14,400K as compared to HK\$5 million as at 31 December 2010. It was mainly due to the acquisition of the intellectual property rights of TMC procedures.

The Group's goodwill as at 31 December 2011 amounted to HK\$2,856K which was increased by HK\$2,690K as compared to HK\$166K as at 31 December 2010. It was mainly due to the acquisition of the subsidiaries during the year.

The Group's inventories as at 31 December 2011 was HK\$1 million which mainly included those TCM and healthcare products purchased during the year.

The Group's accounts payable as at 31 December 2011 was HK\$841K. The Group's accounts payable increased significantly as compared to HK\$ Nil as at 31 December 2010 was line with the development of the Groups' distribution of TCM.

The Group's cash and cash equivalents decreased from HK\$10,152K as at 31 December 2010 to HK\$2,271K as at 31 December 2011. The movements refer to the Group's cash flow statement included in the consolidated financial statements.

## **Outlook**

The Group believes that the introduction of reliable TCM on the market as well as the provision of high quality modernized TCM healthcare services will prove to be a successful formula. We will focus initially on Hong Kong, the PRC and Macau with a view to further expansion in South East Asia. The Group intends to promote a true TCM health care integrated delivery model from primary to tertiary care.

We look forward to updating our shareholders on the Company's progress in the near future.

Chairman

Dr. CHOW Ching Fung

		<b>For the year ended 31 December 2011</b>	<b>For the period from incorporation on 10 February 2010 to 31 December 2010</b>
	Notes	<u>HK\$</u>	<u>HK\$</u>
<b>From continuing operations</b>			
<b>Revenue</b>	<b>3</b>	10,525,027	128,404
Cost of sales		(5,838,630)	(75,130)
<b>Gross profit</b>		<u>4,686,397</u>	<u>53,274</u>
Other revenue	<b>3</b>	1,062,925	-
Distribution costs		(365,294)	(29,822)
Administrative expenses		(13,105,870)	(9,528,421)
Foreign exchange gains		100,183	159,579
<b>Operating loss</b>	<b>4</b>	<u>(7,621,659)</u>	<u>(9,345,390)</u>
Finance costs	<b>5</b>	(7,588)	(18)
Interest income		282	38
<b>Loss before taxation</b>		<u>(7,628,965)</u>	<u>(9,345,370)</u>
Taxation	<b>6</b>	(344,000)	-
<b>Loss for the for year/period</b>		<u>(7,972,965)</u>	<u>(9,345,370)</u>
Other comprehensive income		-	-
<b>Total comprehensive result for the year/period</b>		<u><u>(7,972,965)</u></u>	<u><u>(9,345,370)</u></u>
<b>Attributable to:</b>			
The equity holders of the parent entity		(8,552,716)	(9,345,370)
Non-controlling interests		579,751	-
		<u>(7,972,965)</u>	<u>(9,345,370)</u>

**Loss per share - from continuing operations  
(HK\$)**

Basic	9	(0.14)	(0.73)
Diluted	9	(0.14)	(0.73)

**Consolidated Statement of Financial Position  
As of 31 December 2011**

	<i>Notes</i>	<i>As at 31 December 2011 HK\$</i>	<i>As at 31 December 2010 HK\$</i>
<b>Assets</b>			
<i>Non-current assets</i>			
Fixed assets	10	1,067,964	-
Other intangible assets	11	19,400,000	5,000,000
Goodwill	12	2,846,964	165,691
		<u>23,314,928</u>	<u>5,165,691</u>
<i>Current assets</i>			
Inventories	14	999,914	-
Trade receivables	15	175,182	-
Other receivables and prepayments	16	1,126,372	514,554
Amount due from shareholders	17	80,277	98,051
Cash and cash equivalents	18	2,270,849	10,152,313
		<u>4,652,594</u>	<u>10,764,918</u>
<b>Total assets</b>		<b>27,967,522</b>	<b>15,930,609</b>

**Equity and liabilities****Equity**

Share capital	<i>19</i>	481,046	481,046
Share premium		22,506,221	22,506,221
Retained earnings			(9,345,370)
		(17,898,086)	
Equity attributable to the parent entity		5,089,181	13,641,897
Non-controlling interests		17,280,755	-
Total equity		22,369,936	13,641,897

**Liabilities****Current liabilities**

Trade payables		840,857	-
Other payables and accruals	<i>20</i>	2,304,404	2,280,945
Amount due to shareholders	<i>17</i>	-	7,767
Amounts due to directors	<i>17</i>	2,108,325	-
Taxation payable		344,000	-
		5,597,586	2,288,712
<b>Total equity and liabilities</b>		<b>27,967,522</b>	<b>15,930,609</b>

**Consolidated Statement of Cash Flows****For the year ended 31 December 2011**

		<b>For the year ended 31 December 2011</b>	<b>For the period from incorporation on 10 February 2010 to 31 December 2010</b>
<i>Notes</i>		<b>HK\$</b>	<b>HK\$</b>
<b>OPERATING ACTIVITIES</b>			
Cash used in operations	<i>21</i>	(7,129,885)	(807,887)



**INVESTING ACTIVITIES**

Purchase of fixed assets	(1,052,850)	-
Acquisition of subsidiaries, net of cash acquired	308,577	36,384
Interest received	282	38
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(743,991)	36,422

**FINANCING ACTIVITIES**

Issuance of shares	-	14,290,139
Payments of share issue expenses	-	(3,366,343)
Interest paid	(7,588)	(18)
	<hr/>	<hr/>
<b>Net cash (used in)/generated from financing activities</b>	(7,588)	10,923,778

**Net (decrease)/increase in cash and cash  
equivalents**

(7,881,464) 10,152,313

**Cash and cash equivalents at beginning  
of year/period**

10,152,313 -

**Cash and cash equivalents at end of  
year/period**

2,270,849 10,152,313

**Summary of major non-cash transactions:**

During the year ended 31 December 2011, the Group acquired the intangible asset of HK\$14,400,000 by the issuance of share capital of its subsidiaries.

The accompanying accounting policies and notes form an integral part of these non-statutory group financial statements.

## **EARNING S PER SHARE - BASIC AND DILUTED**

### **Basic**

Basic loss per share is calculated by dividing the loss attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year/period.

	<b>For the year ended 31 December 2011</b>	<b>For the period from incorporation on10 February 2010 to 31 December 2010</b>
	<i>HK\$</i>	<i>HK\$</i>
Losses attributable to equity holders of parent entity	<u>(8,552,716)</u>	<u>(9,345,370)</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue	<u>61,831,069</u>	<u>12,861,144</u>

### **Diluted**

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has no dilutive potential ordinary shares as the share options are anti-dilutive.

	<b>For the year ended 31 December 2011</b>	<b>For the period from incorporation on10 February 2010 to 31 December 2010</b>
	<i>HK\$</i>	<i>HK\$</i>
Losses attributable to equity holders of parent entity	<u>(8,552,716)</u>	<u>(9,345,370)</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue	<u>61,831,069</u>	<u>12,861,144</u>

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 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-dilutive in the current period, therefore, the basic and dilutive loss per share are consistent.

## **SHARE CAPITAL**

	<u>2011</u>	<u>2010</u>
	HK\$	HK\$
Authorised,		
100,000,000 ordinary shares of US\$0.001		
each	<u>775,000</u>	<u>775,000</u>
<b>At 10 February 2010</b>		
Allotted and fully paid:		
Increase in share capital during the period		
- 52,069,070 ordinary shares of US\$0.001		
each		405,098
Allotted and called up:		
Increase in share capital during the period		
- 9,761,999 ordinary shares of		
US\$0.001 each		75,948
<b>At 31 December 2010</b>		<u>481,046</u>
<b>At 31 December 2011</b>		<u>481,046</u>

On 3 May 2010, the Company allotted 9,761,999 ordinary shares for cash at US\$0.001 per share.

On 3 May 2010, the Company allotted 238,000 ordinary shares for cash at HK\$10 per share.

On 1 June 2010, the Company allotted a further 200,000 ordinary shares at HK\$10 per share.

On 1 June 2010, 200,000 ordinary shares allotted previously were repurchased by the Company for cash at US\$0.001 per share and cancelled.

On 11 August 2010, the Company allotted 25,000 ordinary shares for cash at HK\$14.96 per share.

On 8 October 2010, the authorised share capital of the Company was increased from US\$50,000 to US\$100,000 by the creation of 50,000,000 new ordinary shares.

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