24 May 2013

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

Final audited results for the year ended 31 December 2012

MiLOC Group Limited (ISDX: ML.P), the ISDX quoted pharmaceutical and healthcare group, is pleased to announce its audited consolidated financial statements for the year ended 31 December 2012.

Key financial highlights:

- Revenues for the year ended 31 December 2012: HK$15,503K (2011: HK$10,525K)
- Loss for the year ended 31 December 2012: HK$13,906K (2011: HK$7,973K)
- Impairment of intangible assets for the year ended 31 December 2012: HK$10,980K (2011: Nil)
- The basic and diluted loss per share for the year ended 31 December 2012: HK$0.16 (2011: HK$0.14)
- The Group's net cash position as at 31 December 2012: HK$2,881K (2011: HK$2,271K)

Dr. Chow Ching Fung, Chairman of the Company said:

"The Group had a very respectable year ended 31 December 2012 with revenues of HK$15,503K which represented an approximately 47% increase over 2011 revenues of HK$10,525K. This significant growth is attributable to the Group's further development and growth of the two traditional Chinese medicine ("TCM") clinics acquired by the Group in 2011. Although the accounts show a loss for the year, this is attributable primarily to the amortisation and non-cash write-off of intangible assets as detailed in the explanatory notes to the accounts.

With the successful incorporation of the two TCM clinics acquired by the Group under the brand name "MiLOC", the Group intends to continue building up its TCM clinic network in Hong Kong. The Group opened a branch TCM clinic with its branch name registered as "Jor2 Central" in the Central District, Hong Kong, on 19 July 2012 and entered into franchise and management agreements with two TCM clinics in Tuen Mun and Tai Po, Hong Kong, in the second quarter of 2013. The franchise TCM clinic model will allow the Group to expand its clinic network on one hand, and is expected to increase the business of the Group's distribution of its exclusive distribution products and other healthcare products on the other. The Directors believe that the franchise TCM clinic model will reduce the Group's reliance on further capital investment while expanding our TCM clinic network more rapidly to increase awareness of the "MiLOC" brand.

I am confident that the Group is moving in the right direction and the Directors expect that the overall performance in 2013 will further strengthen the Group in its development of its franchise clinic network and its marketing plans."

The financial information in this announcement is derived from the Group's audited consolidated financial statements for the year ended 31 December 2012 which are available at the Company's website www.miloc.com.

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Chairman's Statement

I am very pleased to report the 2012 financial year results for MiLOC Group Limited.

The Group had a very respectable year ended 31 December 2012 with revenues of HK$15,503K which represented an approximately 47% increase over 2011 revenues of HK$10,525K. This significant growth is attributable to the Group's further development and growth of the two traditional Chinese medicine ("TCM") clinics acquired by the Group in 2011. Although the accounts show a loss for the year, this is attributable primarily to the amortisation and non-cash write-off of intangible assets as detailed in the explanatory notes to the accounts.

July 2012

On 19 July 2012, MiLOC Clinics Jor2 Limited established a branch office with its branch name registered as "Jor2 Central" and the branch started its operation as a medical center on 1 August 2012. MiLOC Clinics Jor2 Limited was acquired by MiLOC Clinics Limited in 2011 and MiLOC Clinics Limited is the JV company of the Group's wholly-owned subsidiary MiLOC Medical Limited.

October 2012

On 31 October 2012, the recognised investment exchange formerly known as PLUS Stock Exchange plc changed its name to ICAP Securities & Derivatives Exchange Limited and the PLUS-Listed Market and the PLUS-Quoted Market became, respectively, the ISDX Main Board and the ISDX Growth Market. The ISDX Main Board is a regulated market and the ISDX Growth Market is a multilateral trading facility. The Company's ordinary shares are quoted on the ISDX Growth Market.

Subsequent events

On 8 January 2013, the Group entered into agreements to raise a total of £96,385.55 (approximately HK$1.2 million) before expenses (the "Placing") through a placing of 428,381 new ordinary shares of US$0.001 each in the share capital of the Group (the "Placing Shares").The Placing Shares have been placed at 22.5p per share to a private investor and Kingsway Lion Spur Technology Limited (100% beneficially owned by SW Kingsway Capital Group Limited, a financial services company listed on the HKSE (stock code: 188)). The Placing Shares were issued, credited as fully paid and rank *pari passu* in all respects with the existing ordinary shares of the Group. Following completion of the Placing, there was a total of 62,259,450 ordinary shares of the Company in issue.

On 8 May 2013, the Group entered into a franchise and management agreement with a TCM clinic in Tuen Mun, Hong Kong for the provision of franchise and management services.

On 22 May 2013, the Group entered into a franchise and management agreement with a TCM clinic in Tai Po, Hong Kong for the provision of franchise and management services.

Pursuant to the agreements, the two clinics, as franchisees, have agreed to conduct their TCM businesses in Hong Kong using the proprietary marks, products, systems, processes and other expertise of the Group, as franchisor. The Group is entitled to receive management and royalty fees from its franchisees.

Financial review

(i) Revenue and gross profit

The Group's revenue for the year ended 31 December 2012 amounted to HK$15,503K which represented a 47.29% increase as compared to the year ended 31 December 2011. It was mainly attributable to the fact that the Group further developed its TCM clinic operations and its exclusive distribution of TCM supplements and other healthcare products. The Group's revenue for the year included sales of TCM amounted to HK$4,238K and revenue from its clinic operations amounted to

HK$11,265K. As a result, the Group's gross profit and gross profit margin for the year ended 31 December 2012 amounted to HK$10,049K and 65% (2011: HK$4,686K and 45%) respectively. The gross profit margins for sales of TCM and clinic operations were 34% and 75% (2011: 31% and 56%) respectively.

(ii) Other revenue and operating expenses

The Group's other revenue for the year ended 31 December 2012 amounted to HK$1,387K which mainly included management fees of HK$843K and consultancy fees of HK$385K. The Group's other revenue increased by 30% compared to 2011 mainly due to additional management fees received. The Group's distribution costs for the year ended 31 December 2012 amounted to HK$374K which was consistent with the year ended 31 December 2011. The Group's administrative expenses for the year ended 31 December 2012 were HK$14,443K compared to HK$13,106K for the year ended 31 December 2011. This is principally due to the amortisation of intangible assets in the year of HK$1.5 million which was also largely consistent with the year ended 31 December 2011. The Group's operating loss increased significantly from HK$7,622K to HK$14,354K. The increase was mainly due to impairment on intangible assets amounting to HK$11 million was recognised in 2012, which arise following a detailed review of the expected use of the intangible asset within the on-going business.

(iii) Loss and loss per share

The Group's loss for the year amounted to HK$13,906K. The loss was mainly attributable to the impairment and amortisation of intangible assets. As a result, the Group's basic and diluted loss per share for the year was HK$0.16 (2011: HK$0.14)

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

(iv) Balance sheet items

The Group's tangible fixed assets as at 31 December 2012 amounted to HK$515K which mainly included leasehold improvements, furniture and fixtures and office equipment. The decrease compared to HK$1,068K as at 31 December 2011 was mainly due to leasehold improvements written off due to the relocation of the Company's office.

The value of the Group's intangible assets as at 31 December 2012 amounted to HK$6,867K which decreased by HK$12,533K compared to HK$19,400K as at 31 December 2011. This was principally due to the impairment of the intangible assets of HK$11 million during the year.

The Group's goodwill as at 31 December 2012 amounted to HK$2,847K which was consistent with the amount as at 31 December 2011.

The Group's inventories as at 31 December 2012 was HK$804K which decreased by HK$196K compared to the balance as at 31 December 2011. Inventories mainly included TCM and healthcare products purchased during the year.

The Group's trade payables as at 31 December 2012 amounted to HK$2,103K. The Group's trade payables increased significantly compared to HK$841K as at 31 December 2011 which was in line with the development of the Group's distribution of TCM and healthcare products.

The Group's cash and cash equivalents increased from HK$2,271K as at 31 December 2011 to HK$2,881K as at 31 December 2012. The movements refer to the Group's cash flow statement included in the non-statutory group financial statements.

Outlook

The Directors believe that the introduction of reliable TCM to the market as well as the provision of high quality modernized TCM healthcare services with the development of a franchise TCM clinic network will prove to be a successful formula. The franchise TCM clinic model will allow the Group to expand its clinic network on one hand, and is expected to increase the business of the Group's distribution of its exclusive distribution products and other healthcare products on the other. The Directors believe that the franchise TCM clinic model will reduce the Group’s reliance on further capital investment while expanding our TCM clinic network more rapidly to increase awareness of the “MiLOC” brand.] We intend to continue to focus on Hong Kong, the People’s Republic of China and Macau with a view to further expansion in South East Asia.

I am confident that the Group is moving in the right direction and the Directors expect that the overall performance in 2013 will further strengthen the Group in its development of its franchise clinic network and its marketing plans. I would like to thank our shareholders, investors and employees for their continued support and I look forward to providing updates on the Company’s progress in the near future.

Chairman
Dr. Chow Ching Fung

MiLOC Group Limited
Consolidated Statement of Comprehensive Income
For the year ended December 2012

	Notes	2012		2011
From continuing operations		*HK$*		*HK$*
Revenue	*3*	15,503,018		10,525,027
Cost of sales		(5,453,537)		(5,838,630)
Gross profit		10,049,481		4,686,397
Other revenue	*3*	1,386,776		1,062,925
Distribution costs		(373,532)		(365,294)
Administrative expenses		(14,443,376)		(13,105,870)
Foreign exchange gains		6,634		100,183
Operating loss before impairment	*4*	(3,374,017)		(7,621,659)
Impairment	*11*	(10,980,000)		-
Operating loss after impairment		(14,354,017)		(7,621,659)
Finance costs	*5*	(6,029)		(7,588)
Interest income		154		282
Loss before taxation		(14,359,892)		(7,628,965)
Taxation	*6*	453,400		(344,000)
Loss for the for year		(13,906,492)		(7,972,965)
Other comprehensive income		-		-
Total comprehensive result for the year		**(13,906,492)**		**(7,972,965)**
Attributable to:				
The equity holders of the parent entity		(10,182,920)		(8,552,716)
Non-controlling interests		(3,723,572)		579,751
		(13,906,492)		(7,972,965)

Loss per share – from continuing operations (HK$)				
Basic	***9***	(0.16)		(0.14)
Diluted	***9***	(0.16)		(0.14)

MiLOC Group Limited
Consolidated Statement of Financial Position
As of 31 December 2012

	Notes	As at 31 December 2012 HK$	As at 31 December 2011 HK$
Assets			
Non-current assets			
Fixed assets	10	514,813	1,067,964
Other intangible assets	11	6,866,667	19,400,000
Goodwill	12	2,846,964	2,846,964
Deferred tax assets	6	678,400	-
		10,906,844	23,314,928
Current assets			
Inventories	14	803,636	999,914
Trade receivables	15	347,894	175,182
Other receivables and prepayments	16	815,094	1,126,372
Amount due from shareholders	17	113,852	80,277
Cash and cash equivalents	18	2,880,735	2,270,849
		4,961,211	4,652,594
Total assets		**15,868,055**	**27,967,522**
Equity and liabilities			
Equity			
Share capital	19	481,046	481,046
Share premium		22,506,221	22,506,221
Retained earnings		(28,081,006)	(17,898,086)
Equity attributable to the parent entity		(5,093,739)	5,089,181
Non-controlling interests		13,557,183	17,280,755
Total equity		8,463,444	22,369,936
Liabilities			
Current liabilities			
Trade payables		2,102,721	840,857
Other payables and accruals	20	2,621,406	2,304,404
Amount due to shareholders	17	118	-
Amounts due to directors	17	2,111,366	2,108,325
Taxation payable		569,000	344,000
		7,404,611	5,597,586
Total equity and liabilities		**15,868,055**	**27,967,522**

MiLOC Group Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2012

	Notes	2012		2011
		HK$		*HK$*
OPERATING ACTIVITIES				
Cash generated from/(used in) operations	*21*	724,547		(7,129,885)
INVESTING ACTIVITIES				
Purchase of fixed assets		(169,266)		(1,052,850)
Proceed from disposal of fixed assets		60,480		-
Acquisition of subsidiaries, net of cash acquired		-		308,577
Interest received		154		282
Net cash (used in) investing activities		(108,632)		(743,991)
FINANCING ACTIVITIES				
Interest paid		(6,029)		(7,588)
Net cash (used in) financing activities		(6,029)		(7,588)
Net increase/(decrease) in cash and cash equivalents		609,886		(7,881,464)
Cash and cash equivalents at beginning of year		**2,270,849**		**10,152,313**
Cash and cash equivalents at end of year		**2,880,735**		**2,270,849**

Summary of major non-cash transactions:

During the year ended 31 December 2012, the impairment on the Group's intangible assets amounted to HK$ 10,980,000.

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

3. REVENUE AND SEGMENT INFORMATION

The Group is principally 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 in China, Hong Kong and Macau. Revenue recognised during the year can be analysed as follows:

	2012		2011
	HK$		*HK$*
Revenue			
Sales of TCM and healthcare products	4,238,188		4,752,253
Provision of clinical services	11,264,830		5,772,774
	15,503,018		10,525,027
Other revenue			
Consultancy fee	385,000		450,000
Management fee	843,414		334,817
Income for holding healthcare conference	12,839		114,000
Others	145,523		164,108
	1,386,776		1,062,925

Management has determined the operating segments based on the reports reviewed by the board of directors that is charged with the strategic decision making process for the Group. Management has considered the basis of reports that are expected to be reviewed by the board when the business enters the revenue earning stage of its business cycle.
The board of directors considers the business to be made up of two business segments, being revenues from the sales of TCM and healthcare products and clinic business.

(a) *Segment results, assets and liabilities*

The Group manages its businesses by segments which are organised by business lines. In a manner consistent with the way which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

The research, development, marketing and distribution of TCM and healthcare products: this segment researches, develops, markets and distributes TCM and healthcare products. Currently, the Group's activities in this regard are carried out in Hong Kong.

The development and operation of a network of TCM clinics and hospitals in China, Hong Kong and Macau. Currently, the Group's activities in this regard are carried out in Hong Kong.

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade payables, other payables and accruals attributable to operating activities of the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. Segment other revenue and expenses do not include the Group's interest income, finance costs and taxation expenses.

The measurement used for reporting segment profit/(loss) is profit/(loss) from operations, i.e., adjustment earnings before finance costs, interest income and taxation expense of the Group. To arrive at profit/(loss) from operations, the Group's earnings are further adjusted items not specifically attributable to individual segments such as other head office or corporate revenue and administrative expenses.

Information regarding the Group's reportable segments as provide to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2012 and 2011 is set out below:

	For the year ended 31 December 2012		
	The research, development, marketing and distribution of TCM and healthcare products	**The development and operation of a network of TCM clinics**	**Total**
	HK$	***HK$***	***HK$***
Revenue			
- External sales	4,238,188	11,264,830	15,503,018
Segment results	(8,567,256)	(3,036,602)	(11,603,858)
Unallocated income and expenses			(2,750,159)
Operating loss			(14,354,017)
Finance costs			(6,029)
Interest income			154
Loss before taxation			(14,359,892)
Taxation			453,400
Loss for the year			(13,906,492)

	For the year ended 31 December 2011				
	The research, development, marketing and distribution of TCM and healthcare products		**The development and operation of a network of TCM clinics**		**Total**
	HK$		***HK$***		***HK$***
Revenue					
- External sales	4,752,253		5,772,774		10,525,027
Segment results	(4,792,456)		1,382,298		3,410,158
Unallocated income and expenses					(4,211,501)
Operating loss					(7,621,659)
Finance costs					(7,588)
Interest income					282
Loss before taxation					(7,628,965)
Taxation					(344,000)
Loss for the year					(7,972,965)

(b) Reconciliation of reportable segment assets and liabilities

	As at 31 December 2012	As at 31 December 2011
	HK$	*HK$*
Assets		
Reportable segment assets	14,992,956	26,025,777
Deferred tax assets	678,400	-
Unallocated head office and corporate assets	196,699	1,941,745
Consolidated total assets	15,868,055	27,967,522
Liabilities		
Reportable segment liabilities	6,157,152	4,318,738
Current tax payable	569,000	344,000
Unallocated head office and corporate liabilities	678,459	934,848
Consolidated total liabilities	7,404,611	5,597,586

(c) Geographic information

In addition to this, the board also considers segmental information from a geographic perspective.

	For the year ended 31 December 2012		
	The research, development, marketing and distribution of TCM and healthcare products	**The development and operation of a network of TCM clinics**	**Total**
	HK$	*HK$*	*HK$*
Additions of			
- Fixed assets	8,160	161,106	169,266
Amortisation of - intangible assets	1,553,333	-	1,553,333
Impairment of - intangible assets	10,980,000	-	10,980,000
Depreciation of			
- Fixed assets	181,099	177,201	358,300
Segment assets	5,365,831	9,627,125	14,992,956
Segment liabilities	2,028,803	4,128,349	6,157,152

Geographically, the vast majority of the Group's operations up to the date of the statement of financial position have been located in Hong Kong; therefore, significantly all of the Groups' revenue are attributable to Hong Kong.

4. OPERATING LOSS

Operating loss is arrived at after charging/(crediting) the following:

	2012	2011
	HK$	*HK$*
Auditor's remuneration	393,250	187,000
Depreciation of fixed assets	358,300	311,590
Amortisation of intangible assets	1,553,333	-
Impairment on intangible assets	10,980,000	-
Operating lease charges: minimum lease payments for properties	2,783,515	2,897,250
Exchange gain, net	(6,634)	(100,183)

5. FINANCE COSTS

	2012	2011
	HK$	*HK$*
Interest expenses for hire purchase	6,029	7,586
Others	-	2
	6,029	7,588

6. TAXATION

Taxation in the consolidated statement of comprehensive income represents:

	2012	2011
	HK$	*HK$*

Hong Kong corporate income tax		
- Provision for the current year	251,000	344,000
- Over-provision in the previous year	(26,000)	-
- Deferred tax – relating to tax loss	(678,400)	-
	(453,400)	344,000

A reconciliation between tax expenses/(credit) and accounting profit at applicable tax rate is as follows:

	2012	**2011**
	HK$	***HK$***
Loss before taxation	14,359,892	7,972,965
Loss multiplied by standard rate of corporation tax in Hong Kong of 16.5%	2,369,382	1,315,539
Effect of:		

	For the year ended 31 December 2011		
	The research, development, marketing and distribution of TCM and healthcare products	**The development and operation of a network of TCM clinics**	**Total**
	HK$	***HK$***	***HK$***
Additions of			
- Intangible assets	-	14,400,000	14,400,000
- Fixed assets	772,862	606,692	1,379,554
Depreciation of			
- Fixed assets	184,020	127,570	311,590
Segment assets	8,108,144	17,917,633	26,025,777
Segment liabilities	1,146,057	3,172,681	4,318,738

Over-provision in the previous year	(26,000)	-
Tax loss recognised for deferred tax purpose	(2,796,782)	-
Creation of tax losses for which no deferred tax asset was recognized	-	(971,539)
	(453,400)	344,000

A deferred tax asset has been recognised in respect of the carry forward of unused tax losses carried forward at the year end on the expectation of future period profits.

7. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS) AND EMPLOYEE BENEFITS

	2012		2011
	HK$		*HK$*
Salaries, wages and other benefits	3,358,089		4,586,614
Contributions to defined contribution plan	205,210		186,559
	3,563,299		4,773,173

8. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2012		2011
	HK$		*HK$*
Salaries and other short-term benefits:			
-Salaries and allowances	2,170,000		2,490,000
-Retirement scheme contribution	39,500		37,000
	2,209,500		2,527,000

The directors of the group represent the group's key management personnel. Each of Messrs Dr Chow Ching Fung, Ong Ban Poh Michael, Ow Dennis Kian Jing, Ivor Colin Shrago and Paul Wyman Cheng has entered into a service agreement with the Company for an initial term commencing from 20 December 2010 to 19 December 2011.

The service agreement has since been renewed on a yearly basis.

9. 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.

	2012		**2011**
	HK$		***HK$***
Losses attributable to equity holders of parent entity	(10,182,920)		(8,552,716)
Number of shares			
Weighted average number of ordinary shares in issue	61,831,069		61,831,069
Loss per share	0.16		0.14

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.

	2012		**2011**
	HK$		***HK$***
Losses attributable to equity holders of parent entity	(10,182,920)		(8,552,716)
Number of shares			
Weighted average number of ordinary shares in issue	61,831,069		61,831,069
Loss per share	0.16		0.14

As noted in note 27 the group issued 428,381 new ordinary shares on 8 January 2013. This issue has no material impact on the basic or diluted EPS foe the year ended 31 December 2012.

10. FIXED ASSETS

		Leasehold improvements	Furniture & fixtures	Office equipment	Motor vehicles	Total
		HK$	*HK$*	*HK$*	*HK$*	*HK$*
Cost						
At 1 January 2011		-	-	-	-	-
Additions		490,193	164,465	398,192	-	1,052,850
Acquisition of subsidiaries		65,333	14,652	116,908	129,811	326,704
At 31 December 2011		555,526	179,117	515,100	129,811	1,379,554
Accumulated Depreciation						
At 1 January 2011		-	-	-	-	-
Charge for the year		106,456	34,697	150,293	20,144	311,590
At 31 December 2011		106,456	34,697	150,293	20,144	311,590
Net book value						
At 31 December 2011		449,070	144,420	364,807	109,667	1,067,964
Cost						
At 1 January 2012		571,526	181,765	541,304	140,000	1,434,595
Additions		27,650	23,620	117,996	-	169,266
Disposals		-	(9,050)	-	(140,000)	(149,050)
Written off		(382,526)	-	-	-	(382,526)
At 31 December 2012		216,650	196,335	659,300	-	1,072,285
Accumulated Depreciation						
At 1 January 2012		122,456	37,345	176,497	30,333	366,631
Charge for the year		99,099	45,497	213,704	-	358,300
Disposals		-	(3,242)	-	(30,333)	(33,575)
Written off		(133,884)	-	-	-	(133,884)
At 31 December 2012		87,671	79,600	390,201	-	557,472
Net book value						
At 31 December 2012		128,979	116,735	269,099	-	514,813

11. OTHER INTANGIBLE ASSETS

	Patent of TCM	Licence of quality management system for TCM clinic	Total
	HK$	*HK$*	*HK$*
Cost			
At 1 January 2011	5,000,000	14,400,000	19,400,000
Additions	-	-	-
Impairment	-	-	-
At 31 December 2011	5,000,000	14,400,000	19,400,000
Accumulated amortisation			
At 1 January 2011	-	-	-
Charge for the year	-	-	-
At 31 December 2011	-	-	-
Net book value			
At 31 December 2011	5,000,000	14,400,000	19,400,000
Cost			
At 1 January 2012	5,000,000	14,400,000	19,400,000
Additions	-	-	-
Impairment	-	(10,980,000)	(10,980,000)
At 31 December 2012	5,000,000	3,420,000	8,420,000
Accumulated amortisation			
At 1 January 2012	-	-	-
Charge for the year	-	1,553,333	1,553,333
At 31 December 2012	-	1,553,333	1,553,333
Net book value			
At 31 December 2012	5,000,000	1,866,667	6,866,667

Patent of TCM:

The patent was not amortised during the year ended 31 December 2012 as the patent was not yet available for use. Initial valuations and valuations for subsequent impairment tests are based on established market multiples or risk-adjusted future cash flows discounted using appropriate interest rates. These future cash flows are based on business forecasts and are therefore inherently judgmental. Future events could cause the assumptions used in these impairment reviews to change with a consequent adverse effect on the future results of the Group.

The patent is tested annually for impairment applying a value in use methodology, generally using seven year post-tax cash flow forecasts with a terminal value calculation and a discount rate of 25%, adjusted where appropriate for country-specific risks. The main assumptions include future sales price and volume growth, product contribution and the future expenditure required to maintain the product's marketability. These assumptions are based on past experience and are reviewed as part of management's budgeting and strategic planning cycle for changes in market conditions and sales erosion through competition. The terminal growth rates applied of 3% is management's estimates of future long-term average growth rates of the relevant markets. In each case the valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the patent.

Licence of quality management system for TCM clinic:

TCM procedures represent the licence for the use of the quality management system for clinic operation procedures that is in compliance with the requirements of ISO9001. The scope of the quality management system includes the provision of Chinese medical consultation and treatment, health advisory services, dispensing of prescribed herbal medicines, preparation and packaging of prescribed herbal medicines and brewing services.

The quality management system was amortised for the year ended 31 December 2012. Initial valuations and valuations for subsequent impairment tests are based on established market multiples or risk-adjusted future cash flows discounted using appropriate interest rates. These future cash flows are based on business forecasts and are therefore inherently judgmental. Future events could cause the assumptions used in these impairment reviews to change with a consequent adverse effect on the future results of the Group. The quality management system is tested annually for impairment applying a value in use methodology, generally using seven year post-tax cash flow forecasts with a terminal value calculation and a discount rate of 17%, adjusted where appropriate for country-specific risks. The main assumptions include future revenue growth and projected royalty fee assumed to pay for the system. These assumptions are based on past experience and are reviewed as part of management's strategic planning cycle for changes in market conditions and sales erosion through competition. The terminal growth rates applied of 3% is management's estimates of future long-term average growth rates of the relevant markets.

The discounted cash flow review for 2012 showed an expected net present value for future cash flows of HK$1.86 million. Accordingly, an impairment loss of HK$10.98m has been recognised for the year ended 31 December 2012.

12. GOODWILL

	2012 HK$	2011 HK$
Balance at the beginning of the year	2,846,964	165,691
Additions	-	2,681,273
Impairment charge for the year	-	-
Balance at the end of the year	2,846,964	2,846,964

Impairment tests for cash-generating units (CGU) continuing goodwill

Two CGUs are included within the Group's goodwill. One relates to the Group's TCM clinic operations and the other relates to the TCM retail operation. The recoverable amount of the goodwill is determined based on value-in use calculations. Cash flows are extrapolated using the estimated rates stated below. These calculations use cash flow projections based in financial budgets approved by management covering a one-year period. Cash flow projections are extrapolated up to a period of 5 years by using the estimated rates stated below. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates. A sensitivity analysis has performed on these calculations in respect of a decrease of growth rates. No impairment would be required if the growth rate were to decrease by 25%.

Key assumptions used for value-in use calculation are as follows:

	2012	2011
Gross margin	48%	31% - 56%
Growth rate*	20%	20%
Discount rate	17%	17%

*Growth rate is forecast to be 20% for the next three years, with future growth rates forecast to be 5% after three years

13. INTEREST IN SUBSIDIARIES

As at the date of this report, the Company has the following subsidiary undertakings which make up the Group:

Name of subsidiary	Date and place of incorporation	%	Acquired from:	Principal activities
Interests held directly by the Company:				
Cash generating unit:				
MiLOC Pharmaceutical Limited	20 November 2009, BVI	100%	Dr Chow Ching Fung	Marketing and distribution of TCM
MiLOC Medical Limited	16 March 2010, BVI	100%	Dr Chow Ching Fung	Operation of TCM Clinics and Hospitals
Non-cash generating unit:				
MiLOC Biotechnology Limited	6 November 2009, BVI	100%	Dr Chow Ching Fung and ONG, Ban Poh Michael	Research and development of TCM
Interests held indirectly by the Company:				

Cash generating unit:				
MiLOC Pharmaceutical (HK) Ltd	9 March 2011, HK	100%	N/A	Retailing and wholesaling of health care and related products
MiLOC Clinics Limited	15 February 2011, BVI	60%	N/A	Receipt of royalty fee from clinics
MiLOC Medical Limited	24 January 2011, HK	100%	N/A	Provision of medical services and retailing of healthcare and related products
MiLOC Medical Jor1 Limited	25 September 2007, HK	100%	Golden Ace Holdings Limited	Provision of medical services
MiLOC Clinics Jor2 Limited	19 July 2010, HK	36%	Dr Chan Chi Hang	Provision of medical services
MiLOC Store Limited	18 October 2010, HK	100%	Golden Ace Holdings Limited	Retailing and wholesaling of health and related products
Non-cash generating unit:				
Smart Falcon Limited	3 December 2009, BVI	100%	He Yu and Professor He Zhong Sheng	Holding company of the TCM IP Rights in relation to Rorrico
MiLOC Clinics (HK) Limited	15 March 2011, BVI	60%	N/A	Dormant
Golden Ace Holdings Limited	28 September 2010, BVI	100%	LEE Mun Keat	Investment holding company
MiLOC Pharmaceutical (Macau) Limited	9 June 2011, Macau	100%	N/A	Dormant

14. INVENTORIES

The inventories as at 31 December 2012 and 2011 are as follows.

	2012	**2011**
	HK$	***HK$***
Finished goods	803,636	999,914

15. TRADE RECEIVABLES

All balances are aged within one year and expected to be recovered within one year. No amounts are past due or impaired.

16. OTHER RECEIVABLES AND PREPAYMENT

All balances are expected to be recovered or recognised as expenses within one year. No amounts are past due or impaired.

17. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant transactions between the Group and its related parties as at 31 December 2012 and 2011 were as follow:

	2012	2011
	HK$	*HK$*
Amount due from shareholders	113,852	80,277
Amount due to shareholders	118	-
Amount due to directors	2,111,366	2,108,325
	2,111,484	2,108,325

The amount due from the shareholder mainly relates to unpaid share capital.

The amount due to the directors as at 31 December 2012 and 2011 relates to the payments made by the directors on behalf of the Group.

Apart from the above amount from/to the related companies, significant transactions between the Group and its related parties for the 31 December 2012 and 2011 were as follows:

	2012	2011
	HK$	*HK$*
Purchases from Green Health Supplement International Company	2,634,089	3,256,324
Management service fee paid/payable to Green Health Supplement International Company	-	99,417
Management service fee received/receivable from Green Health Supplement International Company	63,414	-
Rental fee received/receivable from a Green Health Supplement International Company	36,000	60,000

Mr. Chow Ching Fung, executive director, is a partner in Green Health Supplement International Company, an unlimited company.

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2012 and 2011 comprise:

		2012		**2011**
		HK$		***HK$***
Cash at bank and in hand		2,880,735		2,270,849

19. SHARE CAPITAL

		2012		**2011**
		HK$		**HK$**
Authorised,				
100,000,000 ordinary shares of US$0.001 each At the beginning and end of the year		775,000		775,000
Allotted and fully paid: No. of shares: At the beginning and end of the year		61,831,069		61,831,069
Amount: At the beginning and end of the year		481,046		481,046

20. OTHER PAYABLES AND ACCRUALS

		2012		**2011**
		HK$		***HK$***
Other payables		4,387		370
Receipts in advance		1,584,790		839,305
Accruals		1,022,664		1,351,456
Others		10,111		113,273
		2,621,406		2,304,404

21. CASH GENERATED FROM/(USED IN) OPERATIONS

Reconciliation of loss before taxation to cash used in operations:

	2012	2011
	HK$	*HK$*
Loss before taxation	(14,359,892)	(7,628,965)
Adjustments:		
Depreciation of fixed assets	358,300	311,590
Amortisation of intangible assets	1,553,333	-
Fixed assets written off	248,642	-
Loss on disposal of fixed assets	54,995	-
Impairment of intangible asset	10,980,000	-
Interest income	(154)	(282)
Interest expenses	6,029	7,588
Operating loss before changes in working capital	(1,158,747)	(7,310,069)
Decrease/(Increase) in inventories	196,278	(262,904)
(Increase)/decrease in trade receivables	(172,712)	419,912
Decrease/(Increase) in other receivables and prepayments	311,278	(597,218)
(Increase)/decrease in amount due from shareholders	(33,575)	926,360
Increase/(decrease) in trade payables	1,261,864	576,534
Increase/(decrease) in other payables and accruals	317,002	(208,964)
Increase/(decrease) in amount due to shareholders	118	(7,767)
Increase/(decrease) in amount due to directors	3,041	(665,769)
Cash generated from/(used in) operations	724,547	(7,129,885)

22. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2011:

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.

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.

The acquisition of the above subsidiaries had the following effect on the Group's assets and liabilities on the acquisition date:

		GAH	ICHI	Total
		HK$	HK$	HK$
Fixed assets		206,517	120,187	326,704
Inventories		549,879	187,131	737,010
Trade receivables		595,094	-	595,094
Other receivables and prepayments		-	14,600	14,600
Amounts due from shareholders		10,100	81,894	91,994
Cash and cash equivalents		(240,207)	548,784	308,577
Trade payables		(188,916)	(75,407)	(264,323)
Other payables and accruals		(232,422)	-	(232,422)
Amounts due to shareholders		(1,957,502)	-	(1,957,502)
Total fair value of net assets acquired		(1,257,457)	877,189	(380,268)
Total consideration		1	2,301,004	2,301,005
Goodwill		1,257,458	1,423,815	2,681,273
Total consideration comprises:				
Share capital		-	2,301,004	2,301,004
Cash		1	-	1
Total		1	2,301,004	2,301,005

The book values of the subsidiaries acquired are equal to their fair value.

The net cash inflow from the above business combination is HK$308,577 which comprises of the cash and cash equivalents acquired.

Goodwill of HK$2,681,273 has been recognised on acquisition and its attributable to future operating synergies from the combination.

If those acquisitions had occurred on 1 January 2011, the directors estimated that Group's revenue and loss for the year ended 31 December 2011 would have been HK$14,830K and HK$7,764K respectively.

23. COMMITMENTS UNDER OPERATING LEASES

The Group had future aggregate minimum lease payments under non-cancellable operating leases respect to office premises as follows:

	2012	2011
	HK$	*HK$*
Not later than one year	2,115,000	1,951,048
Later than one year but less than five years	2,162,384	-
	4,277,384	1,951,048

24. FINANCIAL INSTRUMENTS AND RISK

The Group has exposure to credit risk, liquidity risk, interest rate risk and foreign currency risk as a result of its operations. The Board of Directors has overall responsibility for establishing and monitoring the Group's risk management policies and processes. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

All treasury transactions are reported to and approved by the Board. The Group does not enter into or trade financial instruments for speculative purposes.

The principal risks to which the Group is exposed are market risk including currency risk, credit risk, liquidity risk and interest rate risk.

The Group has the following categories of financial instruments at the balance sheet date:

	2012	2011
	HK$	*HK$*
	Loan and receivables	**Loan and receivables**
Financial assets		
Inventories	803,636	999,914
Trade receivables	347,894	175,182
Other receivables	130,148	104,510
Amount due from shareholders	113,852	80,277
Cash and cash equivalents	2,880,735	2,270,849
	4,276,265	3,630,732
	Other financial liabilities	**Other financial liabilities**
Financial liabilities		
Trade payables	2,102,721	840,857

Other payables		4,387		370
		2,107,108		841,227

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations and is primarily attributable to its trade receivables. Any impairment of doubtful receivables is estimated by the Group's management based on prior experience and the current economic environment. The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

		2012		2011
		HK$		***HK$***
Inventories		803,636		999,914
Trade receivables		347,894		175,182
Other receivables		194,698		104,510
Amount due from shareholders		113,852		80,277
Cash and cash equivalents		2,880,735		2,270,849
		4,340,815		3,630,732

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies.

The Group has no significant concentration of credit risk.

Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market prices. The principal ways in which the Group is exposed to such fluctuations are through currency risk and interest rate risk.

Interest rate risk

The Group is exposed to interest rate risk on cash and cash equivalents. Assuming that all other variables remain constant, an increase of 100 basis points in interest rates would have increased equity and profit and loss by HK$28,807 (2011: HK$22,708). A corresponding decrease would have an equal but opposite effect.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. See going concern assessment within the directors' report. The contractual cash flows of financial liabilities are considered to be equal to their carrying amount in the balance sheet, and the maturities are all expected to be within one year.

Currency risk management

The Group is exposed to currency risk on financial assets of HK$1,220 (2011: HK$243,829) that are denominated in currencies other than Hong Kong dollars.

The Group operates mainly out of Hong Kong and its operations are denominated in Hong Kong dollar and a majority of the assets and liabilities are in that currency. The only fluctuation to the reporting currency of HK$ would be in relation to the translation at the year end to the reporting currency.

The Group has used a sensitivity analysis technique that measures the estimated change to the income statement and equity of a 10% strengthening and weakening in HK$ against all other currencies, with all other variables remaining constant. The sensitivity analysis includes only outstanding foreign currency denominated assets and liabilities and adjusts their translation at the balance sheet date for a 10% change in the applicable currency rate.

Under this assumption, with a 10% strengthening or weakening of HK$ against all exchange rates, loss before taxation would have increased or decreased respectively by US$184,101 (2011: US$102,218).

25. CAPITAL MANAGEMENT

The Board's policy is to manage its overall capital so as to ensure that companies within the Group continue to operate as going concerns and to maintain sufficient financial flexibility to undertake planned productions and investments.

The Groups' capital structure currently represents the equity attributable to the shareholders together with the cash and cash equivalents. The structure is reviewed on a quarterly basis to ensure that an appropriate level of gearing is being used. The Group currently does not have any external borrowings.

26. SHARE BASED COMPENSATION

In accordance with IFRS 2 Share-based Payments, the fair value of shares or options granted is recognised as personnel costs with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period during which the recipient becomes unconditionally entitled to payment unless forfeited or surrendered. The fair value of share options granted is measured using the Black-Scholes model, each taking into account the terms and conditions upon which the grants are made. The amount recognised as an expense is adjusted to reflect the best available estimate of the number of options that are expected to become exercisable. None of the Group plans feature any options for cash settlements.

Conditional share options have been granted to one adviser of the company. The exercise price of the granted options is at the listing price of GBP0.33 per share on ISDX. The options are is exercisable by notice to the Company at any time during the five year period commencing on the date of Admission.

	2012			2011	
	Number of options	**Average exercise price GBP**		**Number of options**	**Average exercise price GBP**
Outstanding at the beginning of the year					

Granted	72,161	0.33		72,161	0.33
Lapsed	-	-		-	-
Forfeited by option holder	-	-		-	-
Outstanding at the end of the year	**72,161**	**0.33**		**72,161**	**0.33**
Exercisable at the end of the year	72,161	0.33		72,161	0.33

As the Company was admitted to the ISDX Growth market in December 2010, it is not expected that the outstanding options will vest within one year.

In 2010, the compensation cost with respect to the outstanding plan, which are equity settled instruments, was minimal and no expenses were recognised in the income statement.

The fair value per share for each grant of options and the assumptions used in the calculation are as follows:

Grant date	**20 December 2010**
Options granted	72,161
Option price – GBP	0.33
Maturity (in years)	2015
Expected term (in years)	5
Expected dividend yield	0%
Expected volatility	58.9%
Risk free interest rate	2.75%
Fair value of the granted option - GBP	**0.17**

During the year ended 31 December 2012 and 2011, there were no share options granted.

27. POST BALANCE SHEET EVENT

On 8 January 2013 the company issued 428,381 new US$0.001 ordinary shares. The issue raised £96,385.55 (22.5p per share). Following the completion of the placing the total ordinary shares in issue increased to 62,259,450.

On 8 May 2013, the Group entered into a franchise and management agreement with a TCM clinic in Tuen Mun, Hong Kong, for the provision of franchise and management services. This is the first franchise TCM clinic of the Group.

On 22 May 2013, the Group entered into a franchise and management agreement with a TCM clinic in Tai Po, Hong Kong, for the provision of franchise and management services. This is the second franchise TCM clinic of the Group