28 May 2014

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

Final audited results for the year ended 31 December 2013

MiLOC Group Limited (ISDX: ML.P), the ISDX quoted pharmaceutical and healthcare group (the “Company” or the “Group”), is pleased to announce its audited consolidated financial statements for the year ended 31 December 2013.

Key financial highlights:

- Revenues for the year ended 31 December 2013: HK$18,107K (2012: HK$15,503K)
- Loss for the year: HK$999K (2012: HK$13,906K)
- Impairment of intangible assets in the year: HK$NIL (2012: HK$10,980K)
- The basic and diluted loss per share for the year: HK$0.02 (2012: HK$0.16)
- The Group’s net cash position as at 31 December 2013: HK$3,850K (2012: HK$2,881K)

Professor Chow Ching Fung, Chairman of the Company said:

“The Group has had a satisfactory year with revenues of HK$18,107K representing an approximately 17% increase over 2012 revenues. This growth is attributable to the improvement in the performance of the Group’s clinic operations and continued growth in its sale and distribution of traditional Chinese medicine (“TCM”) and healthcare products. Although the accounts show an overall loss position for the year, the Group is endeavouring to return to profitable growth by further development of its franchise clinic network and implementation of an integrated marketing campaign of the Group’s products and services.

The population in Hong Kong and the People’s Republic of China (the “PRC”) is rapidly ageing and the demand for healthcare is escalating. In addition to its franchise clinic network, the Group intends to meet this increasing demand by actively seeking merger and acquisition opportunities which are in the pharmaceutical distribution and retail business in Hong Kong and PRC. The Board believes that these strategies will position the Company for future growth”.

The financial information in this announcement is derived from the Group’s audited consolidated financial statements for the year ended 31 December 2013 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:-

ONG Ban Poh Michael – Chief Executive Officer Tel: +852 2110 4221
Ronnie CHOI – Chief Financial Officer Tel: +852 2110 4221
Maureen Tai – Corporate Adviser, Grant Thornton UK LLP Tel: +852 3987 1401
Jamie Barklem – Corporate Adviser, Grant Thornton UK LLP Tel: +44(0) 20 7865 2692

Chairman's Statement

I am very pleased to report the 2013 financial year results for MiLOC Group Limited.

The Group has had a satisfactory year with revenues of HK$18,107K representing an approximately 17% increase over 2012 revenues. This growth is attributable to the improvement in the performance of the Group's clinic operations and continued growth in its sale and distribution of TCM and healthcare products. Although the accounts show an overall loss position for the year, the Group is endeavouring to return to profitable growth by further development of its franchise clinic network and implementation of an integrated marketing campaign of the Group's products and services.

The Board expects that the Group's performance in 2014 will continue to be strong, which will allow the Group to further grow its clinic operations, develop its franchise clinic network and execute its acquisition strategy and marketing plans.

January 2013

On 8 January 2013, the Group entered into agreements to raise a total of £96,385.55 (approximately HK$1.2 million) before expenses through a placing of 428,381 new ordinary shares of US$0.001 each in the share capital of the Company (the "January Placing Shares"). The January Placing Shares were placed at 0.225p per share to a private investor and Kingsway Lion Spur Technology Limited (100% beneficially owned by Sunwah Kingsway Capital Holdings Limited, a financial services company listed on the HKSE (stock code: 188)). The funds raised were mainly for enhancing the clinic operations and TCM distribution business.

May 2013

On 7 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, which was the first franchise TCM clinic of the Group. Subsequently, 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. The Group provided franchise and managment services such as clinic set up, accounts and book keeping, human resource management and marketing campaigns as well as supply of TCM to the franchise clinics. The Board expects to continue to expand the Group's franchise clinic network in 2014.

July 2013

On 11 July 2013, the Group entered into agreements to raise a total of £17,207.26 (approximately HK$0.2 million) before expenses through a further placing of 73,222 new ordinary shares of US$0.001 each in the share capital of the Company (the "July Placing Shares"). The July Placing Shares were placed at 0.235p per share to a private investor and Twilight Rivers Financial Consulting Limited. The funds raised were mainly for enhancing the clinic operations and TCM distribution business.

Financial review

(i) Revenue and gross profit

The Group's revenue for the year ended 31 December 2013 amounted to HK$18,107K which represented a 17% increase as compared to the year ended 31 December 2012. This is mainly attributable to the improvement in the performance of the Group's clinic operations and continued growth in its distribution of TCM and healthcare products. The Group's revenue for the year included sales of TCM that amounted to HK$6,024K (2012: HK$4,238K) and revenue from its clinic operations that amounted to HK$12,068K (2012: HK$11,265K). The Group's gross profit and gross profit margin for the year ended 31 December 2013 amounted to HK$11,645K and 64% (2012: HK$10,049K and 65%) respectively. The increase in gross profit was in line with the increase in the Group's revenue.

(ii) Other revenue and operating expenses

The Group's other revenue for the year ended 31 December 2013 amounted to HK$568K that was decreased by 59% as compared to the year ended 31 December 2012. It was mainly due to the decrease of revenue from management and consultancy services which did not include the royalty income from the franchises. The Group's distribution costs for the year ended 31 December 2013 amounted to HK$141K which was decreased by 62% as compared to the year ended 31 December 2012. It was mainly due to lower advertising and promotion costs incurred. The Group's administrative expenses for the year ended 31 December 2013 were HK$12,963K compared to HK$14,443K for the year ended 31 December 2012. The decrease was mainly attributable to less amortisation of intangible assets for this year. The Group's operating loss after impairment decreased significantly from HK$14,354K for the year ended 31 December 2012 to HK$871K for the year ended 31 December 2013. This decrease is mainly due to the improvement in the Group's performance and less impairment on intangible assets.

(iii) Loss and loss per share

The Group's loss for the year amounted HK$999K (2012: HK$13,906K). As a result, the Group's basic and diluted loss per share for the year was HK$0.02 (2012: HK$0.16).

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 2013 amounted to HK$287K which mainly comprised of leasehold improvements, furniture and fixtures and office equipment. The Group's tangible fixed assets decreased by HK$228K as compared to HK$515K as at 31 December 2012 mainly due to depreciation.

The Group's other intangible assets as at 31 December 2013 amounted to HK$6,633K which was decreased by HK$234K as compared to HK$6,867K as at 31 December 2012. This was principally due to amortization of intangible assets during the year.

The Group's goodwill as at 31 December 2013 is valued at HK$2,847K which is consistent with the amount as at 31 December 2012.

The Group's inventories as at 31 December 2013 amounted to HK$1,355K with an increase of HK$551K over the balance as at 31 December 2012. Inventories mainly consisted of TCM and healthcare products purchased during the year.

The Group's trade payables as at 31 December 2013 amounted to HK$3,213K. This represents a significant increase over the sum of HK$2,103K recorded for the year ending 31 December 2012. This is 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$2,881K as at 31 December 2012 to HK$3,850K as at 31 December 2013. The movements refer to the Group's cash flow statement included in the non-statutory group financial statements.

Outlook

The Group will continue to promote the benefits of TCM by providing high quality modernised TCM healthcare services and products, and expanding its franchise clinic network under the MiLOC brand name to capture market share, build brand recognition and gain trust from our patients and customers.

The population in Hong Kong and the PRC is rapidly ageing and the demand for healthcare is escalating. In addition to its franchise clinic network, the Group intends to meet this increasing demand by actively seeking merger and acquisition opportunities which are in the pharmaceutical distribution and retail business in Hong Kong and the PRC. The Group is also exploring its options to raise capital for the future potential acquisitions and the possibility of listing on another stock exchange.

Finally, on behalf of the board of directors, I would like to extend our thanks to all our employees, partners, shareholders, customers, business associates and suppliers, for their continued support.

Chairman
Professor Chow Ching Fung

MiLOC Group Limited
Consolidated Statement of Comprehensive Income
For the year ended December 2013

	Notes	2013		2012
From continuing operations		*HK$*		*HK$*
Revenue	*3*	18,106,689		15,503,018
Cost of sales		(6,447,037)		(5,453,537)
Gross profit		11,659,652		10,049,481
Other revenue	*3*	568,377		1,386,776
Distribution costs		(141, 280)		(373,532)
Administrative expenses		(12,962,980)		(14,443,376)
Foreign exchange gains		5,194		6,634
Operating loss before impairment	*4*	(871,037)		(3,374,017)
Impairment	*11*	-		(10,980,000)
Operating loss after impairment		(871,037)		(14,354,017)
Finance costs	*5*	(8)		(6,029)
Interest income		144		154
Loss before taxation		(870,901)		(14,359,892)
Taxation	*6*	(128,179)		453,400
Loss for the for year		(999,080)		(13,906,492)
Other comprehensive income				-
Total comprehensive result for the year		(999,080)		**(13,906,492)**
Attributable to:				
The equity holders of the parent entity		(1,193,996)		(10,182,920)
Non-controlling interests		194,916		(3,723,572)
		(999,080)		(13,906,492)

Loss per share – from continuing operations (HK$)				
Basic	***9***	(0.02)		(0.16)
Diluted	***9***	(0.02)		(0.16)

MiLOC Group Limited
Consolidated Statement of Financial Position
As of 31 December 2013

	Notes	As at 31 December 2013 HK$	As at 31 December 2012 HK$
Assets			
Non-current assets			
Fixed assets	*10*	287,211	514,813
Other intangible assets	*11*	6,633,333	6,866,667
Goodwill	*12*	2,846,964	2,846,964
Deferred tax assets	*6*	666,221	678,400
		10,433, 729	10,906,844
Current assets			
Inventories	*14*	1,354,823	803,636
Trade receivables	*15*	766,443	347,894
Other receivables and prepayments	*16*	772,502	815,094
Amount due from shareholders	*17*	152,907	113,852
Cash and cash equivalents	*18*	3,849,707	2,880,735
		6,896,382	4,961,211
Total assets		**17,330,111**	**15,868,055**
Equity and liabilities			
Equity			
Share capital	*19*	484,950	481,046
Share premium		23,902,317	22,506,221
Retained earnings		(29,275,002)	(28,081,006)
Equity attributable to the parent entity		(4,887,735)	(5,093,739)
Non-controlling interests		13,752,099	13,557,183
Total equity		8,864,364	8,463,444
Liabilities			
Current liabilities			
Trade payables		3,212,602	2,102,721
Other payables and accruals	*20*	2,384,336	2,621,406
Amount due to shareholders	*17*	72,443	118
Amounts due to directors	*17*	2,111,366	2,111,366
Taxation payable		685,000	569,000
		8,465,747	7,404,611
Total equity and liabilities		**17,330,111**	**15,868,055**

MiLOC Group Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2013

	Notes	**2013**	**2012**
		HK$	***HK$***
OPERATING ACTIVITIES			
Cash (used in)/ generated from operations	*21*	(347,536)	718,672
INVESTING ACTIVITIES			
Purchase of fixed assets		(83,492)	(169,266)
Proceed from disposal of fixed assets		-	60,480
Net cash used in investing activities		(83,492)	(108,786)
FINANCING ACTIVITIES			
Issuance of shares		1,400,000	-
Net cash generated from/(used in) financing activities		1,400,000	-
Net increase in cash and cash equivalents		968,972	609,886
Cash and cash equivalents at beginning of year		**2,880,735**	**2,270,849**
Cash and cash equivalents at end of year		**3,849,707**	**2,880,735**

Summary of major non-cash transactions:

During the year ended 31 December 2013, the impairment on the Group's intangible assets amounted to HK$ Nil (2012: HK$10,980,000).

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in (i) the research, development, marketing and distribution of traditional Chinese medicine ("TCM") and healthcare products, and (ii) the development and operation of a network of TCM clinics in China, Hong Kong and Macau. Revenue recognised during the year can be analysed as follows:

	2013		2012
	HK$		*HK$*
Revenue			
Sales of TCM and healthcare products	6,024,299		4,238,188
Provision of clinical services	12,082,390		11,264,830
	18,106,689		15,503,018
Other revenue			
Consultancy fee	35,000		385,000
Management fee	440,000		843,414
Income for holding healthcare conference	20,600		12,839
Others	72,777		145,523
	568,377		1,386,776
Total revenue and other revenue	18,675,712		16,889,794

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 (1) revenues from the sales of TCM and healthcare products and (2) 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 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 2013 and 2012 is set out below:

	For the year ended 31 December 2013		
	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	6,024,299	12,082,390	18,106,689
Segment results	4,545,515	(1,691,941)	2,853,574
Unallocated income and expenses			(3,724,611)
Operating loss			(871,037)
Finance costs			(8)
Interest income			144
Loss before taxation			(870,901)
Taxation			(128,179)
Loss for the year			(999,080)

	For the year ended 31 December 2013				
	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	83,492		-		83,492
Amortisation of - intangible assets	233,334		-		233,334
Depreciation of					
- Fixed assets	189,743		121,351		311,094
Segment assets	10,156,571		6,421,997		16,578,568
Segment liabilities	3,975,767		3,234,923		7,210,690

	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 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

(b) Reconciliation of reportable segment assets and liabilities

	As at 31 December 2013		**As at 31 December 2012**
	HK$		***HK$***
Assets			
Reportable segment assets	16,578,568		14,992,956
Deferred tax assets	666,221		678,400
Unallocated head office and corporate assets	85,322		196,699
Consolidated total assets	17,330,111		15,868,055
Liabilities			
Reportable segment liabilities	7,210,690		6,157,152
Current tax payable	685,000		569,000
Unallocated head office and corporate liabilities	570,057		678,459
Consolidated total liabilities	8,465,747		7,404,611

(c) Geographic information

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

4. OPERATING LOSS

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

	2013	**2012**
	HK$	***HK$***
Auditor's remuneration	567,445	393,250
Depreciation of fixed assets	311,094	358,300
Amortisation of intangible assets	233,334	1,553,333
Impairment on intangible assets	-	10,980,000
Operating lease charges: minimum lease payments for properties	3,221,780	2,783,515
Exchange gain, net	(5,194)	(6,634)

5. FINANCE COSTS

	2013	**2012**
	HK$	***HK$***
Interest expenses for hire purchase	-	6,029
Others	8	-
	8	6,029

6. TAXATION

Taxation in the consolidated statement of comprehensive income represents:

	2013	2012
	HK$	*HK$*
Hong Kong corporate income tax		
- Provision for the current year	116,000	251,000
- Under/(Over)-provision in the previous year	14,354	(26,000)
- Deferred tax – relating to tax loss	(2,175)	(678,400)
	128,179	(453,400)

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

	2013	2012
	HK$	*HK$*
Loss before taxation	1,193,996	14,359,892
Loss multiplied by standard rate of corporation tax in Hong Kong of 16.5%	197,009	2,369,382
Effect of:		
Non-deductable expenses	-	(1,811,700)
Under/(Over-provision) in the previous year	14,354	(26,000)
Tax loss recognised for deferred tax purpose	(83,184)	(985,082)
	128,179	(453,400)

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

	2013	2012
	HK$	*HK$*
Salaries, wages and other benefits	3,421,980	3,358,089

Contributions to defined contribution plan	133,018		205,210
	3,554,998		3,563,299

8. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2013		2012
	HK$		*HK$*
Salaries and other short-term benefits:			
-Salaries and allowances	2,398,000		2,170,000
-Retirement scheme contribution	34,500		39,500
	2,432,500		2,209,500

The directors of the group represent the group's key management personnel. Each of Messrs Professor Chow Ching Fung, Ong Ban Poh Michael, Ow Kian Jing Dennis, Ivor Colin Shrago and Paul Wyman Cheng (resigned on 28 June 2013) has entered into a service agreement with the Company for an initial term commencing from 20 December 2010 to 19 December 2011.

The service agreements have since been renewed on a yearly basis with the exception of Paul Wyman Cheng who resigned from the board on 28 June 2013.

The Group confirms that, in compliance with Guidance Note 69.1 of the ISDX Growth Market - Rules for Issuers (as amended on 9 July 2013), none of its directors held more than (a) one executive directorship combined with four non-executive directorships or (b) eight non-executive directorships during the year ended 31 December 2013.

9. EARNING PER SHARE – BASIC

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.

	2013		2012
	HK$		*HK$*
Losses attributable to equity holders of parent entity	(1,193,996)		(10,182,920)
Number of shares			
Weighted average number of ordinary shares in issue	62,286,140		61,831,069
Loss per share	0.02		0.16

10. FIXED ASSETS

	Leasehold improvements	Furniture & fixtures	Office equipment	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
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
Cost					
At 1 January 2013	216,650	196,335	659,300	-	1,072,285
Additions	80,000	2,340	1,152	-	83,492
At 31 December 2013	296,650	198,675	660,452	-	1,155,777
Accumulated Depreciation					
At 1 January 2013	87,671	79,600	390,201	-	557,472
Charge for the year	59,511	34,633	216,950	-	311,094
At 31 December 2013	147,182	114,233	607,151	-	868,566
Net book value					
At 31 December 2013	149,468	84,442	53,301	-	287,211

11. OTHER INTANGIBLE ASSETS

	Patent of TCM	Licence of quality management system for TCM clinic	Total
	HK$	*HK$*	*HK$*
Cost			

At 1 January 2012		5,000,000		14,400,000		19,400,000
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
Cost						
At 1 January 2013		5,000,000		3,420,000		8,420,000
At 31 December 2013		5,000,000		3,420,000		8,420,000
Accumulated amortisation						
At 1 January 2013		-		1,553,333		1,553,333
Charge for the year		-		233,334		233,334
At 31 December 2013		-		1,786,667		1,786,667
Net book value						
At 31 December 2013		5,000,000		1,633,333		6,633,333

Patent of TCM:

The patent was not amortised during the year ended 31 December 2013 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 2013. 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 2013 showed an expected net present value for future cash flows of HK$2.14 million.

12. GOODWILL

		2013 HK$		2012 HK$
Balance at the beginning of the year		2,846,964		2,846,964
Additions		-		-
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:

		2013		2012
Gross margin		48%		48%
Growth rate* Discount rate		20% 17%		20% 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%	Professor Chow Ching Fung	Marketing and distribution of TCM

MiLOC Medical Limited	16 March 2010, BVI	100%	Professor Chow Ching Fung	Operation of TCM Clinics and Hospitals
Non-cash generating unit:				
MiLOC Biotechnology Limited	6 November 2009, BVI	100%	Professor 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%	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 2013 and 2012 are as follows.

	2013	2012
	HK$	*HK$*
Finished goods	1,354,823	803,636

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 2013 and 2012 were as follow:

	2013	2012
	HK$	*HK$*
Amount due from shareholders	152,907	113,852
Amount due to shareholders	72,443	118
Amount due to directors	2,111,366	2,111,366
	2,183,809	2,111,484

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

The amount due to the directors as at 31 December 2013 and 2012 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 2013 and 2012 were as follows:

	2013	2012
	HK$	*HK$*
Purchases from Green Health Supplement International Company	1,765,997	2,634,089

Management service fee received/receivable from Green Health Supplement International Company	-		63,414
Rental fee received/receivable from Green Health Supplement International Company	-		36,000

Professor 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 2013 and 2012 comprise:

		2013		2012
		HK$		*HK$*
Cash at bank and in hand		3,849,707		2,880,735

19. SHARE CAPITAL

		2013		2012
		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
Issuance of shares		501,603		-
At the end of the year		62,332,672		61,831,069
Amount: At the beginning and end of the year		481,046		481,046
Issuance of shares		3,904		-
At the end of the year		484,950		481,046

On 8 January 2013, the Group entered into agreements to raise a total of £96,385.55 (approximately HK$1.2 million) before expenses through a placing of 428,381 new ordinary shares of US$0.001 each in the share capital of the Company (the "January Placing Shares"). The January Placing Shares were placed at 0.225p per share to a private investor and Kingsway Lion Spur Technology Limited (100% beneficially owned by Sunwah Kingsway Capital Holdings Limited, a financial services company listed on the HKSE (stock code: 188)). The funds raised were mainly for enhancing the clinic operations and TCM distribution business.

On 11 July 2013, the Group entered into agreements to raise a total of £17,207.26 (approximately HK$0.2 million) before expenses through a further placing of 73,222 new ordinary shares of US$0.001 each in the share capital of the Company (the "July Placing Shares"). The July Placing Shares were placed at 0.235p per share to a private investor and Twilight Rivers Financial Consulting Limited. The funds raised were mainly for enhancing the clinic operations and TCM distribution business.

20. OTHER PAYABLES AND ACCRUALS

	2013	2012
	HK$	*HK$*
Other payables	43,389	4,387
Receipts in advance	716,500	1,584,244
Accruals	1,624,447	1,022,664
Others	-	10,111
	2,384,336	2,621,406

21. CASH (USED IN)/GENERATED FROM OPERATIONS

Reconciliation of loss before taxation to cash used in operations:

	2013	2012
	HK$	*HK$*
Loss before taxation	(870,901)	(14,359,892)
Adjustments:		
Depreciation of fixed assets	311,094	358,300
Amortisation of intangible assets	233,334	1,553,333
Fixed assets written off	-	248,642
Loss on disposal of fixed assets	-	54,995
Impairment of intangible asset	-	10,980,000
Operating loss before changes in working capital	(326,473)	(1,164,622)
(Increase)/decrease in inventories	(551,187)	196,278
Increase in trade receivables	(418,549)	(172,712)
Decrease in other receivables and prepayments	42,592	311,278
Increase in amount due from shareholders	(39,055)	(33,575)
Increase in trade payables	1,109,881	1,261,864
(Decrease)/increase in other payables and accruals	(237,070)	317,002
Increase in amount due to shareholders	72,325	118

Increase in amount due to directors	-	3,041
Cash (used in)/generated from operations	(347,536)	718,672

22. COMMITMENTS UNDER OPERATING LEASES

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

	2013	**2012**
	HK$	***HK$***
Not later than one year	1,688,360	2,115,000
Later than one year but less than five years	474,025	2,162,384
	2,162,385	4,277,384

23. 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:

	2013	**2012**
	HK$	***HK$***
	Loan and receivables	**Loan and receivables**
Financial assets		
Inventories	1,354,823	803,636
Trade receivables	766,443	347,894
Other receivables	150,002	130,148
Amount due from shareholders	152,907	113,852
Cash and cash equivalents	3,849,707	2,880,735
	6,273,882	4,276,265
	Other financial liabilities	**Other financial liabilities**
Financial liabilities		

Trade payables		3,212,602		2,102,721
Other payables		43,389		4,387
		3,255,991		2,107,108

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:

		2013		**2012**
		HK$		***HK$***
Inventories		1,354,823		803,636
Trade receivables		766,443		347,894
Other receivables		150,002		194,698
Amount due from shareholders		152,907		113,852
Cash and cash equivalents		3,849,707		2,880,735
		6,273,882		4,340,815

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$38,497 (2012: HK$28,807). 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$1,261 (2012: HK$1,220) 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$11,349 (2012: US$184,101).

24. 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.

25. 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.

	2013			2012	
	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 (formerly PLUS Markets) 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 2013 and 2012, there were no share options granted.