MiLOC GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2010

MiLOC GROUP LIMITED

CORPORATE INFORMATION

DIRECTORS	***Executive directors:*** Dr Chow Ching Fung Ong Ban Poh Michael Ow Dennis Kian Jing ***Independent non-executive directors:*** Ivor Colin Shrago Paul Wyman Cheng
COMPANY NUMBER	237076
COMPANY SECRETARY	The R&H Trust Co. Limited Windward 1 Regatta Office Park P.O. Box 897GT Grand Cayman Cayman Islands
REGISTERED OFFICE	Windward 1, Regatta Office Park, P.O. Box 897 GT. Grand Cayman, Cayman Islands
AUDITOR	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD
BANKERS	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong
REGISTRARS	The R&H Trust Co. Limited Windward 1 Regatta Office Park P.O. Box 897GT Grand Cayman Cayman Islands
SOLICITORS	Stephenson Harwood 35/F Bank Of China Tower, 1 Garden Road, Central, Hong Kong

MiLOC GROUP LIMITED

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MiLOC GROUP LIMITED

**CHAIRMAN'S STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2010**

The chairman presents his statement for the period ended 31 December 2010.

Dear Shareholder,

I am pleased to report the consolidated results of MiLOC Group Limited and its subsidiaries (the "Group") for the period from incorporation on 10 February 2010 to 31 December 2010.

The nature of MiLOC Group Limited's (the "Company") operations and its principal activities are to act as the holding company of a group engaged in (i) the research, development, marketing and distribution of traditional Chinese medicine ('TCM') and (ii) the development and operation of a network of TCM clinics and hospitals across China, Hong Kong ('HK') and Macau.

Financial highlights

Revenue for the period ended 31 December 2010: HK$128K
Loss for the period: HK$9,345K.
The basic and diluted loss per share for the period: HK$0.73
The Group's net cash position as at 31 December 2010: HK$10,152K.

Review of significant activities

April 2010

On 8 April 2010, the Company acquired the entire issued share capital of MiLOC Pharmaceutical Limited, MiLOC Biotechnology Limited and MiLOC Medical Limited for considerations of USD1, USD1,000 and USD1, respectively. As at 31 December 2010, the Company has the following subsidiary undertakings:

Name of subsidiary	Principal activities
MiLOC Pharmaceutical Limited	Marketing and distribution of TCM
MiLOC Biotechnology Limited	Research and development of TCM
MiLOC Medical Limited	Operation of TCM Clinics and Hospitals
Smart Falcon Limited	Holder of TCM IP rights

MiLOC GROUP LIMITED

CHAIRMAN'S STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2010

November 2010

On 22 November 2010, the Company procured the acquisition from Star Silver Investments Limited by MiLOC Biotechnology Limited, a wholly owned subsidiary of the Company, of the entire issued share capital of Smart Falcon Limited in consideration of a sum of HK$5,000,000 satisfied by the allocation of 805,900 ordinary shares in the capital of the Company. Smart Falcon Limited holds the intellectual property rights of a traditional Chinese medicine named Rorrico (the 'TCM IP Rights').

December 2010

MiLOC was admitted to the PLUS-quoted market in December 2010.

Financial review

The Group's revenue for the period ended 31 December 2010 amounted to HK$128K and was derived from the distribution of TCM. The Group incurred a loss of HK$9,345K for the period. The loss was mainly attributable to (i) the Group's acquisition and subsequent development of the operation of TCM clinics and a hospital network with a view of substantially increasing the distribution of TCM and (ii) general administrative costs of HK$9.03 million. The basic and diluted loss per share for the period was HK$0.73. The Group's net cash position as at 31 December 2010 was HK$10,152K.

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

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.

Chow Ching Fung
Chairman
6 June 2011

MiLOC GROUP LIMITED

DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2010

The directors present their report and the audited financial statements of the Company and its subsidiaries (the 'Group") for the period from incorporation on 10 February 2010 to 31 December 2010.

Principal activities and business review

The nature of the Company's operations and its principal activities are to act as the holding company of a group engaged in (i) the research, development, marketing and distribution of traditional Chinese medicine ('TCM') and (ii) the development and operation of a network of TCM clinics and hospitals across China, Hong Kong and Macau.

The Group's revenue for the period ended 31 December 2010 amounted to HK$128K and was derived from the distribution of TCM. As was anticipated in the Prospectus for the Admission of the Company to PLUS the Group incurred a loss that amounted to HK$9,345K for the period. The basic and diluted loss per share for the period was HK$0.73. The Group's net cash position as at 31 December 2010 was HK$10,152K.

The Company was admitted to the PLUS-quoted market in December 2010.

Financial highlights

	HK$
Revenue	128,404
Gross profit	53,274
Gross profit margin	41%
Loss for the period	(9,345,370)
Loss per share – basic and diluted	(0.73)

The directors do not anticipate any material change in the nature of the group's operations in the foreseeable future.

MiLOC GROUP LIMITED

DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2010

Results and dividends

Loss after taxation for the period ended 31 December 2010 amounted to HK$9,345,370.

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

Post balance sheet events

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 TCM 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.

GAH owns and operates a clinic which is strategically located in the busiest part of Jordan, Kowloon District (just beside the MTR), with high human traffic flow. The clinic has a floor space size of over 5,000 square feet (which is one of the largest in the business) for an integrated service of TCM Clinic & Health Products. It currently stocks approximately 60 types of Health Products primarily from China, Hong Kong and the USA. The gross sales of the acquired clinic at the date of acquisition were HK$626K (equivalent to GBP 50K, exchange rate:GBP1=HK$12.55) and currently has a net loss of HK$570K (equivalent to GBP45K). The loss is manageable and is accounted for by the costs incurred in setting up the operation of the business and covering salaries etc, while the business was developed.

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 will receive 1,840,803 Class B Ordinary Shares and Tung Chau Man will receive 460,201 Class B Ordinary Shares as a consequence of such agreement.

Based on the unaudited 7 months management account of ICHI from 07/2010 to 01/2011, the acquired clinic YTD sales turnover is 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.

ICHI is the second clinic that we have strategically acquired in Jordan, Kowloon District, with high human traffic flow. The clinic has a floor space size of over 1,000 square feet for an integrated service of TCM Clinic. Revenue from the Vendor's business is derived from doctors' consultation and supplements.

Cases of swine flu this winter have proven rather less than originally anticipated and thus sales of Rorrico have reduced somewhat. However, Rorrico is also prescribed for influenza A, B, and common flu patients through our clinic network. The Directors remain confident that this product will prove to be a significant contributor to the Company's income for the foreseeable future.

Directors

The directors who held office during the period are:

Executive directors:

Dr Chow Ching Fung – Chairman (appointed on 15 March 2010)

Ong Ban Poh Michael (appointed on 15 March 2010)

Ow Dennis Kian Jing (appointed on 15 March 2010)

Independent non-executive directors:

Ivor Colin Shrago (appointed on 06 May 2010)

Paul Wyman Cheng (appointed on 06 May 2010)

Directors' interest

The directors who served during the period and their interests in the Company's issued share capital were:

	Number of ordinary shares held as at 31 December 2010
Executive directors:	
Dr Chow Ching Fung (note a)	28,149,797
Ong Ban Poh Michael (note a)	14,074,899
Ow Dennis Kian Jing	732,636
Independent non-executive directors:	
Ivor Colin Shrago	138,683
Paul Wyman Cheng	0

Notes:

(a) These shares were held by Megasia International Ltd.

The Directors hold 69.7% of the issued share capital at 31 December 2010.

Senior management

The senior management who served during the period and their interests in the Company's issued share capital were:

	Number of ordinary shares held as at 31 December 2010
Ronnie Choi (CFO)	312,592
Professor He Zong Seng, senior consutant	610,530

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements.

In addition, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRS'), which includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standards Board ("IASB"). The financial statements are prepared so as to give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group. They are also responsible for the system of internal control, safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal risks and uncertainties

The directors acknowledge that the Group has a limited operating history and that its business plan is subject to qualification according to potential threats from competitors, industrial trends, and regulatory requirements that may impact on the execution of its business plan and upon the expansion of its operations. The directors keep all such threats under review and regularly evaluate the business plan and endeavor to assess any potential risk that could impact on the Group's operations, its capital requirements and financial exposure. The directors will, according to these risks, where necessary modify the company's strategies in order to overcome or minimize any risk exposure.

Financial instruments

During the period ended 31 December 2010, the major source of finance was by the issuance of share capital. By executing the business plan going forward, the Group anticipates that its principal sources of finance will comprise cash in the bank and trade receivables. The main purpose of these instruments is to raise funds for the company's operations and to finance the company's operations. Its main liabilities lie in trade payables.

Liquidity risks are managed by maintaining a balance between the continuity of funding and flexibility through the use of loans. The company makes use of money market facilities where funds are available at reasonable cost.

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Trade receivables are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade payables are managed by ensuring that sufficient funds are available to meet amounts due from time to time.

Going concern

The financial statements have been prepared on a going concern basis since the directors are satisfied that the Group has sufficient resources to continue its business in the foreseeable future.

Annual general meeting

The annual general meeting of the Company will be held on 30 June 2011 at 12/F Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

MiLOC GROUP LIMITED

DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2010

Substantial shareholders

As at 30 April 2011, the Company has been notified the following beneficial interests of 3% or more in its shares:

Name of shareholder	Number of shares	% of issued share capital and voting rights
Dr Chow Ching Fung (note a)	29,149,797	45.53%
Ong Ban Poh Michael (note a)	14,074,899	22.76%
Lim Yi Shenn	5,325,864	8.61%
Chow King Tung	5,276,622	8.53%

Notes:
(a) These shares were held by Megasia International td.

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that the directors are aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- that directors have taken all the steps that ought reasonably to have been taken as directors in order to be provide any information requested by the Group's auditor in connection with the preparation of its Report.

Auditors

The Group's auditors are Mazars LLP, and they will be proposed for reappointment to the members at the annual general meeting.

This report was approved by the board on 6 June 2011 and signed on its behalf.

Ong Ban Poh Michael
Director
6 June 2011

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF MILOC GROUP LIMITED

We have audited the group financial statements of MiLOC Group Limited (the Group) for the 11 month period ended 31 December 2010 which comprise the Group Statement of Financial Position, the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the company's directors. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial information and nonfinancial information in the group financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion:

- The group financial statements give a true and fair view of the state of the group's affairs as at 31 December 2010 and of the group's loss for the year then ended; and
- the group financial statements have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board.

Mazars LLP

Mazars LLP

Chartered Accountants and Registered Auditor

Tower Bridge House
St. Katharine's Way
London
E1W 1DD

6 June 2011

MiLOC Group Limited
Consolidated Statement of Comprehensive Income
For the period from incorporation on 10 February 2010 to 31 December 2010

From continuing operations	**Notes**	**For the period ended 31 December 2010** ***HK$***
Revenue	*3*	128,404
Cost of sales		(75,130)
Gross profit		53,274
Distribution costs		(29,822)
Administrative expenses		(9,528,421)
Foreign exchange differences		159,579
Operating loss		(9,345,390)
Finance costs		(18)
Interest income		38
Loss before taxation		(9,345,370)
Taxation	*4*	-
Loss for the period attributable to the equity holders of the parent entity		(9,345,370)
Other comprehensive income		-
Total comprehensive loss for the period attributable to the equity holders of the parent entity		**(9,345,370)**
Loss per share – from continuing operations (HK$)		
Basic	*7*	(0.73)
Diluted	*7*	(0.73)

The accompanying accounting policies and notes form an integral part of these financial statements.

MiLOC Group Limited
Consolidated Statement of Financial Position
As at 31 December 2010

	Notes	*The Group As at 31 December 2010 HK$*
Assets		
Non-current assets		
Intangible assets	*8*	5,000,000
Goodwill	*9*	165,691
		5,165,691
Current assets		
Other receivables and prepayments	*12*	514,554
Amount due from shareholders	*11*	98,051
Cash and cash equivalents	*13*	10,152,313
		10,764,918
Total assets		**15,930,609**
Equity and liabilities		
Capital and reserves		
Share capital	*14*	481,046
Share premium		22,506,221
Retained earnings		(9,345,370)
		13,641,897
Liabilities		
Current liabilities		
Other payables and accruals	*15*	2,280,945
Amount due to shareholders	*11*	7,767
		2,288,712
Total equity and liabilities		**15,930,609**

The accompanying accounting policies and notes form an integral part of these financial statements.

MiLOC Group Limited
Consolidated Statement of Changes in Equity
For the period from incorporation on 10 February 2010 to 31 December 2010

	Notes	**Share capital** *HK$*	**Share premium** *HK$*	**Retained earnings** *HK$*	**Total** *HK$*
Date of incorporation					
As at 10 February 2010		-	-	-	-
Gross increase in share capital	**14**	481,046	29,179,159	-	29,660,205
Share issue expenses		-	(6,672,938)	-	(6,672,938)
Total comprehensive result for the period		-	-	(9,345,370)	(9,345,370)
At 31 December 2010		**481,046**	**22,506,221**	**(9,345,370)**	**13,641,897**

The share premium reserve represents the consideration that has been received in excess of the nominal value of shares on issue of ordinary share capital, net of costs associated with the company's initial public offering on PLUS Markets.

The accompanying accounting policies and notes form an integral part of these financial statements.

MiLOC Group Limited
Consolidated Statement of Cash Flows
For the period from incorporation on 10 February 2010 to 31 December 2010

	Notes	For the period ended 31 December 2010 HK$
OPERATING ACTIVITIES		
Cash used in operations	16	(791,752)
INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired		44,151
Interest received		38
Net cash generated from investing activities		44,189
FINANCING ACTIVITIES		
Issuance of shares		14,266,237
Payments of share issue expenses		(3,366,343)
Interest paid		(18)
Net cash generated from financing activities		10,899,876
Net increase in cash and cash equivalents		10,152,313
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		**10,152,313**

Summary of major non-cash transactions:

During the period, the Group acquired the entire issued share capital of Smart Falcon for consideration of 805,900 ordinary shares valued at HK$5,000,000.

During the period, the Group settled consultancy fees totaling HK$9,030,000 through the issuance of ordinary shares (see Note 16).

The accompanying accounting policies and notes form an integral part of these financial statements.

1. CORPORATE INFORMATION

MiLOC Group Limited (the 'Company') was incorporated in the Cayman Islands on 10 February 2010. Its registered office is The R&H Trust Co., Limited, One Capital Place, George Town, P.O. Box 897, Cayman Islands. The nature of the Company's operations and its principal activities are to act as the holding company of a group engaged in (i) the research, development, marketing and distribution of traditional Chinese medicine ("TCM") and (ii) the development and operation of a network of TCM clinics and hospitals in China, Hong Kong and Macau.

The financial statements were approved by the board of directors and authorised for issue on 6 June 2011 and are authorised to be signed on its behalf.

The financial information contained in the consolidated financial statements is presented in Hong Kong Dollars ("HK$").

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial information has been prepared in accordance with International Financial Reporting Standards ('IFRS'), which includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standards Board ("IASB"), and on the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The financial information has been prepared on the going concern basis of accounting which assumes adequate financial resources are available to the group for a period of at least twelve months from the date of approval of the audited financial statements. In support of this assumption the Directors have prepared detailed budgets and cash flow projections that support continuing operations from the Company's existing cash available and generated from its operations. These budgets and cash flow projections include forecasted results from the 2011 expansion of the Company's hospital and clinic network and the progress and sale of the Company's primary TCM, Rorrico, and have been reviewed and approved by the Board of Directors. As the group is still in its development phase, it should be highlighted that the ability of the group to continue as a going concern for the foreseeable future is highly dependent on the group's ability to achieve these projections.

Consolidation and business combinations

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries (the 'Group') made up to 31 December 2010 (subsidiaries detailed further in Note 10).

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements, to ensure consistency with the policies adopted by the Group.

Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All arms length purchases and sales of financial assets are recognised on the trade date ie the date that the Group commits to purchase the asset. Such purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party of contractual provisions of the instrument. Financial liabilities are recorded initially at fair value, net of direct issue costs.

Changes in fair value of financial liabilities are reported in the consolidated comprehensive statement of income as finance costs or finance income.

Derecognition of financial assets and liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Group retains the contractual rights to receive cash flows from the assets, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognized in the consolidated statement of comprehensive income.

(ii) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRS. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such asan exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

(iii) Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is recognised in the consolidated statement of comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For assets that have indefinite lives, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment. In respect of jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in a jointly controlled entity is recognised immediately in profit or loss.

On disposal of a cash-generating unit or a jointly controlled entity during the year any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Where intangible assets are acquired by the Group from third parties the costs of acquisition are capitalised. Patents acquired with businesses are capitalised independently where they are separable and have an expected life of more than one year. Patents are amortised on a straight-line basis over their estimated useful lives, not exceeding 20 years, except where the end of the useful economic life cannot be foreseen. The estimated useful lives for determining the amortisation charge take into account patent lives, where applicable, as well as the value obtained from periods of non exclusivity. Asset lives are reviewed, and where appropriate adjusted, annually. Where patents are not amortised, they are subject to annual impairment tests. Both 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 judgemental. 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.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilized.

Cash equivalents

For the purpose of the cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sale of goods and trading of raw material services are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods and services are delivered and the title has passed to the customer.

Interest income is recognised on a time-proportion basis using the effective interest method.

Research and development costs

Research expenditure is recognised in the statement of comprehensive income in the period which it is incurred.

Development expenditure is recognised in the statement of comprehensive income in the period which it is incurred unless it meets the recognition criteria of IAS38 "Intangible Assets". Regulatory and other uncertainties generally mean that such criteria are not met. Where, however the recognition criteria are met, intangible assets are capitalised and amortised on a straight-line basis over their useful economic lives from product launch.

Leases

Assets that are held by the Group under leases which transfer to the Group substantially all risks and rewards of ownership are classified as being held under finance leases.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except for land and buildings classified as investment properties are accounted for as if held under a finance lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

Foreign currency translation

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the Group operates ("functional currency").

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Related parties

A party is related to the Company if:

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Company; or has an interest in the Company that gives it significant influence over the Company; or has joint control over the Company;
(b) the party is an associate of the Company;
(c) the party is a joint venture in which the Company is a venturer;
(d) the party is a member of the key management personnel of the Company or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the board of directors. The board of directors is responsible for allocating resources and assessing performance of the operating segments and makes strategic decisions for the Group.

Equity-settled share based payments

The Group reflects the economic cost of awarding shares and share options to employees by recording an expense in the income statement equal to the fair value of the benefit awarded, with fair value being determined by reference to option pricing models. Payments to consultants settled through share-based payments are measured based on the value of services rendered and at an agreed share price. The expense is recognised in the income statement over the vesting period of the award. Refer to note 21 for details.

New standards and interpretations issued by IASB but not applied early by the Group

The following standards and interpretations which have not been applied in this consolidated financial information were in issue but not yet effective:

Number of the standard	Name of the standard	Effective date
IFRS 7	Financial Instruments - Disclosures - Amendments resulting from May 2010 Annual Improvements to IFRSs	on or after 1 January 2011
IFRS 7	Financial Instruments - Disclosures - Amendments enhancing disclosures about transfers of financial assets	on or after 1 July 2011
IFRS 9	Financial Instruments - Classification and measurement	on or after 1 January 2013
IFRS 10	Consolidated Financial Statements	on or after 1 January 2013
IFRS 11	Joint Arrangements	on or after 1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	on or after 1 January 2013
IFRS 13	Fair Value Measurement	on or after 1 January 2013

IAS 1	Presentation of Financial Statements – Amendments resulting from May 2010 Annual improvements to IFRSs	on or after 1 January 2011
IAS 12	Income Taxes - Limited scope amendment (recovery of underlying assets)	on or after 1 January 2012
IAS 24	Related Party Disclosures - Revised definition of related parties	on or after 1 January 2011
IAS 34	Interim Financial Reporting – Amendments resulting from May 2010 Annual improvements to IFRSs	on or after 1 January 2011
IFRIC 13	Customer Loyalty Programmes - Amendments resulting from May 2010 Annual Improvements to IFRSs	on or after 1 January 2011
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - November 2009 Amendments with respect to voluntary prepaid contributions	on or after 1 January 2011

Based on the Group's current business model and accounting policies, management does not expect material changes to the recognition and measurement principles applied in the Group's financial statements when these Standards / Interpretations become effective.

Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

Impairment

If circumstances indicate that the carrying value of investment in a subsidiary, intangible assets and goodwill may not be recoverable, these assets may be considered impaired, and an impairment loss may be recognised in accordance with IAS 36, Impairment of Assets. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts.

These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to estimate precisely fair values because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Share options

The fair value of options granted is recognised as administrative expenses 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 is determined by principally using the Black-Scholes model which requires assumptions regarding interest free rates, share price volatility and the expected lifeof an employee equity instrument. The basis and assumptions used in these calculations are disclosed within note 21.

3. REVENUE AND SEGMENT INFORMATION

	2010
	HK$
Revenue	
Sales of TCM	128,404

Sales to Green Health Supplement International Company accounted for 73% of the Group's total revenue.

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 TCM and clinics. However, during the period and as of 31 December 2010, significantly all of the business relates to the TCM segment.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 for the period is attributable to Hong Kong. When the business enters the revenue earning stage from the financial year ending 31 December 2011, management expect to consider the performance of the business by reviewing its performance in Hong Kong and the PRC, and Rest of the World ('RoW').

4. TAXATION

	HK$
Loss before taxation	(9,345,370)
Loss multiplied by standard rate of corporation tax in Hong Kong of 16.5%	1,541,986
Effect of:	
Creation of tax losses for which no deferred tax asset was recognised	(1,541,986)
Total tax charge	-

The tax losses can be carried forward without restricted periods.

5. STAFF COSTS

There were no staff costs incurred during the period.

6. DIRECTORS' EMOLUMENTS

No directors' remuneration was incurred during the period.

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.

7. 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 period.

	HK$
Losses attributable to equity holders of parent entity	(9,345,370)
Number of shares	
Weighted average number of ordinary shares in issue	12,861,144

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 dilutive potential ordinary shares in the form of share options. The effect of the share options are antidilutive in the current period, therefore, the basic and dilutive loss per share are consistent.

	HK$
Losses attributable to equity holders of parent entity	(9,345,370)
Number of shares	
Weighted average number of ordinary shares in issue	12,861,144

A conditional option agreement dated 20 December 2010 between the Company and ZAI Corporate Finance Limited ("ZAI") pursuant to which the Company has granted an option to ZAI over 72,161 of ordinary shares. The option is exercisable by notice to the Company at the placing price at any time during the five year period commencing on the date of Admission.

8. INTANGIBLE ASSETS

	Patent of TCM
	HK$
Cost as at 10 February 2010	-
Acquired through business combination	5,000,000
At 31 December 2010	5,000,000
Accumulated amortisation	
Balance as at 10 February 2010	-
Charge for the period	-
At 31 December 2010	-
Net book value at 31 December 2010	5,000,000

The patent was not amortised during the period because the patent was not yet available for use because it has not been granted. Initial valuations and valuations for subsequent impairment tests are based on risk-adjusted future cash flows discounted using appropriate interest rates. These future cash flows are based on business forecasts and are therefore inherently judgemental. 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.

Up to the lack of commencement of amortisation, 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 management's expectations 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.

9. GOODWILL

	HK$
Balance as at 10 February 2010	-
Additions through acquisitions of subsidiaries (Note 17)	165,691
Impairment charge for the period	-
Balance at 31 December 2010	165,691

10. INTEREST IN SUBSIDIARIES

On 8 April 2010, the Company acquired the entire issued share capital and voting right of MiLOC Pharmaceutical Limited, MiLOC Biotechnology Limited and MiLOC Medical Limited for a consideration of USD1, USD1,000 and USD1 respectively. On 22 November 2010, the Group completed the acquisition of the entire issued share capital and voting right of Smart Falcon Limited ("Smart Falcon") for a consideration of HK$5,000,000. 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:				
Non-cash generating unit:				
Smart Falcon Limited	3 December 2009, BVI	100%	He Yu and Professor He Zhong Sheng	Holder of the TCM IP rights in relation to Rorrico

11. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant transactions between the Group and its related parties as at 31 December 2010 were as follow:

	HK$
Amount due from shareholders	98,051
Amount due to shareholders	7,767

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

The amount due to the shareholders relates to the consideration for the acquisition of subsidiaries during the period.

Revenues with two parties related through common ownership totalled HK$115,808 for the period ending 31 December 2010. The Group's cost of sales, totalling HK$75,130, were with one party related through common ownership during the period ending 31 December 2010.

No remuneration was paid to key management personnel for the period under review. Service agreements were entered into between the Company and the directors commencing from 20 December 2010 (see Note 6).

12. OTHER RECEIVABLES AND PREPAYMENT

As at 31 December 2010, the balances mainly represented rental deposits. All balances are expected to be recovered or recognised as expenses within one year.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2010 comprise:

	HK$
Cash at bank and in hand	10,152,313

14. SHARE CAPITAL

	HK$
Authorised,	
100,000,000 ordinary shares of US$0.001 each	775,000
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
At 31 December 2010	481,046

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.

On 8 January 2010, MiLOC Biotechnology entered into a sale and purchase agreement to acquire the entire issued share capital of Smart Falcon (the "Acquisition") for a consideration of shares in the Company equivalent to HK$5 million on Admission. As at 31 March 2010, Smart Falcon holds the intellectual property rights of a traditional Chinese medicine named Rorrico (the 'TCM IP Rights') . As a result of the Acquisition, a fair value adjustment of HK$5 million was made to increase the net asset value of the Group.

Although the agreement was entered into on 8 January 2010, completion of the Acquisition occurred on 22 November 2010. The Company allotted 805,900 ordinary shares for the settlement of the Acquisition. The fair value adjustment of HK$5 million was made on the basis that the Acquisition is valued at the price that would be received for an asset or paid to transfer a liability in a transaction between market participants at Acquisition, i.e. the agreed transfer price of HK$5 million between MiLOC Biotechnology and the seller as per the sale and purchase agreement.

On 20 December 2010, the Company allotted 2,405,363 new ordinary shares of US$0.001 each at GBP0.33 each.

On 20 December 2010, the Company allotted 2,547,837 new ordinary shares of US$0.001 each at GBP0.33 each for the settlement of professional and consultancy fess.

On 20 December 2010, the Company allotted 415,160 new ordinary shares of US$0.001 each at GBP0.33 each which represented a portion of the consideration for the acquisition of Smart Falcon.

On 20 December 2010, the Company allotted 45,587,002 new ordinary shares of GBP0.33 each for the placement of shares on the PLUS market.

15. OTHER PAYABLES AND ACCRUALS

	HK$
Other payables	200
Accruals	2,280,745
At 31 December 2010	2,280,945

16. CASH USED IN OPERATIONS

Reconciliation of loss before taxation to cash used in operations:

	HK$
Loss before taxation	(9,345,370)
Adjustments:	
Consultancy fees settled by the issuance of ordinary shares	9,030,000
Foreign exchange differences	(159,571)
Interest income	(38)
Interest expenses	18
Operating loss before changes in working capital	(474,961)
Decrease in inventories	20,570
Decrease in trade receivables	15,040
Increase in other receivables and prepayments	(158,904)
Decrease in amount due from shareholders	15,250
Increase in other payables and accruals	240,200
Decrease in amount due to shareholders	(448,947)
Cash used in operations	**(791,752)**

17. ACQUISITION OF SUBSIDIARIES

On 8 April 2010, the Company acquired the entire issued share capital and voting right of MiLOC Pharmaceutical Limited ("MiLOC Pharm"), MiLOC Biotechnology Limited ("MiLOC Biotech") and MiLOC Medical Limited ("MiLOC Medical") for a consideration of USD1, USD1,000 and USD1. On 22 November 2010, the Group completed to acquire the entire issued share capital and voting right of Smart Falcon Limited ("Smart Falcon") for a consideration of HK$5,000,000. Details of the subsidiaries refer to Note 10 to the consolidated financial statements. The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Smart Falcon HK$	MiLOC Biotech HK$	MiLOC Medical HK$	MiLOC Pharm HK$	Total HK$
Intangible assets	5,000,000	-	-	-	5,000,000
Inventories	-	-	20,570	-	20,570
Trade receivables	-	-	15,040	-	15,040
Prepayments	-	355,650	-	-	355,650
Amounts due from shareholders	-	7,751	31,326	8	39,085
Cash and cash equivalents	-	44,151	-	-	44,151
Amounts due to shareholders	-	(400,000)	(232,420)	-	(632,420)
Total fair value of net assets acquired	5,000,000	7,552	(165,484)	8	4,842,076
Total consideration	5,000,000	7,751	8	8	5,007,767
Goodwill	-	199	165,492	-	165,691
Total consideration comprises:					
Share capital	5,000,000	-	-	-	5,000,000
Amount due to shareholders	-	7,751	8	8	7,767
	5,000,000	7,751	8	8	5,007,767

The book values of the subsidiaries acquired are equal to their fair value. The net cash inflow from the above business combination is HK$44,151, which comprises of the cash and cash equivalents acquired.

Goodwill of HK$165,691, the excess of the consideration over the fair value of net assets of the above companies acquired, has been recognized on acquisition and it is attributable to future operating synergies from the acquisitions. .

Acquisition of MiLOC Pharm:

In the period following the acquisition, MiLOC Pharm has contributed HK$128,404 to the Group's revenue and a profit of HK$51,274 to the Group's loss which has been included in the consolidated statement of comprehensive income for the period.

If the acquisition had occurred on 10 February 2010, the Group's revenue would have been HK$154,724 and the Group's loss for the period would have been HK$9,334,450.

Acquisition of MiLOC Biotech:

In the period following the acquisition, MiLOC Biotech has contributed a loss of HK$78,119 to the Group's loss which has been included in the consolidated statement of comprehensive income for the period.

If the acquisition had occurred on 10 February 2010, the Group's loss for the period would have been HK$9,345,569.

Acquisition of MiLOC Medical:

In the period following the acquisition, MiLOC Medical has contributed a loss of HK$2,168 to the Group's loss which has been included in the consolidated statement of comprehensive income for the period.

If the acquisition had occurred on 10 February 2010, the Group's loss for the period would have been HK$9,345,370.

Acquisition of Smart Falcon:

In the period following the acquisition, there were no contributions from Smart Falcon to the Group's consolidated statement of comprehensive income for the period.

If the acquisition had occurred on 10 February 2010, the Group's loss for the period would have been HK$9,345,370.

18. COMMITMENTS UNDER OPERATING LEASES

The Group's operating lease expenses for the period amounted to HK$18,322. The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect to office premises as follows:

	HK$
Not later than one year	1,495,000
Later than one year but less than five years	1,370,000
	2,397,000

19. 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.

During the period ended 31 December 2010, the major source of finance was by the issuance of share capital. By executing the business plan going forward, the Group anticipates that its principal sources of finance will comprise cash in the bank and trade receivables. The main purpose of these instruments is to raise funds for the Group's operations and to finance the Group's operations. Its main liabilities lie in trade payables.

All treasury transactions are reported to and approved by the Board. The Group does not enter into or trade derivative 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:

	31 December 2010
	HK$
	Loans and receivables
Financial assets	
Other receivables and prepayments	514,554
Amount due from shareholders	98,051
Cash and cash equivalents	10,152,313
	10,764,918

	31 December 2010
	HK$
	Other financial liabilities at amortised cost
Financial liabilities	
Amount due to shareholders	7,767
Other payables and accruals	2,280,945
	2,288,712

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations. The amounts presented in the balance sheet are net of allowances for impairment of doubtful receivables, 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:

	31 December 2010
	HK$
Other receivables and prepayments	514,554
Amount due from shareholders	98,051
Cash and cash equivalents	10,152,313
	10,764,918

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$101,523. 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. 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$9,512,026 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 decreased by HK$ 120,585.

20. 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.

21. 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 PLUS. The options are is exercisable by notice to the Company at any time during the five year period commencing on the date of Admission.

	31 December 2010	
	Number of options	**Average exercise price**
		GBP
Outstanding at 10 February 2010	-	-
Granted	72,161	0.33
Lapsed	-	-
Forfeited by option holder	-	-
Outstanding at 31 December 2010	**72,161**	**0.33**
Exercisable at 31 December 2010	72,161	0.33

As the Company was just admitted to the PLUS Market in December 2010, it is not expected that the outstanding options will vest within one year.

In the period, 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**

22. POST BALANCE SHEET EVENTS

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 that represented the fair value of the company acquired.

GAH owns and operates a clinic which is strategically located in the busiest part of Jordan, Kowloon District (just beside the MTR), with high human traffic flow. The clinic has a floor space size of over 5,000 square feet (which is one of the largest in the business) for an integrated service of TCM Clinic & Health Products. It currently stocks approximately 60 types of Health Products primarily from China, Hong Kong and the USA. The gross sales of the acquired clinic at the date of acquisition were HK$626K (equivalent to GBP 50K, exchange rate:GBP1=HK$12.55) and currently has a net loss of HK$570K (equivalent to GBP45K). The loss is manageable and is accounted for by the costs incurred in setting up the operation of the business and covering salaries etc, while the business was developed.

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 which represented the fair value of HKD2.3 million and was credited as fully paid and registered in the name of the Vendors.

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

Based on the unaudited 7 months management account of Ichi from 07/2010 to 01/2011, the acquired clinic YTD sales turnover is 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.

Ichi is the second clinic that the Group has strategically acquired in Jordan, Kowloon District, with high human traffic flow. The clinic has a floor space size of over 1,000 square feet for an integrated service of TCM Clinic. Revenue from the Vendor's business is derived from doctors' consultation and supplements.