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This document is an admission document and has been drawn up in accordance with the requirements of the PLUS Rules. This document contains no offer of transferable securities to the public within the meanings of section 85 and 102B of FSMA, or otherwise, and is not a prospectus as defined in section 85 of FSMA. Accordingly, this document has not been pre-approved by the Financial Services Authority pursuant to section 85 of FSMA.

The Company and its Directors, whose names appear on page 6 of this Admission Document, accept individual and collective responsibility for the information contained in this Admission Document, including individual and collective responsibility for compliance with the PLUS Rules. To the best of the knowledge and belief of the Company and the Directors who have taken all reasonable care to ensure that such is the case, the information contained in this Admission Document is in accordance with the facts and contains no omission likely to affect the import of such information.

The share capital of the Company is not presently listed or dealt in on any recognised stock exchange. An application has been made for all the Ordinary Shares in issue and to be issued to be admitted to trading on PLUS-quoted. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on PLUS-quoted on 23 December 2010.

The PLUS-quoted market, which is operated by PLUS Markets plc, a recognised investment exchange, is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. It is not classified as a “Regulated Market” under EU financial services law and PLUS-quoted securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in PLUS-quoted securities and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised under the FSMA who specialises in advising on the acquisition of shares and other securities. It is emphasised that no application is being made or has been made for admission of the Ordinary Shares to the Official List of the UK Listing Authority. PLUS-quoted is not part of the London Stock Exchange.

The Company is required by PLUS Markets plc to appoint a PLUS Corporate Adviser to apply on its behalf for admission to the PLUS-quoted market and must retain a PLUS Corporate Adviser at all times. The responsibilities and duties of a PLUS Corporate Adviser are set out in the PLUS Rules.

MiLOC Group Limited

(Incorporated and registered in the Cayman Islands under the Cayman Islands Companies Law with registered number AT-237076)

Placing of 2,405,363 new Ordinary Shares at £0.33 per share

and

Admission to trading on PLUS-quoted

PLUS

Corporate Adviser and Broker

ZAI Corporate Finance Limited

Issued and fully paid up share capital immediately following Admission

US\$61,831.06 divided into 61,831,069 Ordinary Shares

The Placing Shares will, following allotment, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Share capital of the Company.

ZAI Corporate Finance Limited, which is authorised and regulated in the United Kingdom by the FSA, is acting as the PLUS Corporate Adviser and broker to the Company in connection with the arrangements described in this Admission Document and will not be providing advice to any other person in relation to the Placing or Admission or any other transaction or arrangement referred to in this Admission Document. No representation or warranty, express or implied, is made by ZAI Corporate Finance Limited as to any of the contents of this Admission Document (without limiting the statutory rights of any person to whom this Admission Document is issued). ZAI Corporate Finance Limited will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing the protections afforded to customers of ZAI Corporate Finance Limited or for providing advice in relation to the contents of this Admission Document or any other matter. No liability is accepted by ZAI Corporate Finance Limited for the accuracy of any information or opinions contained in, or for the omission of any material information from, this Admission Document, for which the Company and the Directors are solely responsible.

The Placing described in this Admission Document is only being made in the United Kingdom, Hong Kong and Singapore.

The distribution of this document outside the United Kingdom may be restricted by law and therefore persons outside the United Kingdom into whose possession this document comes should inform themselves about and observe any restrictions as to the Ordinary Shares of the Company or the distribution of this document. This document should not be copied or distributed by recipients and, in particular, should not be distributed by any means, including electronic transmission, in, into or from, the United States of America, Canada, Australia, Japan or South Africa or any other jurisdiction where to do so would be in breach of any applicable law and/or regulation. The Ordinary Shares of the Company have not been, and will not be, registered in the United States of America under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America, Canada, Australia, Japan or South Africa and they may not be offered or sold, directly or indirectly, within, or into, the United States of America, Canada, Australia, Japan or South Africa or to, or for the account or benefit of, United States persons or any national, citizen or resident of the United States of America, Canada, Australia, Japan or South Africa. This document does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for Ordinary Shares of the Company in any jurisdiction in which such an offer or solicitation is unlawful.

WARNING – The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

The arrangements for the issue of the Ordinary Shares have not been authorised as a collective investment scheme by Hong Kong's Securities and Futures Commission ("SFC") pursuant to section 104 of Hong Kong's Securities and Futures Ordinance ("SFO"), nor has this document been approved by the SFC pursuant to section 105(1) of the SFO or section 342C(5) of Hong Kong's Companies Ordinance ("CO") or registered by Hong Kong's Registrar of Companies pursuant to section 342C(7) of the CO. Accordingly, the content and use of this document must comply with each of the following SFO and CO restrictions, namely:

- (a) under the SFO: this document is not and does not contain, contrary to section 103 of the SFO, an invitation to the public of Hong Kong to acquire or subscribe for the Ordinary Shares, other than (1) an invitation only to professional investors (as defined in the SFO) to do so, or (2) to the extent that this document is not a prospectus (as defined in the CO) by virtue of any of the maximum offer number, minimum investment amount or other exclusions set out in the 17th schedule to the CO ("Prospectus Exclusions"); and
- (b) under the CO: this document must not, contrary to sections 342 and 342C of the CO, be issued, circulated or distributed to any person in Hong Kong other than (i) to persons whose ordinary business is to buy or sell shares or debentures, whether as a principal or agent, or (2) to professional investors (as defined in the SFO), or (3) in circumstances in which this document is not a prospectus (as defined in the CO) by virtue of any of the Prospectus Exclusions, or (4) otherwise in circumstances that do not constitute an offer to the public.

This document has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. You are advised to exercise caution in relation to the Placing. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice. The whole of the text of this document should be read.

The Ordinary Shares will be offered in Singapore pursuant to the applicable exemptions under the Securities and Futures Act (Chapter 289) ("SFA"). Accordingly the Ordinary Shares may not be offered or sold or made the subject of an invitation for subscription or purchase, nor may this document or any other documents be circulated or distributed, directly or indirectly, to any person in Singapore other than (i) to an institutional investor specified in Section 274 of the SFA, and in accordance with the conditions specified in Section 276 of the SFA; (ii) to a relevant person (as defined in Section 275(2)) pursuant to Section 275(1) of the SFA or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 276 of the SFA, or (iii) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Ordinary Shares are subscribed or purchased under and in accordance with Section 274, Section 275 or any other applicable exemption under the SFA, the rights and interest to such Ordinary Shares may only be transferred in accordance with and subject to the provisions of Section 276 of the SFA and any other applicable provisions of the SFA. Without prejudice to the aforesaid, where the Ordinary Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is (A) a corporation (which is not an accredited investor (as defined in Section 4A(1)(a) of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (B) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Ordinary Shares under Section 275 of the SFA except (1) to an institutional investor under Section 274 of the SFA, or to a relevant person pursuant to Section 275(1) or any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 276 of the SFA; (2) where no consideration is given for the transfer; or (3) where the transfer is by the operation of law.

This Admission Document contains forward-looking statements, including, without limitation, statements containing the words "believes", "expects", "estimates", "intends", "may", "plan", "will" and similar expressions (including the negative of such expressions). Such forward-looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in Part III "Risk Factors". Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as at the date of this Admission Document and the Company and the Directors disclaim any obligation to update any such forward looking statements in this Admission Document to reflect future events or developments.

Copies of this document will be available free of charge to the public during normal business hours on any weekday (except Saturdays, Sundays and public holidays) from the offices of ZAI Corporate Finance Limited, 12 Camomile Street, London EC3A 7PT from the date of this document for a period of one month from Admission. From the date of Admission this document will be available from the Company's website at www.miloc.com.

The whole text of this Admission Document should be read. Investment in the Company is speculative and involves a high degree of risk. Your attention is also drawn to the section headed "Risk Factors" in Part III of this Admission Document.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<i>2010</i>
Admission document publication date	23 December 2010
Admission effective and commencement of dealings in the Enlarged Issued Share Capital on PLUS-quoted	23 December 2010
Expected date for CREST accounts to be credited with Depositary Interests (where applicable)	N/A
Despatch of definitive share certificates in respect of the Placing Shares (where applicable)	5 January 2010

All future dates referred to in this Admission Document are subject to change at the discretion of the Company and ZAI Corporate Finance Limited. All times are UK times unless otherwise specified.

PLACING STATISTICS

Placing Price	£0.33
Number of Existing Ordinary Shares	59,425,706
Number of Placing Shares	2,405,363
Number of Ordinary Shares in issue on Admission	61,831,069
Placing Shares as a percentage of the Enlarged Issued Share Capital	3.89 per cent.
Market capitalisation on Admission at the Placing Price	£20,404,252.77
Gross proceeds of the Placing	£793,770
Estimated net proceeds of the Placing receivable by the Company	£353,218
TIDM code	ML.P
ISIN number	KYG613521031

EXCHANGE RATES

The following illustrative exchange rates are set out to assist the understanding of this Admission Document:

£1 = US\$1.59

RMB1 = US\$0.15

£1 = HK\$12.43

US\$1 = HK\$7.80

DIRECTORS, SECRETARY AND ADVISERS OF THE COMPANY

Directors	Chow Ching Fung Ong Ban Poh Michael Ow Dennis Kian Jing Ivor Colin Shrago Paul Wyman Cheng	<i>Chairman and Executive Director</i> <i>CEO and Executive Director</i> <i>Executive Director</i> <i>Independent Non-executive Director</i> <i>Independent Non-executive Director</i>
Company Secretary	The R&H Trust Co. Limited Windward 1 Regatta Office Park P.O. Box 897GT Grand Cayman Cayman Islands	
Registered Office	The R&H Trust Co. Limited Windward 1 Regatta Office Park P.O. Box 897GT Grand Cayman Cayman Islands	
Principal Place of Business	MiLOC Pharmaceutical Limited Research and Development of Traditional Chinese Medicine Flat A 1/F, 69 Chung on Street Tsuen Wan, NT Hong Kong	
PLUS Corporate Adviser and Broker	ZAI Corporate Finance Limited 12 Camomile Street London EC3A 7PT United Kingdom	
Auditors to the Company	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD	
Reporting Accountants	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD	

Legal Advisers to the Company

As to English and Hong Kong law:
Stephenson Harwood
One, St Paul's Churchyard
London EC4M 8SH
United Kingdom

Stephenson Harwood
35th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

As to Hong Kong law:
Fred Kan & Co.
3104-7 Central Plaza
18 Harbour Road
Hong Kong

As to Cayman Islands law:
Harney Westwood & Riegels
1507 The Center
99 Queen's Road, Central
Hong Kong

As to Macau law:
DSL Lawyers
Av. da Praia Grande
No 409
China Law Building
16th Floor
Macau

Solicitors to the PLUS Corporate Adviser and Broker

Speechly Bircham LLP
6 New Street Square
London EC4A 3LX
United Kingdom

Registrars

Computershare Investor Services (Cayman) Limited
The R&H Trust Co. Limited
Windward 1
Regatta Office Park
P.O. Box 897GT
Grand Cayman
Cayman Islands

Depository

Computershare Investor Services PLC
P.O. Box 82
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
United Kingdom

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Admission Document:

“2006 Act”	the Companies Act 2006 of the United Kingdom
“Acquisition”	the acquisition of the entire issued share capital of Smart Falcon pursuant to a sale and purchase agreement dated 8 January 2010 between MiLOC Biotechnology, Smart Falcon, Michael Ong, Chow Ching Fung and the Assignors
“Admission”	the admission of the Enlarged Issued Share Capital to trading on PLUS-quoted becoming effective in accordance with Rule 19 of the PLUS Rules
“Admission Document”	this admission document
“Articles”	the articles of association of the Company adopted or to be adopted by the Company prior to, and in connection with, the Admission
“Assignors”	He Yu and Professor He Zhong Sheng
“BVI”	the British Virgin Islands
“China” or “PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for purposes of this Admission Document
“City Code”	the UK City Code on Takeovers and Mergers
“CM Ordinance”	the Chinese Medicine Ordinance (Cap. 549 of the laws of Hong Kong)
“Companies Law”	the Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance Cap 32 (as amended from time to time) of Hong Kong
“Company” or “MiLOC”	MiLOC Group Limited, a company incorporated in the Cayman Islands with registered number AT-237076
“Consideration Shares”	1,221,061 Ordinary Shares to be allotted and issued pursuant to the Acquisition by the Company to the Assignors as consideration for the transfer of the entire issued share capital of Smart Falcon by the Assignors to MiLOC Biotechnology
“Consultancy Agreements”	the consultancy agreements made between the Company and its consultants as further described in paragraph 7.8 of Part V of this Admission Document
“Controlling Shareholder”	Megasia International Limited, a company incorporated in the BVI with registered number 1579061
“CREST”	the relevant system (as defined in the CREST Regulations) which enables title to securities to be evidenced and transferred without a written instrument and which is operated by Euroclear

“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended)
“Deed Poll”	has the meaning given in paragraph 16 of Part V of this Admission Document
“Depositary”	Computershare Investor Services Plc
“Depositary Interests” or “DIs”	a dematerialised depositary interest representing an entitlement to Ordinary Shares which may be traded through CREST in dematerialised form
“Directors” or “Board”	the directors of the Company, whose names are set out on page 6 of this Admission Document
“Disclosure and Transparency Rules”	the Disclosure Rules and Transparency Rules made by the FSA under Part VI FSMA
“Enlarged Issued Share Capital”	the issued share capital of the Company upon Admission being the aggregate of the Existing Ordinary Shares and the Placing Shares
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST
“Existing Ordinary Shares”	the Ordinary Shares in issue at the date of this Admission Document, excluding the Placing Shares
“FSA”	the UK Financial Services Authority, the single statutory regulator under the FSMA
“FSMA”	the Financial Services and Markets Act 2000, as amended, including any regulations made pursuant thereto
“Group”	the Company and its Subsidiaries and each a “Group Company”
“H1N1” or “Swine Flu”	H1N1 subtype of Influenza Type A virus
“HK\$”	Hong Kong dollar and cents
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Yee”	Hong Yee Pharmaceutical Factory
“ICHI Chinese Medicine”	ICHI Chinese Medicine (Hong Kong), a sole-proprietor
“influenza”	influenza viruses, as further described in paragraph 3 of Part I of this Admission Document
“in-vitro”	literally, “in glass”; a biological or biochemical process occurring outside a living organism
“London Stock Exchange”	London Stock Exchange plc
“Macau”	the Macau Special Administrative Region of the PRC
“MIAR”	the Macau Institute for Applied Research in Medicine and Health of the Macau University of Science and Technology
“MiLOC Biotechnology” or “Subsidiary”	MiLOC Biotechnology Limited, a company incorporated in the BVI with registration number 1555284

“MiLOC Medical” or “Subsidiary”	MiLOC Medical Limited, a company incorporated in the BVI with registration number 1575508
“MiLOC Pharmaceutical” or “Subsidiary”	MiLOC Pharmaceutical Limited, a company incorporated in the BVI with registration number 1557449
“Modern TCM”	Modern TCM Limited, a company incorporated in Hong Kong
“Official List”	the Official List of the UK Listing Authority
“OTC”	over the counter
“Ordinary Shares”	ordinary shares of US\$0.001 each in the capital of the Company
“Patent Application”	the patent application made to SIPO on 23 June 2009 by He Zhong Sheng and He Yu (application number: 200910023025.2) in relation to (i) the protection of the formula of a disinfecting Chinese medicine and the production method thereof and (ii) the protection of the formula of a disinfecting Chinese medicine capable of eradicating epidemic virus and removing toxin accumulated in the internal organs of the human body, and the production method thereof; such disinfecting Chinese medicine produced by the Group under the brand name of Rorrico
“Placing”	the conditional placing by ZAI on behalf of the Company of the Placing Shares pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 20 December 2010 between the Company, the Directors and ZAI relating to the Placing, details of which are set out in paragraph 7.2 of Part V of this Admission Document
“Placing Price”	£0.33 per Placing Share
“Placing Shares”	2,405,363 new Ordinary Shares to be issued pursuant to the Placing
“PLUS-quoted”	a market operated by PLUS Markets plc
“PLUS Rules”	the PLUS Rules for Issuers issued by PLUS Markets plc, as amended from time to time governing companies whose shares are admitted to trading on PLUS-quoted or which seek to be admitted as such
“Prospectus Directive”	directive 2003/71/EC, as amended
“Prospectus Rules”	the prospectus rules published by the Financial Services Authority from time to time for the purposes of part IV of FSMA in relation to offers of securities to the public and admission of securities to trading on a regulated exchange
“QCA Guidelines”	the Corporate Governance Guidelines for Smaller Quoted Companies
“Related Party”	has the meaning given to that term by the PLUS Rules
“Relationship Deed”	the agreement dated 20 December 2010 between the Company, the Controlling Shareholder, ZAI and Ong Ban Poh Michael and Chow Ching Fung, details of which are set out in paragraph 7.12 of Part V of this Admission Document

“RMB”	Renminbi, the lawful currency of China
“Rorrico”	a TCM for the treatment of influenza, in respect of which the Group holds the TCM IP Rights (including the beneficial interest in the Patent Application) and which is marketed by the Group under the brand name of “Rorrico” (alternatively known as Qing Kang Ling, Lok Dik or 樂迪)
“Shareholder Loan”	HK\$183,474, being the outstanding amount of the loan granted by Dr Chow Ching Fung to MiLOC Pharmaceutical and assigned by MiLOC Pharmaceutical to the Company
“Shareholders”	holders of Ordinary Shares in the Company from time to time and, where the context admits, holders of depositary interests
“Share Option Plan”	the employee share option plan adopted by the Company on 20 December 2010, further details of which are set out at paragraph 9 of Part V of this Admission Document
“Smart Falcon” or “Subsidiary”	Smart Falcon Limited, a company incorporated in the BVI with registration number 1559148
“SIPO”	State Intellectual Property Office of the PRC
“Subsidiaries”	the subsidiaries of the Company within the meaning of Section 1159 of the 2006 Act, each and collectively MiLOC Biotechnology, MiLOC Pharmaceutical, MiLOC Medical and Smart Falcon, each a “Subsidiary”
“Takeover Panel”	the UK Panel on Takeovers and Mergers
“Tamiflu”	oseltamivir phosphate, an antiviral medicine prescribed for the treatment of influenza and marketed by Roche under the brand name of “Tamiflu”
“TCM”	traditional Chinese medicine, as further described in paragraph 2 of Part I of this Admission Document
“TCM Clinics and Hospitals”	the network of TCM clinics and hospitals to be established by MiLOC Medical in China, Hong Kong and Macau pursuant to certain acquisitions and/or joint venture arrangements with third party clinics and hospitals in the respective jurisdictions
“TCM IP Assignment”	the deed of assignment dated 5 December 2009 between Smart Falcon and the Assignors in relation to the assignment of the TCM IP Rights
“TCM IP Rights”	(i) all intellectual property rights, title and interest in the disinfecting Chinese medicine capable of eradicating epidemic virus and removing toxin accumulated in the internal organs of the human body, and the production method thereof, in respect of which the Patent Application was made; (ii) all beneficial right, title and interest in the patents (if any) granted pursuant to the Patent Application; and (iii) all beneficial right, title and interest in the Patent Application; which in each case relate to the TCM produced under the brand name Rorrico
“Transaction”	the completion of the proposed issue of new shares and admission of the new shares of the Company to trading on PLUS-quoted

“UK Listing Authority”	the FSA acting in its capacity as competent authority for the purposes of Part VI of FSMA
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“US” or “USA” or “United States”	the United States of America, its territories and possessions, any state in the United States, the District of Columbia and other areas subject to its jurisdiction
“Wuhan Institute of Medical Virology”	State Key Laboratory of Virology, Institute of Medical Virology, School of Medicine of Wuhan University in China
“ZAI”	ZAI Corporate Finance Limited, the PLUS Corporate adviser and broker to the Company
“ZAI Option”	the option to subscribe for Ordinary Shares granted to ZAI pursuant to an option agreement described in paragraph 7.11 of Part V of this Admission Document
“£” and “p”	United Kingdom pounds sterling and pence
“US\$” and “cents”	United States dollars and cents
“WHO”	World Health Organisation

PART I

INFORMATION ON THE COMPANY

1. The Group's Businesses and Objectives

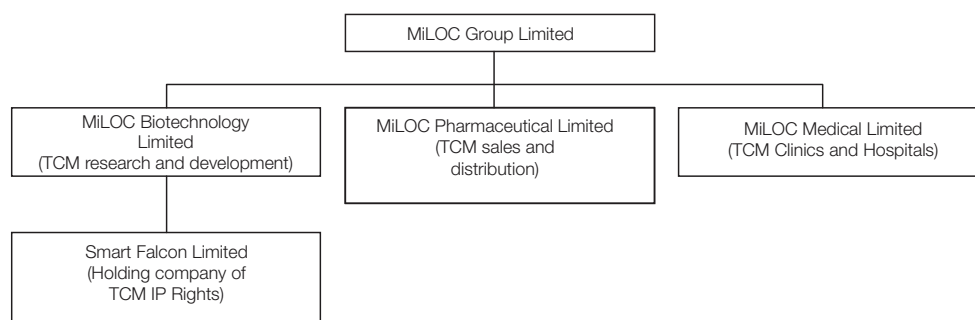
MiLOC Group, which was incorporated in the Cayman Islands in 2010, is the holding company of a pharmaceutical and healthcare service group which will be based primarily in Hong Kong, Macau and the PRC. Founded in 2009, the Group consists of three major operating subsidiaries, MiLOC Biotechnology, MiLOC Pharmaceutical and MiLOC Medical. The Group has identified and will be principally engaged in three major business development opportunities relating to Traditional Chinese Medicine ("TCM"):

- (i) the research and development of TCM specifically for pandemic diseases;
- (ii) the sale and distribution of TCM;
- (iii) the development of a nationwide network of modernised TCM clinics and hospitals in Hong Kong, Macau and the PRC.

It is the Group's aim to explore the potential of TCM by introducing reliable TCM to the market, focusing initially on Hong Kong, the PRC and Macau with the view to further expansion in South East Asia, and providing high quality modernised TCM healthcare services in Hong Kong, Macau and the PRC. The Group intends to promote a true TCM health care integrated delivery model from primary care to tertiary care.

The Group's three businesses will complement each other and will form a vertically-integrated TCM medical network to provide TCM and healthcare services under the brand name "MiLOC" in the pursuit of this aim. The pronunciation of "MiLOC" is similar to the pronunciation of the Chinese characters "美樂", the Chinese name of the Group, which means well-being, beauty and happiness in Chinese.

The following diagram illustrates the Group's operating structure on Admission:



1.1 **MiLOC Biotechnology Limited - research and development of TCM**

MiLOC Biotechnology was incorporated on 6 November 2009 in the BVI. It will be principally engaged in the research and development of TCM in the area of pandemic diseases.

Upon Admission, MiLOC Biotechnology will, through its wholly owned subsidiary, Smart Falcon, indirectly own the TCM IP Rights of Rorrigo (including the beneficial interest in the Patent Application). Rorrigo is a TCM developed for the treatment and prevention of influenza. Further information relating to Rorrigo is set out in paragraph 5 of Part I of this Admission Document.

MiLOC Biotechnology is actively seeking opportunities to acquire other TCM formulas for pandemic diseases.

1.2 **MiLOC Pharmaceutical Limited – sales and distribution of TCM**

MiLOC Pharmaceutical was incorporated on 20 November 2009 in the BVI and registered on 28 April 2010 in Hong Kong as an overseas company under Part XI of the Companies Ordinance. It will carry out the sales and distribution function of the Group by appointing authorised manufacturers and/or wholesalers as its agents to distribute the Group's TCM to TCM Clinics and Hospitals and/or licensed pharmacies and by co-ordinating the distribution of the Group's TCM between the relevant parties.

MiLOC Pharmaceutical will focus initially on China, Hong Kong and Macau with a view to broadly extending its sales network throughout South East Asia. It also intends to distribute the Group's TCM, as well as TCM and health supplements from other TCM pharmaceutical companies, directly to its customers but this is subject to it obtaining a wholesaler licence for distributing TCM in the relevant jurisdiction.

1.3 **MiLOC Medical Limited – operation of modernised TCM Clinics and Hospitals**

MiLOC Medical was incorporated on 16 March 2010 in the BVI. It intends to form various joint ventures to acquire a total of approximately 100 TCM Clinics and Hospitals in Hong Kong, Macau and the PRC in the four years following Admission, building a network of modernised TCM Clinics and Hospitals.

Further information in relation to the Group's plans for a network of TCM Clinics and Hospitals is set out at paragraph 7 of Part I of this Admission Document.

1.4 **Smart Falcon**

Smart Falcon was incorporated on 3 December 2009 in the BVI. On 8 January 2010, MiLOC Biotechnology entered into a sale and purchase agreement to acquire the entire issued share capital of Smart Falcon from the Assignors, namely He Yu and Professor He Zhong Sheng. Completion of the acquisition of Smart Falcon occurred on 22 November 2010.

Smart Falcon is the holding company of the TCM IP Rights in relation to Rorrigo, (including the beneficial interest in the Patent Application), which was assigned to it by the Assignors, under the TCM IP Assignment. The legal title to the Patent Application is held by the Assignors, and will be transferred to Smart Falcon after Admission subject to the Assignors obtaining the relevant state approvals and registering the TCM IP Assignment with SIPO.

Professor He Zhong Sheng is engaged by the Group as a Senior Consultant (Scientist) to advise the Group on certain matters concerning Rorrigo, including manufacturing processes and quality.

For further details of the TCM IP Assignment, and the registration process of the TCM IP Assignment with SIPO, please refer to paragraph 7.5 of Part V and sub-heading "Protection under patent law" under heading "Regulatory Regime in China" of Part II of this Admission Document. For further details on the sale and purchase agreement in relation to the Acquisition please see paragraph 7.4 of Part V of this Admission Document.

2. **Traditional Chinese Medicine**

TCM refers to a range of traditional medical practices, including herbal medicines, which have developed over the course of more than three thousand years in China. It is an ancient medical system that takes a deep understanding of the laws and patterns of nature and applies them to the human body. Modern TCM combines traditional theories with modern production methods and extraction techniques. It includes TCM pharmaceutical drugs in convenient capsule, pill and granule forms similar to Western medicines, as well as the traditional form of tailor-made prescriptions of raw materials, including plants, animals and minerals with the majority derived from herbal sources. Modernised TCM pharmaceuticals are processed drugs derived from TCM ingredients and, depending on the product, are categorised in China as prescription drugs or over-the-counter drugs.

3. **Market**

TCM

The strong growing demand for TCM in China and South East Asia gives an optimistic outlook for the Group. In particular, TCM forms a large segment of the pharmaceutical market in China. In 2007, sales revenue for TCM in China reached approximately US\$21 billion, accounting for around 40 per cent. of the total pharmaceutical market in China¹. In terms of sales volume, TCM represents two-thirds of drug sales in China and sales in TCM are forecast to reach US\$32 billion this year.²

1 Source: PricewaterhouseCoopers, "Investing in China's Pharmaceutical Industry", 2nd edition, 2009 p.4

2 Source: China Pharmaceuticals and Healthcare Report Q4 2009. Business Monitor International. P.46

Market size and potential of influenza (including Influenza A) drugs

Influenza, commonly referred to as the flu, is an infectious disease caused by RNA viruses of the family Orthomyxoviridae (the influenza viruses), that affects birds and mammals. The most common symptoms of the disease are sore throat, fever and coughs. In more serious cases, influenza causes pneumonia, which can be fatal, particularly for the young and the elderly. Although it is often confused with other influenza-like illnesses, especially the common cold, influenza is a more severe disease than the common cold and is caused by a different type of virus. Influenza A and Influenza B are strains of the RNA viruses. There are several sub-types of Influenza A including H1N1, which is more commonly known as “Swine flu”, and H5N1, commonly referred to as “bird flu” or “Avian flu”.

The market size and potential of influenza drugs are enormous as influenza has long been recognised as a universal threat to the human population. One of the most disastrous outbreaks of influenza was the Spanish influenza pandemic of 1918 which infected an estimated 500 million people and killed an estimated 8 – 10 per cent. of the persons infected³. Since 2003, Avian flu has killed at least 294 people around the world, particularly in Southeast Asia⁴. The recent outbreak of pandemic Swine Flu, in 2009, has similarly threatened countries all over the world because the virus spreads quickly and widely. As at 13 June 2010, more than 214 countries and overseas territories or communities have reported laboratory confirmed cases of pandemic Swine Flu, including more than 18,172 deaths.⁵ The World Health Organisation, governments and the pharmaceutical industry have made significant investments in the prevention and cure of the disease in terms of research and purchase of Influenza A (H1N1) virus medicines.

Clinics and Hospitals

Most hospitals in China are owned and operated by the Chinese government while clinics are mainly privately owned. In many instances, medical clinics are the first point of contact that patients establish with medical professionals. In China, outpatients typically obtain their prescriptions at hospital or clinic pharmacies, unlike in the United States and in other developed countries, where patients typically obtain their prescriptions at pharmacies unaffiliated with the medical service provider. In China, hospitals account for just below 80 per cent. of the pharmaceutical market, as they are in the position of being both prescribers and dispensers.

TCM hospitals account for 16 per cent. of all hospitals in China, and over 75 per cent. of town hospitals have TCM departments.⁶ TCM outpatient departments and clinics account for more than 16 per cent. of all outpatient departments and clinics and in 2007, some 234 million people were treated in TCM outpatient departments⁷. In recent years, the Government has pushed hospitals and clinics to become profitable and it continues to reduce the amount of public sector spending on health while at the same time encouraging private expenditure. The number of hospitals is set to drop over the next five years, while admissions will increase as the population continues to grow and age.

4. Business strategy and objectives

The overall aim of the Group is to explore the potential of TCM by introducing reliable TCM to the market, focusing initially on Hong Kong, the PRC and Macau with a view to further expansion in South East Asia, and providing high quality modernised TCM healthcare services in Hong Kong, Macau and the PRC. The Group intends to promote a vertically-integrated TCM medical network from primary care to tertiary care and market its healthcare services and TCM under a universal brand “MiLOC”.

There are two key elements underpinning this strategy:

(i) Developing reliable TCM for epidemic diseases

The Group’s objective is to bring effective and reliable TCM to the market using modern drug research and development technologies, including conducting clinical trials on the Group’s TCM. The Group will focus on the development of TCM which are expected to be relevant to latest medical needs, particularly influenza and other epidemic diseases.

3 Source: World Health Organisation: “Ten concerns if Avian Flu becomes pandemic”; 14 October 2005

4 Source: World Health Organisation: “Cumulative number of confirmed human cases of Avian influenza A (H5N1) reported to the WHO; 6 May 2010

5 Source: Pandemic (H1N1) 2009 news update published by the World Health Organisation

6 China Pharmaceuticals and Healthcare Report Q4 2008. Business Monitor International Ltd. p 35

7 China Pharmaceuticals and Healthcare Report Q4 2008. Business Monitor International Ltd. p 35

(ii) ***Development of a nationwide network of high quality modernised TCM clinics and hospitals in the PRC, Hong Kong and Macau***

The Group expects to form various joint ventures to acquire a total of approximately 100 TCM Clinics and Hospitals in Hong Kong, Macau and the PRC by 2014. Its strategy is to generate revenue as a TCM health care service provider while leveraging the opportunity to distribute the Group's TCM primarily through these target customers as a pharmaceutical company, thereby diversifying the sources of revenue of the Group and reducing marketing and administrative costs.

5. Rorrigo

Rorrigo is a TCM for the treatment of influenza viruses, including the Influenza A virus and its sub-type virus, pandemic H1N1 or Swine flu. Rorrigo's formula contains 21 herbs. It is concocted with, among other things, honeysuckle, radix isatidis, rhubarb, codonopsis pilosula, amomum villosum, malt and white atractylodes medicine and has the feature of heat-clearing and detoxification, blood stasis detoxification and righting detoxification.

Clinical Trials

Initial tests on Rorrigo indicate that it has antiviral efficacy on the Influenza A (H1N1) virus, as evidenced by in-vitro research conducted by the Wuhan Institute of Medical Virology in the PRC between May and August 2009. The research states that Rorrigo showed remarkable efficacy against virus infection and had the same effect on anti-virus replication and biosynthesis as Tamiflu. Tamiflu is the most frequently prescribed medicine for treating influenza.

MIAR of the Macau University of Science and Technology was commissioned to conduct further clinical trials on approximately 300 human subjects to investigate the therapeutic and preventative effects of Rorrigo on influenza viruses, in particular Influenza A viruses (including sub-type H1N1). The study is led by Dr. Shui Hon Chui, who is a shareholder of Modern TCM Limited (a potential joint venture partner of the Group, as referred to in Part 7 of this Part I). Dr. Chui also holds 0.72 per cent. of the issued share capital of the Company as at the date of Admission.

Prior to MIAR commencing clinical trials on Rorrigo, the independent Clinical Research Ethics Committee, which is appointed by the Macau University of Science and Technology to ensure that all clinical trials conducted by its employees are conducted ethically, reviewed and approved the protocol of the clinical trials. All future reports in relation to the clinical trials will be reviewed and approved by Professor Lam of MIAR, who is independent of the Group.

On 15 May 2010, MIAR published an interim report on its findings. 17 subjects with symptoms of influenza were recruited as the treatment group (TG) and prescribed Rorrigo. However, none of these subjects tested positive for Influenza A virus. 55 subjects without symptoms of influenza were recruited as the prevention group (PG) (of which 27 subjects were prescribed Rorrigo and 30 subjects were prescribed a placebo).

The research states that for subjects in the TG group, 3 subjects recovered completely and 12 subjects showed improvement with certain symptoms or a decrease in the number of symptoms. Since the Interim Report was published, MIAR recruited a subject who tested positive for Influenza A (H1N1). The patient recovered completely after taking a standard seven-day treatment of Rorrigo.

Immunology tests conducted by MIAR on subjects of the PG Group showed that an increase in plasma mannose-binding lectin (MBL) secreted by the liver was observed in this group of subjects, therefore implying increased immune protection against invading micro-organisms. It is therefore possible that Rorrigo may confer increased protection against infection. However, this will not be confirmed until MIAR analyses separately the data from the two sub-groups of the PG Group who received either Rorrigo or the placebo, as well as further data from a larger clinical trial with more subjects.

MIAR concludes that the lack of Influenza A subjects may be due to the fact that the epidemic of Influenza A as well as Influenza B had already declined during its study period or that para-influenza and other types of influenza viruses have become more predominant. Therefore, the study will be delayed to recruit more subjects with the Influenza A (H1N1). The Group expects MIAR to complete the clinical trials by February 2011, subject to MIAR recruiting sufficient Influenza A subjects.

Safety

Rorrigo has passed safety testing conducted by the Chinese Medicines and Food Safety Laboratory of MIAR, which is ISO/IEC 17025 accredited by the National Association of Testing Authorities (Australia) (“NATA”). NATA was created in 1947 and is a founding member of the International Laboratory Accreditation Cooperation (ILAC) and the Asia Pacific Laboratory Accreditation Cooperation (APLAC), and provides both of their secretariats. The safety testing was conducted in accordance with the safety compliance requirements for TCM distribution registration established by the Department of Health, Macau. Rorrigo will also need to pass safety testing in Hong Kong and China as part of completing the registration process in both of these jurisdictions. However, following the successful completion of safety testing in Macau, the Directors are confident that Rorrigo will satisfy safety requirements in Hong Kong and China.

Registration and Production of Rorrigo

The Group intends to manufacture and sell Rorrigo in Macau, China and Hong Kong, with a view to broadening its distribution and sales network to countries in South East Asia. The following sets out the business model of the Company for manufacturing and distributing Rorrigo in Macau, China and Hong Kong. Registration of Rorrigo as a TCM for manufacture and sale in Macau and Hong Kong is not akin to the stringent approval process of the United States Food and Drugs Administration (“FDA”) for manufacturing and selling new pharmaceuticals in the United States. The registration process for new TCM in Macau does not require pre-clinical and human clinical trials. Although the new Hong Kong registration system under the CM Ordinance does require TCM subject to registration to undergo pre-clinical and human clinical trials before registration, overall the registration process in Hong Kong is not as rigorous as the FDA approval process and, pending registration in Hong Kong, the Group will be distributing Rorrigo in Hong Kong in an alternative form (as described under the heading “China” below). The PRC has a similar process to that of the FDA, but pending registration of Rorrigo in the PRC which may take at least 5 years, the Group will be distributing Rorrigo through its TCM Clinics and Hospitals in an alternative form, as described under the heading “China” below.

Macau

The Group has outsourced the manufacturing of Rorrigo in Macau to a third party manufacturer, Hong Yee Pharmaceutical Industry Limited (“Hong Yee”). On 18 January 2010, Rorrigo was registered by Hong Yee with the Macau Health Services, which permits Hong Yee to manufacture, distribute and sell Rorrigo OTC in Macau. The Group has yet to commence sales of Rorrigo in Macau. MiLOC Pharmaceutical will appoint Hong Yee or an authorised wholesaler as its agent to distribute Rorrigo on behalf of the Group directly to TCM Clinics and Hospitals and licensed pharmacies in Macau. For further information relating to the regulation of the manufacture and sale of TCM in Macau, please refer to the section headed “Regulatory regime in Macau” in Part II of this Admission Document.

China

The Group intends to enter into similar co-operation arrangements with third party manufacturers in China, who will apply on behalf of the Group to register Rorrigo as a new pharmaceutical product with the SFDA in China. Registration of Rorrigo will be subject to the successful outcome of pre-clinical and clinical trials. Pending registration of Rorrigo in China, which may take at least 5 years, the Group will not distribute Rorrigo to TCM Clinics and Hospitals in China in its manufactured granular form in a single sachet or in pill form. Instead, the TCM Clinics and Hospitals will acquire the 21 ingredients which make up Rorrigo directly from licensed manufacturers or wholesalers appointed by the Group to supply the ingredients. These 21 ingredients will be packed in separate sachets in powdered form (“alternative form”). The TCM Clinics and Hospitals in China will then prescribe Rorrigo (in its alternative form) to patients under their direct care, which is permitted under PRC law. For further information relating to the regulation of the manufacture and sale of TCM in China, please refer to the section headed “Regulatory regime in China” in Part II of this Admission Document.

Hong Kong

Until recently the Group was permitted to manufacture and sell Rorrigo without obtaining prior registration of Rorrigo as a proprietary Chinese medicine under the CM Ordinance. The Group commenced sales of Rorrigo in Hong Kong in 2009. For the period ended 31 March 2010 and for the period ended 30 September 2010 the total revenue from sales of Rorrigo in Hong Kong by MiLOC Pharmaceutical Limited and MiLOC Biotechnology Limited was HK\$90,248 (audited) approximately £7,260 and HK\$179,924 (unaudited) approximately £14,475 respectively.

The Hong Kong Government introduced a mandatory registration system for proprietary Chinese medicines in December 2010. Under the new regime, the Group is required to obtain the registration of Rorrigo before it can be manufactured and sold in Hong Kong in its modernised granular or pill form. Pending registration in Hong Kong, the Group intends to rely on an exemption to registration contained in the CM Ordinance, which will allow it to dispense Rorrigo in its alternative form (as described above). The TCM Clinics and Hospitals will acquire Rorrigo (in its alternative form) directly from a licensed manufacturer or wholesaler appointed by the Group as its distributor in Hong Kong and then prescribe it to patients under their direct care. For further details relating to the regulation of TCM and the registration process in Hong Kong, please refer to the section headed “Regulatory regime in Hong Kong” of Part II of this Admission Document.

Protection of Rorrigo

The Patent Application for Rorrigo was submitted to SIPO on 23 June 2009 and was published by SIPO on 25 November 2009. It has now entered the substantive examination phase. Although there is no definite timeframe for SIPO to conduct its substantive review of the Patent Application, generally, the patent application procedure in China takes approximately 3 years, from the submission of the application to the granting of the patent rights. The legal title to the Patent Application is held by the Assignors and will be transferred to Smart Falcon after Admission, subject to Smart Falcon and the Assignors obtaining the relevant state approvals and registering the TCM IP Assignment with SIPO. However, there is no guarantee that SIPO will grant the patent rights to protect the formula of Rorrigo.

It is difficult to obtain patent protection for TCM in jurisdictions outside China due the inherent difficulties of proving that TCM possess such characteristics as “novelty” and “innovation” which are required for invention patents. The active ingredients in TCM, which are Chinese medicinal herbs, and the methods of concocting such ingredients have been used in TCM for thousands of years and therefore, new formulae for TCM may be regarded as not novel or innovative.

In view of the difficulties of obtaining patent protection for TCM and the public nature of the patent application process, the Directors do not intend to seek patent protection for Rorrigo or future TCM of the Group in other jurisdictions. The Directors believe that the best way of protecting Group’s TCM from the risks of counterfeiting is through the reliance on trade secret law and/or contractual arrangements. It will therefore continue to obtain confidentiality undertakings from its suppliers, manufacturers, joint venture partners and TCM Clinics and Hospitals to ensure that the formulae and methods of production for its TCM and other proprietary information remain confidential.

6. Other TCM

The Group has formed research and strategic collaborations with the Research & Development laboratory of MIAR, which has agreed to provide full support to the Group in conducting medical trials for the Group’s new TCM for a period of two years commencing 9th April 2010. For further details of the agreement with MIAR, please refer to paragraph 7.10 of Part V of this Admission Document.

Other than Rorrigo, the Group is also actively considering investments in other TCM, including the potential acquisition from Professor He of a tuberculosis (“TB”) TCM named Li Kang Ping which has a patent application pending in the PRC. There were 9.4 million TB cases in 2008 out of which 1.8 million people died, equal to 4500 deaths per day. Although the estimated global incidence rate fell to 139 cases per 100,000 population after peaking in 2004 at 143 cases per 100,000, the total numbers of deaths and cases is rising due to population growth.⁸ In 2008, the countries that suffered most from TB cases include India, China, Indonesia, South Africa and Nigeria. In particular, prevalence of TB in China is the second highest in the world and it is expected that expenditure on tuberculosis control in China will increase significantly over the medium term.

8 Source: WHO: 2009 update: Tuberculosis facts

7. TCM Clinics and Hospitals

Joint ventures and acquisitions

The Group is currently seeking opportunities to acquire TCM clinics and hospitals in Hong Kong, Macau and the PRC and MiLOC Medical has entered into certain memoranda of understanding (as briefly summarised below) (the "MOUs") with TCM clinics and hospitals in Hong Kong, Macau, Beijing and Xian.

<i>Clinic or hospital</i>	<i>Location</i>	<i>Form of cooperation</i>
Beijing Chinese Research Wan Kang Chinese Hospital Co. Limited (北京中研万康中医医院有限责任公司)	Beijing, China	Joint venture
Xian Wei Yang Zheng Kang Medical Clinic (西安未央正康门诊部)	Xian, China	Joint venture
Modern TCM Limited ⁽¹⁾	Hong Kong	Joint venture
ICHI Chinese Medicine	Hong Kong	To be acquired by a joint venture in Hong Kong

(1) Each of Shiu Hon Chui, Keeng Wai Chan and Cho Shun Samuel Fu are shareholders of Modern TCM Limited and also hold 0.72 per cent., 0.62 per cent., and 0.45 per cent. of the issued share capital of the Company at the date of Admission.

As part of the Group's investment strategy, the Group will only acquire or enter into joint ventures with clinics and hospitals licensed to practise TCM in their relevant jurisdictions. The Group aims to establish TCM networks consisting of 100 clinics and hospitals by the end of 2014 in various cities in China, Hong Kong and Macau. If the Group's investment strategy is proved successful in China, Hong Kong and Macau, the Group intends to replicate its business model to other countries in South East Asia.

It should be noted that the MOUs are not legally binding and the joint venture arrangements described in them are subject to the relevant joint venture parties entering into formal documentation. There is no guarantee that the Group will complete any of these joint ventures arrangements and/or acquisitions.

The clinics will be bought through joint-venture companies issuing shares in such companies as currency. The clinics to be acquired will be fully operational, generating revenues and profits. A nominal amount of capital expenditure is expected to be spent, approximately £19,200 per clinic, for renovation and branding under the MiLOC name. Further, this can be done over time using the existing cash flow from the clinics. This should allow MiLOC to generate revenues at an early stage of its development with nominal capital commitment.

However the Directors will consider setting up the Group's own clinics if the Group's cash position permits this and doing so increases the Group's revenue and profits.

Standardisation and modernisation

MiLOC Medical intends to implement the following measures to standardise and modernise the TCM Clinics and Hospitals:

- Quality Assurance System: All TCM Clinics and Hospitals will be managed under the ISO system in order to assure the quality and consistent standard of the Group's practice under the Group's Standard Operating Procedures (SOP) which is expected to be accredited for ISO9001;
- Centralised Electronic Clinic System: All TCM Clinics and Hospitals operated by the Group will have access to a centralised electronic clinic system. The TCM physicians will be able to access centralised patient records online which will provide convenience for both patients and doctors. The system will allow the Group to process statistical data to provide information and insight for facilitating advanced analysis and studies;
- Western Medicine Expertise: It is intended that all TCM Clinics and Hospitals operated by the Group will have access to western medicine expertise provided by a consultant team of medical doctors and pathologists. The team will provide support on consultancy, knowledge sharing and training, which will enable the Group to benefit from combined western and TCM knowledge and resources which the Directors believe is distinctive in the existing market;

- Training Programs: A continuous training program on concepts and applications of TCM and western medicine will be provided to all TCM physicians operating in the TCM Clinics and Hospitals. The aim is to develop and maintain a high-standard TCM physician team that provides TCM treatment service above the industry benchmark, and hence, establishes and upholds confidence of patients in the Group's TCM treatment service;
- Clinical Laboratory Support: The integration of the clinical laboratory analysis into the TCM diagnosis process is an essential step to achieve an evidence-based TCM treatment. With proper training provided to all TCM physicians, the TCM Clinics and Hospitals will be able to provide a complete service to its patients; and
- Safety and Quality Control of TCM Herbs: The Group has appointed MIAR to conduct tests and monitor all TCM herbs dispensed by the TCM Clinics and Hospitals, with the exception of those common TCM herbs which are generally regarded in the market as safe and of high quality. The Group regards these measures as an important safeguard system to establish and uphold confidence of patients in the TCM treatment service provided by the TCM Clinics and Hospitals. Further details of the agreement appointing MIAR are set out at paragraph 7.10 of Part V.

8. Directors and Senior Management

Executive Directors

Dr Chow Ching Fung – Chairman, aged 41

Dr Chow Fung Ching is a founder of MiLOC and a registered TCM practitioner under the Chinese Medicine Council of Hong Kong with over 15 years of TCM practising experience. Dr Chow is responsible for the overall management of the Board and strategic development of the Group. Dr Chow is an Associate Professor of the Hong Kong Research Institute of Chinese Medicine, Director General of the Qigong Association of Hong Kong, Vice-Chairman of the Chi-med Charitable Foundation Limited and an executive of the Hong Kong Society of Chinese Medicines. Dr Chow holds a Certificate in Internal Medicine and Gynaecology from the University Of Hong Kong School Of Professional and Continuing Education, a degree in Traditional Chinese Medicine from the Beijing University of Traditional Chinese Medicine and a Master's degree in Business Administration in Management from the Southeastern University in Washington D.C.

Ong Ban Poh Michael – Chief Executive Officer, aged 37

Ong Ban Poh Michael is a co-founder of MiLOC and an experienced corporate finance practitioner in the PRC market since 2003. Mr. Ong is responsible for the overall operation, management and strategic development of the Group. Mr. Ong is currently a director of Parric Investments Limited, an investment company which assists companies in corporate restructuring and fund-raising. He is also the founder and Chairman of Chi-med Charitable Foundation Limited, a company that provides free medical services in Hong Kong. Previously, between 2007 and 2009, he was CEO of Tadee Investments Limited, a private-owned oil storage and ports company in the PRC. Before joining Tadee Investments Limited, he was an independent non-executive director of Hua Kok International Limited, now Abterra Limited, a Singapore listed company involved in investment and trade in commodities. Mr. Ong holds a Bachelor's degree in Law from the University of Leicester.

Ow Dennis Kian Jing – Executive Director, aged 44

Ow Dennis Kian Jing has been an experienced corporate finance practitioner in the Asia market since 2003. He is currently a director of Old Park Lane Capital Asia and is responsible for developing its Asian business, identifying new deals and assisting companies raising funds in Asia. He was formerly a director of Blue Oar Securities Limited (based in Asia). Prior to joining Blue Oar Securities, Mr. Ow worked as the Senior Business Manager of Asia Pacific for the London Stock Exchange for over 2 years in which time he successfully brought eight companies from Southeast Asia to AIM and two Main Market listings from Indonesia and the Philippines. Before joining the London Stock Exchange, Mr. Ow worked for over 5 years at a public listed American company called First Data Corporation specialising in global credit cards processing and money transfer, where he was responsible for their training and business development for Greater China. Mr. Ow holds a Bachelor's degree in Marketing and a Postgraduate Diploma in Management.

Independent Non-executive Directors

Ivor Colin Shrago – Non-executive Director, aged 68

Ivor Shrago was admitted as solicitor to the Supreme Court of England and Wales in 1966 and to the Supreme Court of Hong Kong in 1997. He has more than 40 years experience practising law. In 1996, he was the General Counsel to Peregrine Direct Investments Limited, the investment arm of the Peregrine Banking Group in Hong Kong, which was primarily involved in fund management. He then joined the asset management arm of Vigers Asset Management Limited as managing director, while at the same time acting as general counsel for the group. In 2002, Ivor joined Druces LLP (formerly Druces & Attlee). Ivor has been a partner of Edwin Coe LLP since 2007.

Paul Wyman Cheng – Non-executive Director, aged 56

Mr. Cheng is a shareholder of Ajia Partners Inc, an independent alternative fund management firm in Hong Kong. Mr. Cheng is the Head of the firm's Special Situations Group and sits on the board of various companies within the Ajia Partners Group and as its representative director on boards of portfolio companies managed by Ajia Partners funds.

Mr. Cheng has been involved in private equity and investment banking for more than 30 years. Prior to that, he was a partner and Managing Director of Delta Associates, the advisor to the US\$350 million Asian Equity Infrastructure Fund. Previously, he was with AIG Investment Corp as Director of Direct Investments, as well as Director of the US\$1.2 billion AIG Asia Infrastructure Fund I. As an investment banker, he was Head of M&A at BZW Asia. Between 1983 and 1990, he was an Executive Director in NM Rothschild in HK, engaged in corporate finance and M&A work in the region. He was also a Partner in Arthur Andersen and Managing Director of Andersen Corporate Finance.

Mr. Cheng is a Fellow of the Institute of Chartered Accountants in England and Wales, member of the Hong Kong Institute of Certified Public Accountants and member of the Hong Kong Securities Institute. Mr. Cheng holds a Bachelor of Science in Physics from the University of St. Andrews, Scotland and completed postgraduate studies at INSEAD, France and the Harvard Business School.

Senior Management

Ronnie Choi, Chief Financial Officer

Ronnie Choi is the Chief Financial Officer of the Group mainly responsible for overseeing the Group accounting and finance. He has more than 12 years experience in accounting and auditing. He was admitted to the status of Certified Practising Accountant of the Australian Society of Certified Practising Accountants in 1994 and is currently registered as a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Society of Chinese Accountants and Auditors Hong Kong and an associate of the Hong Kong Society of Accountants. Mr. Choi holds a Bachelor's degree in Business from the University of Southern Queensland.

Professor He Zhong Sheng, Senior Consultant (Scientist)

Professor He has been appointed as a Senior Consultant to the Group, to advise it on certain matters relating to Rorrigo, including advising on manufacturing and quality issues. Professor He is a notable TCM practitioner and Chinese herbal expert with over 20 years of practising experience. He specialises in difficult and complicated diseases, in particular H1N1. Professor He researched and developed Rorrigo, the TCM IP Rights of which the Group acquired immediately before Admission. He has also patented "ZhengShang Kangfu Plaster" in the PRC, which is used for the treatment of fractured bones. Professor He is the author of the theory "Treatment based on syndrome differentiation: Treatment based on diseases" published in the "Shaanxi TCM" Seventh magazine.

9. Current Trading Prospects

The development of the Group's business since the end of the last completed financial year has been in line with the Board expectations and the Board is confident as to the prospects of the Group for at least the current financial year and beyond.

10. Details of the Placing

Under the Placing, 2,405,363 Ordinary Shares have been conditionally placed at the Placing Price pursuant to the Placing, representing 3.89 per cent. of the Enlarged Issued Share Capital. It is anticipated that the Placing, which is not being underwritten or guaranteed, will raise £793,770 for the Company and £383,557.92 after expenses. At the Placing Price, the Company will have a market capitalisation of £20.404 million on Admission.

The Placing Shares will, on issue, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions thereafter declared made or paid.

Further details of the Placing Agreement are set out in paragraph 7.2 of Part V of this Admission Document.

11. Reasons for the Placing and Admission and Use of Proceeds

The net proceeds of the Placing will be used primarily for the following purposes:

- to facilitate the registration of Rorrigo in Hong Kong and China and the development and/or acquisition of new TCM and services;
- to establish the networks of TCM Clinics and Hospitals;
- to expand marketing activities in Hong Kong, China and Macau with a view to expanding further in South East Asia;
- to identify opportunities for additional joint ventures and to promote the Group's TCM and brand through deals with business partners; and
- the working capital purposes of the Group.

The Directors believe that the profile of the Company will be enhanced by its position as a PLUS-quoted company. It will also, *inter alia*, provide a more liquid market for its shares.

12. Lock-In and Orderly Market Arrangements

The Directors will, following Admission, together be interested in 43,096,015 Ordinary Shares, representing approximately 69.70 per cent. of the Enlarged Issued Share Capital.

Each of the Directors has undertaken, subject to certain exceptions, not to dispose of any interest in securities of the Company for a period of 12 months from Admission and not to dispose of any such securities for a further 6 months thereafter without the consent of ZAI. Each Director has undertaken to procure that his connected persons (within the meaning of sections 252 to 256 of the 2006 Act) comply with the terms of such lock-in arrangements.

Megasia International Limited (the Controlling Shareholder), Chan Yat Kuen, Chow King Tung, Ching King Wong, Bill Chow and Brighton Consulting Company Limited have undertaken, subject to certain exceptions, not to dispose of any interest in securities of the Company for a period of 12 months from Admission and not to dispose of any such securities for a further 6 months thereafter without the consent of ZAI. Megasia International Limited, Chan Yat Kuen, Chow King Tung, Bill Chow and Brighton Consulting Company Limited have undertaken to procure that its connected persons (within the meaning of sections 252 to 256 of the 2006 Act) comply with the terms of such lock-in arrangements.

Further details of these arrangements are set out in paragraphs 7.2 and 7.3 of Part V of this Admission Document.

13. Dividend Policy

The Directors currently intend to re-invest the Group's earnings to finance the growth of the Group's business in short to medium term but will consider paying dividends as and when the growth and profitability of the Company allows, having regard to the availability of distributable reserves and the need to finance future growth.

The declaration and payment of dividends by the Company will be subject to the provisions of the Companies Law and the Articles.

14. Share Options

The Directors consider that share options will be an important part of the Company's remuneration and incentive policy for senior management and Executive Directors. Accordingly, the Company has adopted the Share Option Scheme, further details of which are set out in paragraph 9 of Part V of this Admission Document.

Conditional upon Admission, the Company has granted an option over Ordinary Shares to ZAI. The ZAI Option is over 72,161 of Ordinary Shares as represent three per cent. of the Placing Shares exercisable at the Placing Price at any time during the five year period commencing on the date of Admission. Further details of the ZAI Option are set out in paragraph 7.11 of Part V of this Admission Document.

15. Corporate Governance

The Directors recognise the importance of sound corporate governance and intend that the Company shall comply with the main provisions of the Corporate Governance Guidelines for Smaller Quoted Companies so far as the same are appropriate for and apply to a company of the Company's size, nature and stage of development.

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. Following Admission, the Company intends to hold Board meetings at least 4 times in each financial year and at other times as and when required.

Upon Admission, the Company will establish an audit committee, a remuneration committee and a nomination committee, with formally delegated duties and responsibilities.

The audit committee will initially comprise Paul Cheng and Ivor Shrago, with Paul Cheng as Chairman. It will be responsible for ensuring that the financial performance, position and prospects of the Company are properly monitored and reported on and for meeting the auditors and reviewing their reports relating to accounts and internal controls.

The remuneration committee will initially comprise Paul Cheng and Ivor Shrago, with Ivor Shrago as Chairman. It will review the performance of Executive Directors and set their remuneration and the payment of bonuses to Executive Directors and consider the future allocation of share options to directors and employees.

The nomination committee will initially comprise Paul Cheng and Ivor Shrago, with Ivor Shrago as Chairman. It will consider the selection and re-appointment of Directors. It will identify and nominate candidates to fill Board vacancies and review regularly the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes.

16. Share Dealing Code

The Company has adopted a model code for Directors' dealings in securities of the Company which is appropriate for a company quoted on PLUS-quoted. The Directors will comply with Rule 72 of the PLUS Rules relating to directors' dealings and will take all reasonable steps to ensure compliance by the Company's "relevant employees" (as defined in the PLUS Rules).

17. Cayman Islands Company Law

The Company is an exempted company incorporated with limited liability under the laws of the Cayman Islands and is subject to the Companies Law which differs from the 2006 Act in relation *inter alia* to the issue of new shares by companies. There are no statutory provisions in the Cayman Islands law equivalent to sections 549 and 551 of the 2006 Act relating to the ability of directors to allot and issue shares and there are no statutory provisions in the Cayman Islands law equivalent to sections 561 to 577 of the 2006 Act which confer pre-emption rights on existing shareholders in connection with the allotment of shares for cash. However, the Articles provide that the ability of the Directors to allot and issue shares shall be subject

to the passing of an authorising resolution (as defined in the Articles) and the Directors shall only be generally and unconditionally authorised to exercise all powers of the Company to allot and issue shares for a prescribed period specified in the authorising resolution up to an aggregate nominal amount equal to the authorised amount as specified in the authorising resolution.

In addition, the Companies Law does not contain provisions similar to those in the City Code which oblige a person or persons acquiring at least 30 per cent. of shares in a company to which the City Code applies to make an offer to acquire the remainder of the shares in such company.

Under the Companies Law, Shareholders are not obliged to disclose their interests in the Company in the same way as shareholders of a company incorporated under the 2006 Act are required to do so. In particular, they are advised that the provisions of chapter 5 of the Disclosure and Transparency Rules do not apply although equivalent protections are provided for in the Articles. Subject to the Articles, the Board can create a class of shares with terms intended to delay or prevent a change of control of the Company or to make removal of management more difficult and that, additionally, the Board may create shares with liquidation rights, dividend rights or rights to receive consideration that greatly exceed the amount given to holders of Ordinary Shares.

A summary of the Memorandum and Articles of the Company is set out in paragraph 6 of Part V of this Admission Document.

18. City Code on Takeovers and Mergers

The Company is incorporated in the Cayman Islands. Accordingly, the protections afforded to Shareholders by the City Code which are designed to regulate the way in which takeovers are conducted in the UK will not be available. The Cayman Islands do not have a takeover code governing takeover offers for Cayman Islands companies and a takeover of the Company would not be regulated by the UK or Cayman Islands authorities.

19. CREST

Application will be made for the Enlarged Issued Share Capital to be admitted to trading on PLUS-quoted. It is expected that Admission will be effective and that dealings in the Enlarged Issued Share Capital will commence on 23 December 2010.

The securities of certain non-UK incorporated companies, such as the Company, cannot be held or transferred in CREST, a computerised paperless share transfer and settlement system. However, to enable investors to settle trades in such securities through CREST, a depositary or custodian can hold the relevant securities of non-UK incorporated companies under a trust arrangement and issue DIs representing the underlying securities. The Articles permit the operation of a depositary interest facility. CREST is a voluntary system and persons who wish to hold Ordinary Shares in registered form will be able to do so.

The Company in conjunction with Computershare Investor Services Plc, has established a facility whereby Depositary Interests representing Ordinary Shares can be issued to persons who wish to hold DIs instead of Ordinary Shares. Application has been made for the Depositary Interests to be admitted to CREST with effect from Admission. Accordingly, subject to the settlement of the DIs for trading in CREST, settlement of transactions in DIs representing the Ordinary Shares following Admission may take place within the CREST system. Depositary Interests will have the same international security identification number (ISIN) as the underlying Ordinary Shares and will not require a separate application for admission to trading on PLUS-quoted.

Further details relating to admission, settlement and CREST are set out in paragraphs 16 and 17 of Part V of this Admission document.

20. Taxation

A general guide to the main UK, Cayman Islands, Hong Kong and Singapore tax consequences that will apply to persons who hold Ordinary Shares or DIs as investments and are UK resident individuals or companies is set out in paragraph 15 of Part V of this Admission Document and your attention is drawn to this section. The Directors can accept no responsibility for the statements set out in this paragraph and in paragraph 15 of Part V of this Admission Document. Persons who are in any doubt as to their tax

position or who are subject to tax in jurisdictions other than the abovementioned jurisdictions are strongly advised to consult their own professional advisers.

21. Disclosure and Transparency Rules

As the Company is incorporated in the Cayman Islands, Shareholders are not obliged to disclose their interests in the Company in the same way as shareholders of certain companies incorporated under the 2006 Act. In particular, the relevant provisions of chapter 5 of the Disclosure and Transparency Rules do not apply. However, the Articles contain provisions requiring the disclosure of voting rights in Ordinary Shares which are similar to the provisions of the Disclosure and Transparency Rules. Furthermore, the Articles may be amended by a resolution of the Shareholders.

22. Controlling Shareholder

Upon completion of the Placing, the Controlling Shareholder will own 68.29 per cent. of the Company's issued share capital. The Controlling Shareholder is owned by Chow Ching Fung (the Chairman of the Company) as to 67 per cent. of its shares and Ong Ban Poh Michael (CEO of the Company) as to 33 per cent. of its shares.

The Controlling Shareholder has entered into the Relationship Deed with the Company which provides that the Company shall at all times be capable of operating its business independently of the Controlling Shareholder and that all transactions and relationships between the Company and the Controlling Shareholder (and its related parties) will be at arm's length and on normal commercial terms. For further details on the Controlling Shareholder please refer to the risk factor entitled "The Company's Controlling Shareholder may exert substantial influence over the Company and may not act in the best interests of the Company's independent shareholders" in Part III of this Admission Document and paragraph 7.12 of Part V regarding the Relationship Deed.

23. PLUS and the marketability of Ordinary Shares

Application is being made for all the issued and to be issued Ordinary Shares to be admitted to trading on the PLUS-quoted. It is emphasised that no application has been made or is being made for admission of the Ordinary Shares to PLUS-quoted or the Official List of the UK Listing Authority. PLUS-quoted is a market operated by PLUS Markets Group plc incorporating a primary market for the shares of small and medium companies (known as PLUS-quoted securities) and is not part of the London Stock Exchange.

24. Additional Information

Your attention is drawn to the information included in the rest of this Admission Document. In particular, you are advised to carefully consider the risk factors contained in Part III of this Admission Document.

PART II

INDUSTRY AND REGULATORY OVERVIEW

Pharmaceutical and healthcare industry in China

China's pharmaceutical and healthcare industry is one of the world's largest, mainly due to the sheer size of China's population. The pharmaceutical sector has experienced year on year double digit growth and is valued at just over US\$46.52 billion, with sales forecast to increase by 14.06 per cent. to reach US\$53.06 billion by the end of 2010.⁹ It is forecast that the value of China's pharmaceutical market is set to overtake several developed states in the next few years, including France and Germany.¹⁰

Developed cities and built-up regions account for the bulk of healthcare spending. PricewaterhouseCoopers reports that by 2025, it is estimated that China's urban consumer market by itself will then be worth about US\$ 2.9 trillion. Expenditure on private healthcare and medicines is expected to increase commensurately, creating considerable opportunities for pharmaceutical companies and healthcare providers.¹¹

In China, TCM and Western medicine have co-existed for more than 200 years. Research has found that Chinese consumers overall tend to prefer TCM than Western medicine but will choose Western medicine in particular situations, such as when they were certain of the cause of illness or sought quick alleviation for their symptoms. Consumers of TCM perceive that it has fewer side effects and adverse reactions than Western medicine and that it also addresses the underlying causes rather than alleviating the symptoms.

The widespread use of TCMs in China continues to represent competition to the conventional drugs sector. TCM forms a large segment of the pharmaceutical market in China. In 2007, sales revenue for TCM in China reached approximately US\$21 billion, accounting for around 40 per cent. of the total pharmaceutical market in China. In terms of sales volume, TCM represents two-third of drug sales in China and sales in TCM are forecast to reach US\$32 billion this year.¹²

Drivers of the Pharmaceutical Industry in China

The Directors believe there to be 4 major drivers of the pharmaceutical industry in China:

Increasing disposable income and spending on healthcare

A key driver over the medium term is China's booming economy, which has lifted millions of people out poverty over the past generation. Consumers are spending more on healthcare services as a result of rising living standards and the growth of the middle classes. This trend is likely to continue.

According to the National Bureau of Statistics of China and the Ministry of Health, per capita expenditure on public healthcare in China's urban areas increased from RMB836 in 2001 to RMB1,145 in 2006, representing a compound annual growth rate ("CAGR") of 5.37 per cent. The per capita expenditure on public healthcare in China's rural areas increased from RMB246 to RMB442 during the same period, representing a CAGR of 10.26 per cent. Healthcare spending is forecast to increase from approximately RMB1,472 billion in 2009 to RMB2,682 billion in 2010 and is expected to rise to RMB2,878 billion by 2014.¹³

Population growth and increased life expectancy

China's population is aging fast. Its one child policy and rising life expectancy has resulted in the growth in China's aging population, which is expected to constantly drive demand for medical products and healthcare services. According to the National Bureau of Statistics of China, the proportion of the population aged 65 and above in China has increased from 7.6 per cent., or approximately 95.6 million, in 2002 to 9.4 per cent., or approximately 111 million, in 2008. It is expected to increase to 23.3 per cent. by 2050.¹⁴

9 China Pharmaceuticals and Healthcare Report Q3 2010. Business Monitor International, P40

10 China Pharmaceuticals and Healthcare Report Q4 2009. Business Monitor International, P42

11 Pharma 2020: Marketing the future. PricewaterhouseCoopers. 2009

12 China Pharmaceuticals & Healthcare Report Q4 2009. Business Monitor International, P46

13 China Pharmaceuticals and Healthcare Report Q3 2010. Business Monitor International, P41

14 China Pharmaceuticals and Healthcare Report Q3 2010. Business Monitor International, P42

Active government support

The Group believes that the Chinese government has adopted a number of positive measures to encourage and promote the development of the pharmaceutical industry in China.

PricewaterhouseCoopers reports that since 2003, China has opened up certain segments of the pharmaceutical industry to certain foreign investors to accelerate growth in the sector, improve competitiveness and to comply with its World Trade Organisation obligations.¹⁵

A circular issued by the Government in May 2009 in relation to TCM sets out its strategic guidance in the following areas:

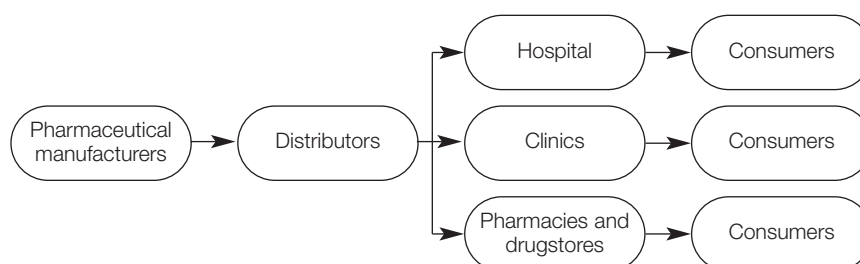
1. Acknowledging of the importance and urgency of supporting and further advancing TCM development.
2. Formulating principles and policies guiding TCM development.
3. Developing TCM medical services and health promotion.
4. Promoting the passing-on and innovation of TCM.
5. Strengthening education and training of TCM professionals.
6. Upgrading the level of TCM industry.
7. Expediting the development of ethnomedicine of which TCM is a sub-type.
8. Promoting the TCM culture.
9. Expanding the reach of TCM to international communities.
10. Advancing the development and protection of the industry.

Increasing coverage of social medical insurance in China

In 1998 the PRC Government introduced the Urban Employees' Basic Medical Insurance System which provided healthcare cover for the urban employed. This was followed in 2003 by the introduction of the New Cooperative Medical Scheme for the rural population. However, urban residents without formal employment were left out of the state healthcare safety net. Subsequently in 2007, the PRC Government began to implement the Urban Resident Basic Medical Insurance programme, with the goal to create a healthcare system able to cover everyone and focusing on the non-employed urban residents. It is now Government policy to expand the basic medical insurance programs to cover more than 90 per cent. of urban and rural residents.

Overview of the pharmaceutical supply value chain in China

The pharmaceutical distribution market connects pharmaceutical manufacturers with pharmaceutical retails, such as hospital, clinics and pharmacies and other points of sale retail outlets. The chart below illustrates the distribution value chain of pharmaceutical products in China:



Source: PricewaterhouseCoopers. "Investing in China's Pharmaceutical Industry". 2nd ed. 2009.

Typically, pharmaceutical distributors purchase pharmaceutical products from manufacturers and generate revenue by reselling these pharmaceutical products downstream and providing relevant services to customers in the retail market. China has introduced several measures to modernise its distribution sector. In 2003, it opened its borders to foreign drug distributors. Another change was the introduction of Good Supply Practice (GSP) certificates, which resulted in many distributors going out of business as they were unable to comply with the new standards. Although the distribution sector in China is currently fragmented

¹⁵ PricewaterhouseCoopers. "Investing in the China's Pharmaceutical Industry" 2009, 2nd edition

between approximately 9,500 entities, it is experiencing ongoing consolidation with the top 100 distributor firms accounting for over two-thirds of the market.¹⁶

Through the Group's establishment of a medical network, the Directors believe that the Group can enjoy operational efficiencies and reduce transaction costs as well as administrative burdens. Consumers can also develop confidence in the Group's medical network from its TCM supply.

Clinics and hospitals in China

The medical clinic is often the first point of contact that patients establish with medical professionals. In China, outpatients typically obtain their prescriptions at hospital or clinic pharmacies, unlike in the United States and in other developed countries, where patients typically obtain their prescriptions at pharmacies unaffiliated with the medical service provider. In China, hospitals account for just below 80 per cent. of the pharmaceutical market, as they are in the position of being both prescribers and dispensers.

Most hospitals in China are owned and operated by the Chinese government while clinics are mainly privately owned. TCM hospitals account for 16 per cent. of all hospitals in China, and over 75 per cent. of town hospitals have TCM departments.¹⁷ TCM outpatient departments and clinics account for more than 16 per cent. of all outpatient departments and clinics and in 2007, some 234 million people were treated in TCM outpatient departments.¹⁸ In recent years, the Government has pushed hospitals and clinics to become profitable and continues to reduce the amount of public sector spending on health while at the same time encouraging private expenditure. The number of hospitals is set to drop over the next five years, while admissions will increase as the population continues to grow and age.

REGULATORY OVERVIEW

Regulatory Regime in China

Regulatory Framework

The PRC *Pharmaceutical Products Administration Law* was amended on 28 February 2001 and came into force on 1 December 2001. It covers the fundamental legal framework for the administration of the production and the sale of pharmaceuticals in the PRC, including TCM pharmaceuticals, and includes regulations concerning the manufacture, distribution, packaging, advertising and pricing of pharmaceutical products in China. As of its effective date of 15 September 2002, the *Implementation Rules of the PRC Pharmaceutical Products Administration Law* sets out detailed implementation rules regarding the administration of pharmaceuticals in China, including TCM pharmaceuticals.

In 2003 the State Food and Drug Administration (“**SFDA**”) was set up as the successor to the State Drug Administration and is the primary regulatory body of the pharmaceutical industry in China. The SFDA is responsible for supervising, both in an administrative and technical sense, the research, production, circulation, application and technology of the pharmaceutical industry in China, including TCM pharmaceuticals. The SFDA has further responsibility in co-ordinating and supervising the safety control and management of food and health products and cosmetics.

The central functions of the SFDA are:

- to supervise and monitor the administration of the medical appliances, pharmaceutical and equipment industries in China;
- to create and enforce administrative rules and policies regarding the supervision and administration of those industries;
- to examine, register and approve new, generic and imported pharmaceutical products and TCM; and
- to award permits for the manufacture and import of pharmaceutical products and medical appliances and equipment and for the establishment of businesses engaged in the manufacture and trading of pharmaceutical products, medical appliances and equipment.

¹⁶ China Pharmaceuticals and Healthcare Report Q3 2010. Business Monitor International Ltd. p 61-62

¹⁷ China Pharmaceuticals and Healthcare Report Q4 2008. Business Monitor International Ltd. p 35

¹⁸ China Pharmaceuticals and Healthcare Report Q4 2008. Business Monitor International Ltd. p 35

The SFDA also has a network of branches that operate at the provincial level and are important in the regulation of the pharmaceutical industry in those areas. These branches may approve pharmaceutical production enterprises and issue licences for the production of pharmaceuticals.

The State Administration of TCM (“**SAC**”) (国家中医药管理局) is a bureau established in 1989 under the direct supervision of the PRC’s Ministry of Health. The SAC is responsible for administrating TCM and pharmacology, to inherit and develop the science of TCMP, promoting the development of TCMP undertaking.

The Policy for the Nation’s Industrial Technology, brought into effect on 21 June 2002, confirmed various focal points for the development of the medical and pharmaceutical industry in China. These were:

- bio-medicinal technologies;
- genetic engineering;
- vaccinations and their commercial production;
- Chinese medicine;
- development of bulk chemical pharmaceuticals; and
- high and medium level medical and pharmaceutical equipment.

The revised Guidance for Foreign Investment Industries Catalogue, effective as of 1 December 2007, states that the Chinese government encourages foreign investors to invest in (amongst other things) the following areas of the medical and pharmaceutical industry in China:

- production of bio-medicinal materials and products;
- development and application of new pharmaceutical adjuvants;
- production of new pharmaceutical preparations and products using new administration technologies such as slow release, controlled release, targeted release, transdermal absorption, etc;
- production of new drugs through the application of biological engineering technology;
- production of new anti-cancer drugs and new drugs for cardiovascular and cerebrovascular diseases; and
- production of vitamins and nicotinic acid.

Permits and licences for pharmaceutical manufacturing enterprises

It is essential that a manufacturer of pharmaceutical products, including TCM manufacturing enterprises, obtains a Drug Manufacturing Permit (“**DM Permit**”) before it begins the production of pharmaceutical products in China. This is granted by the local SFDA branch at the provincial level where the manufacturer is situated and the manufacturer must also have appropriate facilities, equipment, personnel and knowledge. The SFDA will inspect the manufacturer’s production premises facilities, hygiene environment, quality assurance systems, staff and apparatus before the grant of the DM Permit. The DM Permit is valid for a period of five years and to ensure a successful renewal the manufacturer must apply not later than six months prior to the date of expiration. The local SFDA branch will assess the manufacturer’s application for renewal.

Once the DM permit has been granted to the manufacturer, it must then apply for a business licence from the appropriate Administrative Bureau of Industry and Commerce to commence business.

As well as obtaining the DM Permit and before commencing production of any pharmaceutical products, the manufacturer also has to obtain specific approval from the SFDA. Further details regarding the requirements for obtaining such production approvals are described below.

Good Manufacturing Practice (“GMP”)

GMP standards were originally prescribed by the predecessor of the SFDA to regulate the manufacture of pharmaceutical products in China. The current version came into effect on 1 August 1999 and requires pharmaceutical manufacturing enterprises in China to implement stringent controls on the production of pharmaceutical products, as well as areas concerning staff qualifications, production premises and facilities, raw materials, hygiene, equipment, quality control, production management and dealing with customer complaints. The GMP standards also require the manufacturers of pharmaceuticals in China to

obtain a GMP certificate (“**GMP Certificate**”), which permits the production of pharmaceutical products in China. A GMP Certificate must be obtained whenever the manufacturer builds, rebuilds or expands its workshops or production lines or introduces new pharmaceutical products.

Pursuant to the *Notice on Issuing the Administrative Rules of GMP* (《关于印发《药品生产质量管理规范认证管理办法》的通知》), which became effective on 1 October 2005, when a pharmaceutical manufacturer newly establishes a pharmaceutical manufacturing enterprise or expands its manufacturing aspect, or when such manufacturer re-builds or expands its production line, such manufacturer must apply to obtain the GMP certificate.

Pursuant to the same law as above, the GMP Certificate is valid for five years for the manufacturing enterprise. Renewal must be applied for at least 6 months prior to the expiration date and is subject to reassessment by the relevant authority.

Production of modernised TCM pharmaceutical products

According to the Measures on the Registration Administration, which came into effect on 1 October 2007, new pharmaceutical products refer to those not previously available in China. Pharmaceutical products taking different dosage forms or route of administration or having curative effects for additional diseases are also treated as new pharmaceutical products.

New pharmaceutical products are registered under the following different types: Chinese medicines/nature medicines, chemical pharmaceuticals, nature medicines and biochemical products, each with different application requirements. For each type, there are number of categories, with each category representing different composition, nature, technicality or status of that particular type of pharmaceutical.

Any manufactured TCM is subject to regulation as modernised TCM pharmaceutical products. Before a TCM pharmaceutical product can be sold in China, it is subject to a process of clinical testing and regulatory approval. This process takes at least five years in China and requires the expenditure of considerable resources, and the manufacturer must supply extensive data on its quality, safety and efficacy to submit to the SFDA for approval.

The Group has not yet commenced registration or production of Rorrigo in China. It intends to outsource the manufacturing of Rorrigo and any of its future TCM to reputable third party manufacturers in China, who will then apply for registration of the relevant TCM as a new pharmaceutical product.

There is a two stage process to developing a new modernised Chinese medicine: the pre-clinical and clinical development stages.

Pre-clinical development

Step one of this stage is the development of processes for manufacturing the product candidate. For a TCM pharmaceutical product, this step is likely to include research on resources, processes and the preparation of TCM materials, such as sourcing the herbs and establishing the best method of reducing the herb to an effective form for administration, via powder, pill or injection.

Step two involves pre-clinical studies, which frequently involve laboratory evaluation of the product's characteristics and effects and animal studies to assess its initial efficacy and safety. These animal studies are required for certain pre-clinical studies, depending on the type and purpose of the product. Pre-clinical studies including animal testing (if applicable) that are conducted in China must be pursued in accordance with published SFDA guidelines. The Group has not yet commenced pre-clinical studies or clinical trials on Rorrigo but intends to do so shortly after Admission. It anticipates that such animal studies will take 3 to 4 months to complete.

Clinical trials

Clinical trials are mandatory before registration of a new TCM pharmaceutical product in China. These trials are conducted in four phases, all of which are conducted under the supervision of the SFDA and its local branch and pharmaceutical manufacturers are required to obtain an approval from the SFDA prior to commencement of clinical research of a new TCM pharmaceutical product.

After the SFDA grants approval to the clinical trial plan, the trials will be carried out by a qualified institution under the supervision of the SFDA. Clinical trials involve the administration of the trial products to human subjects under the supervision of an investigator in the four phases. Each clinical trial must also be approved and carried out with the support of the Clinical Test Agent Ethics Committee. The Committee will consider, among other things, ethical factors and the safety of the human subjects. Phases I, II and III are carried out before the approval of a new pharmaceutical product and phase IV is carried out after the pharmaceutical product's approval. After each phase, the product manufacturer must submit the results to the SFDA. The SFDA may grant approval for Phases I to III at the same time, as separate approvals are not needed for each phase. Clinical trials are not (in theory) required for applications for the registration of pharmaceutical products for which there are existing national standards in respect of the product's quality and technical requirements.

The Group expects the pre-clinical and clinical trial process in relation to Rorrigo to take approximately two years to complete.

Product approval in China

Upon successful completion of clinical trials of the new TCM pharmaceutical product in China the manufacturer can then apply to the SFDA for a New Pharmaceutical Certificate. These certificates are issued for pharmaceutical products that have not been marketed before in China and include products that have been invented in China or products which are introduced into China for the first time. The SFDA will investigate and assess such applications, a process which will include on site inspections and technical examination of drug samples.

Pharmaceutical Approval Number and commencement of production

Once the manufacturer has obtained a New Pharmaceutical Certificate, it must satisfy the SFDA that it holds a valid DM Permit and meets the GMP standards. After the SFDA grants its approval it will issue the manufacturer a Pharmaceutical Approval Number in respect of the product and it is only after obtaining this that it can commence production on the new TCM. The Pharmaceutical Approval Number is valid for five years and can be renewed. There are no time limitations for applications for Pharmaceutical Approval Numbers by holders of New Pharmaceutical Certificates.

Supervision of new pharmaceutical products

All new pharmaceutical products in China are subject to SFDA supervision for a period of two to five years, starting with the date of production approval. The SFDA determines as to the length of the supervision period in respect of a product, by considering the amount of available research into and information on the safety of the product in question. During this period of supervision, the manufacturer must comply with obligations to supply annual reports detailing the manufacturing process, quality, stability, curative effect and adverse reactions of the protected pharmaceutical. Within three months before the end of the supervision period, the manufacturer may make an application to upgrade the status of its product to formal "national pharmaceutical standard" status. If the SFDA does not approve the application or if no application is made, the manufacturer's Pharmaceutical Approval Number for that product will be revoked by the SFDA and production of that product must stop.

Production of national standard pharmaceuticals

"National standard pharmaceuticals" are pharmaceutical products for which the Chinese government has already set technical standards as to quality and examination method. After a product is awarded this status, any producer of that product with a valid DM Permit and a Pharmaceutical GMP Certificate may apply to the SFDA for a Pharmaceutical Approval Number to produce that pharmaceutical product, provided there is no existing patent or other administrative protection. Further details of the different types of protection afforded to TCM pharmaceutical products are set out below.

Over the counter ("OTC") registration

A manufacturer may apply for OTC classification for its pharmaceutical product if the product is:

- a) a pharmaceutical for which national drug standards are already in existence;

- b) an OTC drug approved by the SFDA which has changed its form without changing its application, main function, dosage volume or method of ingestion; or
- c) a new compound made from active ingredient of an SFDA-approved OTC drug.

Supplemental applications for production and advertising

Approval from the provincial level SFDA is necessary before changes or modifications are intended to the production process.

Under Chinese law, a pharmaceutical manufacturer must seek SFDA approval for the packaging of its pharmaceutical products and the printed and televised advertisements for its pharmaceutical products. Successful applicants will be granted a Pharmaceutical Packing Registration Certificate valid for a term of five years which is renewable six months prior to expiration. Advertisements for OTC drugs are permitted in the public media, where as prescription drugs may only be promoted in professional publications. An enterprise seeking to advertise its pharmaceutical products must apply for an advertising approval code.

Regulatory protection for TCM pharmaceutical products

Supervision period protection

During the period of supervision (potentially up to five years commencing on the date of production approval for the product) the SFDA will not accept any applications from other manufacturers for permission to produce the same pharmaceutical products. This protection is available to all new pharmaceutical products.

TCM protection

There are special regulatory protections for TCM producers in China, although modernised TCM is subject to the same registration, regulation and manufacturing standards as all other pharmaceutical products, in substance, in China.

The TCM pharmaceuticals authorised with patent rights are governed and protected by the PRC patent law. The *Regulations on Protection of TCM* provide special protection for those TCM pharmaceuticals attained in the “national pharmaceutical standard” or attained in the local pharmaceutical standard as well as approved by the SFDA of the state.

The TCM pharmaceuticals specifically protected under the *Regulations on Protection of TCM* are classified as Class I and Class II depending on different innovative qualities, curative effectiveness and general characteristics of the product. The manufacturer may apply for either Class I or Class II of the product in accordance to the legal requirements. Such application will be reviewed by the SFDA. Upon approval by the SFDA, a Class I or Class II TCM Protection Certificate, as appropriate, will be issued. The holder of the certificate may then produce the protected TCM as specified on the certificate. During the protection period, the formulae and manufacturing processes for the protected TCM will remain confidential.

A Class I TCM may be granted a protection period of either 10, 20 or 30 years. Most Class I TCM receive a 30-year protection. The protection period for a Class I TCM may be extended in special circumstances, subject to each extension not being longer than the original protection period, with the application not later than six months prior to the expiration date. The majority of the protected TCM are granted Class II protection. A Class II TCM is entitled to protection for seven years, which may be renewed for a further period of seven years pending approval of the SFDA at their discretion, with application not later than six months prior to the expiration date.

The TCM product under the abovementioned specific protection must have attained national standard status when such application for TCM protection is made.

Distribution of Pharmaceutical Products

Pharmaceutical Trading Permit

In China, manufacturers of TCM pharmaceutical products are permitted to distribute self-manufactured products only. Retailers and wholesalers of TCM pharmaceutical products are required to obtain a pharmaceutical trading permit from the SFDA at the provincial level before distributing such products. The permit is issued only after the entity’s licensed pharmacists or professionals are found to be in possession

of the relevant qualifications, the entity's internal regulations have been reviewed and found satisfactory and the entity's storage premises for drugs and equipment are found to have met the applicable standards. A pharmaceutical operation permit is valid for five years and may be renewed six months prior to the permit's expiration. Any renewal is subject to re-evaluation by the authority which issued the previous permit.

Good Supply Practices

Distributors of pharmaceutical products are required to obtain a Good Supply Practices (GSP) licence. GSP is a set of quality guidelines on the distribution of pharmaceutical products. The licence is issued to the distributor (as opposed to its branches) only after authentication of its operation by relevant administrative authorities. A GSP licence is valid for five years and may be renewed three months prior to its expiration.

Product Liability

Product liability claims may arise if any TCM sold have any harmful effect on consumers. Under the General Principles of the Civil Law of the PRC, which came into effect from 1 January 1987, manufacturers and sellers of defective products causing injury may incur civil liabilities. Under the Product Quality Law of the PRC (effective in 1993 and amended in 2000), in serious cases, manufacturers producing defective products can be also liable to criminal penalties and revocation of business licences. All business operators who manufacture or sell goods and/or provide services to consumers must comply with the Law of the PRC on the Protection of the Rights and interests of Consumers which came into effect on 1 January 1994. Business operators are subject to criminal liability if their goods or services lead to physical injury or death of consumers.

Pursuant to the *Tort Law of the PRC*, which was promulgated on 26 December 2009 and became effective from 1 July 2010, in the event that the pharmaceutical manufacturer or seller knowingly produces or sells defective products that cause death or serious physical damage to the others, the injured party may claim appropriate punitive damages from the manufacturer or the seller. Under the same law, where a product is found to be defective after it is put into circulation, the manufacturer and the seller shall give timely warnings, recall the defective product, or take other remedial measures; if any damage is caused due to the untimeliness or ineffectiveness of remedial measures, the manufacturer and the seller shall bear tortious liability.

Distribution of Rorrigo in the PRC

To sell Rorrigo in its present granular form or in a pill form, the Group will appoint a manufacturer to register Rorrigo on its behalf as a new medicine pursuant to Article 31 of the Law of Administration of Pharmaceuticals of the PRC.

Pending registration of Rorrigo as a new medicine, the Group intends to rely on an exemption to Article 31 which permits the manufacture and distribution of "TCM prepared in ready to use form" without registration. The so-called "TCM prepared in ready-to-use form" refers to TCM prepared with a single TCM herb using a specific concocting process. To comply with this exemption, Rorrigo will not be manufactured and/or distributed in its present form i.e. "finished dose" form, but will be manufactured in granular form with 21 ingredients packed in 21 separate sachets of a single concentrated Chinese herb granule ("Alternative Form"). Under PRC law, only certain pilot manufacturing enterprises are legally entitled to manufacture single concentrated Chinese herb granules. Rorrigo (in its Alternative Form) will be manufactured by one of these manufacturers.

Under PRC law, pharmaceutical manufacturers are allowed to distribute self-manufactured TCM to hospitals and clinics without possessing a pharmaceutical trading permit. The Group will either appoint the manufacturer of Rorrigo (in its Alternative Form) or a duly authorised wholesaler as its agent to distribute Rorrigo to the TCM Clinics and Hospitals in the PRC. The TCM Clinics and Hospitals will then prescribe Rorrigo (in its alternative form) to patients under their direct care.

On 18 June 2004, the SFDA published certain draft legislation requiring the registration of certain TCM prepared in ready-to-use form including a draft Catalogue List of TCM Prepared in Ready-to-use Forms which lists certain Chinese herbs required for approval. This draft legislation has yet to come into effect. In the event that such regulations come into force and in the event that one or more of the 21 ingredients for Rorrigo falls under the Catalogue List of TCM Prepared in Ready-to-use Forms, the manufacturer which produces Rorrigo

in its Alternative Form shall obtain the required approval for each individual ingredient from the relevant authorities within a one year grace period. Alternatively, the Company will use another manufacturer which has already obtained approval for the relevant ingredients. However, if none of the ingredients falls under the Catalogue List of TCM Prepared in Ready-to-use Forms, no approval shall be required, on the condition that there is no other special legislative requirement.

Protection under patent law

Invention patents

Under the PRC Patent Law, which came into effect in 1985 and was last amended on 27 December 2008, the formula and production process of a new TCM pharmaceutical product can be protected by an invention patent with relevant application. Products seeking invention patent protection must possess the characteristics of novelty, inventiveness and usefulness. SIPO will usually publish the application 18 months after the application is filed or prior to that if so required by the patent applicant. SIPO will carry out a substantive examination of the application, either at the request of the applicant within three years of the date of the application, or if necessary at its discretion. The duration of protection of a patent right for an invention is 20 years.

Once an invention patent is granted, unless otherwise permitted by law no other persons are permitted to manufacture, use, import or sell the product protected by the patent or otherwise engage such activities directly derived from applying the production technology or method protected by such patent, without the consent of the patent holder authorised with the patent rights.

Registration of TCM IP Rights Assignment

The Patent Application for Rorrico is registered in the name of the Assignors. Following Admission, the Assignors will apply to SIPO for the Patent Application to be registered in the name of Smart Falcon. As Smart Falcon is a foreign company registered overseas, the Assignors must first apply for the approval of the Shaanxi Commerce Department in Xian before applying to SIPO to register the assignment of the Patent Application. Under PRC law the assignment of the Patent Application to a foreigner or a foreign company registered overseas amounts to exportation of technology/patents. Whether the export of certain technology/patents are prohibited or restricted is usually decided by the relevant approval authorities, according to the relevant PRC Law, via an internal review of relevant materials provided by the applicant. If approval is granted by the Shaanxi Commerce Department, the Assignors may then apply to SIPO for registration of TCM IP Rights Assignment.

If the Shaanxi Commerce Department decides that the Patent Application falls under the category of freely exportable technology, the assignment of the Patent Application shall be registered at the Shaanxi Commerce Department prior to its registration at SIPO.

In the event that the Patent Application is deemed within the category of technology prohibited from export and as such the application is disapproved by the Shaanxi Commerce Department, the Company intends to incorporate a subsidiary in China (the "PRC subsidiary") and arrange for the TCM IP Rights (including the Patent Application) to be assigned to the PRC Subsidiary. This is due to the fact that if the assignee is a company registered in China (whether 100 per cent. domestic owned, sino-foreign joint venture or wholly foreign owned), no approval in relation to the export of technology/patent from the competent commerce department will be required. In such circumstances, the TCM IP Rights Assignment need only be registered with SIPO, which usually takes about 1 month.

Regulatory Regime in Hong Kong

Relevant Legislation

The regulation of the possession, sale and use of Chinese medicine in Hong Kong is contained in the Chinese Medicine Ordinance (Cap. 549 of the Laws of Hong Kong) (the "**CM Ordinance**").

The regulation of the importation of Chinese medicine in Hong Kong is set out in the Import and Export Ordinance (Cap. 60 of the Laws of Hong Kong) (the "**I&E Ordinance**").

The CM Ordinance

In general, the regulation of traditional Chinese medicine falls into three parts:

- (i) the regulation of Chinese medicine practitioners. The CM Ordinance requires that all practitioners of Chinese medicine are registered before they can practise in Hong Kong;
- (ii) the licensing and regulation of Chinese medicine traders (including manufacturers, wholesalers and retailers) of Chinese medicines which contain certain ingredients as listed in Schedule 1 and 2 of the CM Ordinance; and
- (iii) the registration of proprietary Chinese medicines (“**proprietary Chinese medicines**” (as defined in the section headed “Impact of the CM Ordinance on the Company” below)).

Both the regulation of Chinese medicine practitioners and the regulation of Chinese medicine traders are now in force.

Registration of proprietary Chinese medicines

Pursuant to Section 119 of the CM Ordinance, no person shall sell, import or possess any proprietary Chinese medicine unless the proprietary Chinese medicine is registered.

All proprietary Chinese medicines must be registered before they can be sold, imported or possessed. Registration of proprietary Chinese medicines must be made to the proprietary Chinese medicines Board of the proprietary Chinese medicine Council (“Medicines Board”) in accordance with the CM Ordinance. The applicant must apply in the prescribed form and provide the documents, information, samples and other materials that the Medicine Board may determine and furnish the particulars of the proprietary Chinese medicine required to be registered in accordance with the prescribed requirements as to safety, quality and efficacy and be accompanied by the prescribed application fee.

On approval of the application and payment of the fee, the Medicines Board may register the proprietary Chinese medicine and issue a certificate of registration to the applicant in respect of the proprietary Chinese medicine. The Medicines Board may impose such conditions as it thinks fit and may amend, vary or revoke the conditions if it appears to the Medicines Board that the conditions should be so amended, varied or revoked. The Medicines Board may refuse an application for registration and provide written reasons to the applicant if it thinks it is in the public interest to refuse.

In determining an application for registration of a proprietary Chinese medicine, the Medicines Board is required in particular take into consideration the safety, quality and efficacy of the proprietary Chinese medicine.

Impact of the CM Ordinance on the Company

Under the CM Ordinance:

The expression “proprietary Chinese medicine” means:

- (a) *any proprietary product composed solely of the following as active ingredients:*
 - (i) *any Chinese herbal medicines; or*
 - (ii) *any materials of herbal, animal or mineral origin customarily used by the Chinese; or*
 - (iii) *any medicines and materials referred to in subparagraphs (i) and (ii) respectively;*
- (b) *formulated in a finished dose form; and*
- (c) *known or claimed to be used for the diagnosis, treatment, prevention or alleviation of any disease or any symptom of a disease in-human beings, or for the regulation of the functional states of the human body.*

The expression “Chinese herbal medicine” means any of the substances specified in Schedule 1 or 2¹⁹ of the CM Ordinance.

At least one of the ingredients used in Rorrigo is within the substances specified in Schedule 2 of the CM Ordinance. Hence, in its granular or pill form, Rorrigo is likely to be treated as a “Chinese herbal medicine”

¹⁹ Schedule 1 contains 31 toxic Chinese herbal medicines and Schedule 2 contains 574 commonly used Chinese herbal medicines.

and, depending on whether or not it is considered to be formulated in a finished dose form, it may also be treated as a proprietary Chinese medicine.

Alternative formulation of Rorrigo

Rorrigo does not need not be “formulated in a finished dose”. If the Group is not able to obtain the relevant registration of Rorrigo in the period, the 21 ingredients for Rorrigo could be sold to clinics and hospitals separately and such clinics and hospitals could compound the medication themselves. If Rorrigo is compounded in a clinic environment, then the Directors believe that Rorrigo will not be treated as “formulated in a finished dose form” in which case the Rorrigo medication prescribed by the clinics would not be treated as proprietary Chinese Medicine under the CM Ordinance.

Even if Rorrigo (in its alternative form) is treated as proprietary Chinese Medicine under the CM Ordinance, the Company may be able to rely on an exemption set out in Section 158(6) of the CM Ordinance which provides that the registration requirement (in Section 119) shall not apply in respect of a proprietary Chinese medicine which is compounded by or under the supervision of, a registered Chinese medicine practitioner, at the premises where he practises and administered or supplied to a patient under his direct care.

Since Rorrigo can be compounded by the Chinese medicine practitioners themselves, the Directors believe that that the registration requirements of the CM Ordinance may inconvenience the TCM Clinics and Hospitals but will not, in itself, result in the Group not being able to dispense Rorrigo via the TCM Clinics and Hospitals in its alternative form.

Some of the ingredients of Rorrigo are within the list of restricted substances set out in Schedule 2 of the CM Ordinance, and are therefore treated as Chinese herbal medicines which can only be sold, under Section 109 of the CM Ordinance, by a duly licensed manufacturer, wholesaler or retailer.

The TCM Clinics and Hospitals in Hong Kong and any third party clinics and hospitals would only purchase any Chinese herbal medicines listed in Schedule 2 of the CM Ordinance from a duly licensed manufacturer or wholesaler. The TCM Clinics and Hospitals themselves will incur no liability under Section 109 of the CM Ordinance in respect of any sale or dispensation of such ingredients by them as Section 158(2) of the CM Ordinance exempts registered Chinese medicine practitioners if the Chinese herbal medicines in question are:

- (i) being used for the purpose of administering to a patient under his direct care; and
- (ii) dispensed on a prescription given by him and at the premises where he practises.

The Company would not be permitted to sell Rorrigo nor such of its ingredients which are listed in Schedule 2 of the CM Ordinance in Hong Kong without a wholesaler/retailer licence in each case issued under the CM Ordinance. However, the Group intends that any such ingredients would be purchased by the TCM Clinics and Hospitals from duly licensed manufacturers or wholesalers appointed by the Group as its distributors.

Importation of proprietary Chinese medicines

The I&E Ordinance requires all imports of pharmaceutical products and medicines (including proprietary Chinese medicines defined in the CM Ordinance) to be covered by import licences issued by the Trade and Industry Department of Hong Kong. Such medicine can only be imported with an import licence by someone licensed as a wholesaler in proprietary Chinese medicines or licensed as a manufacturer in proprietary Chinese medicines.

Once the legislation relating to the registration of proprietary Chinese medicine is in force, the Company will not be able to import Rorrigo in its granular or pill form until Rorrigo has been registered in Hong Kong. However the Company does not currently import Rorrigo into Hong Kong and it does not intend to do so in the future. Instead it intends to engage a Hong Kong manufacturer to manufacture Rorrigo in Hong Kong and that the manufacturer will apply for registration of Rorrigo under the mandatory registration regime of the CM Ordinance.

Regulatory regime in Macau

Registration of TCM products

The registration of pharmaceutical products to be used, distributed or sold in Macau is governed by Decree-Law 59/90/M. According to this Decree-Law (section 2 paragraph 2), the distribution and retail of

TCM is subject to specific regulations, although these have not been enacted. In the absence of any specific regulations, the Macau Health Services (“MHS”) are currently handling the authorization of the local manufacture and distribution of TCM under the so-called “Alternative Registration System”.

The “Alternative Registration System” consists of applying to the local manufacture, retail and distribution of TCM the same requirements applicable to the importation of goods of such nature into Macau. These requirements are set out in Section 13 paragraph 2 of Decree-Law no. 53/94/M, which govern the licensing and operation of TCM pharmacies, as well as the importation and exportation of TCM. Under the general regulations on import and export transactions, TCM are deemed as conditioned ones and their import or export could only be allowed if the relevant applicant holds a prior authorisation from MHS.

TCM must be authorised for manufacture and retail sale prior to commencing manufacture or retail sale of such products in Macau. Under Section 13, of Decree-Law no. 53/94/M, the product authorisation should be applied for by reference to a certain lot or batch to be manufactured and retailed and it should be applied for with the MHS not less than 3 days from the expected date of introduction into the market. Under the same Section 13 (paragraph 3) the application should be supported by technical documentation and laboratory reports on the goods contents, purpose and indications.

Importation, distribution and sale of TCM in the course of the authorisation process may only be allowed in the case of vital medicinal products or duly justified scientific purposes. If such TCM is made available in Macau without being registered with the MHS, then fines are applicable as per the general regulations relevant to import and export of goods into and from Macau as well as the rules on distribution of TCM.

The registration of TCM can be requested:

- (i) by companies licensed to import, export and distribute TCM; and
- (ii) by companies duly licensed to import, export and wholesale of pharmaceutical products companies (or IPPC).

The corporations handling import, export and wholesale of TCM must be duly licensed as per Sections 3 to 8 of Decree-Law 53/94/M. In order to obtain a licence the following requirements, amongst others, will apply to the applicant:

- a) it must have residence or its head office in Macau, if a legal person, and be duly incorporated;
- b) it must have premises that fulfil the security and quality requirements suitable for storage and conservation of pharmaceutical products; and
- c) the owner (the directors or managers, in case of a company) must be suitable to carry out the import, export and distribution of TCM.

The Group has outsourced the manufacturing of Rorrigo in Macau to a third party manufacturer, Hong Yee. On 18 January 2010, Hong Yee obtained from the Government of the Macau SAR Health Bureau Pharmaceutical Unit a local sale permit for Rorrigo, which permits it to manufacture and sell a specific batch of Rorrigo with an expiry date of December 2012 in Macau. Hong Yee must obtain an approval to manufacture further batches with any later expiry dates, but such approvals are usually granted within a few days of application. As the Group does not hold a wholesaler license, it intends to appoint either Hong Yee or an authorised wholesaler as its agent to distribute, on behalf of the Group, Rorrigo to TCM Clinics and Hospitals and licensed pharmacies in Macau.

PART III

RISK FACTORS

The Ordinary Shares should be regarded as a highly speculative investment and an investment in Ordinary Shares should only be made by those with the necessary expertise to fully evaluate the investment.

In addition to the usual risks associated with an investment in a business which is a start-up or at an early stage of development, the Directors believe that the following risks should be considered carefully by investors before acquiring Ordinary Shares. Prospective investors are advised to consult an independent adviser authorised under the FSMA.

If any of the risks described in this Admission Document actually occurs, the Company may not be able to conduct its business as currently planned and its financial condition, operating results and cash flows could be seriously harmed. In that case, the market price of the Ordinary Shares could decline and all or part of an investment in the Ordinary Shares could be lost. No inference ought to be drawn as to the order in which the following risk factors are presented as to their relative importance or potential effect.

RISK FACTORS RELATING TO THE BUSINESS AND OPERATIONS OF THE GROUP

Prospective investors are strongly cautioned not to rely on any information contained in press articles or other media regarding the Group and Admission.

Prior to the publication of this Admission Document, there has been press and media coverage regarding the Group and Admission which may include certain financial information, projections and other information about the Group that do not appear in the Admission Document. The Group does not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. The Group makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appears in publications other than this Admission Document, the Group disclaims it. In making your decision as to whether to purchase Ordinary Shares, you should rely solely on the information included in this Admission Document and the application forms and not place any reliance on any other information.

The Group has a limited operating history

The Group has a limited operating history which makes it difficult for a potential investor to evaluate its performance. It does not have cash flow producing assets and the ultimate success of the Group will depend on its ability to develop and generate cash flow from the sales of TCM and the acquisition and operation of a network of modern TCM Clinics and Hospitals. There is a possibility that not all, or indeed any, of the proposed joint venture arrangements and/or acquisitions of MiLOC Medical to establish a network of TCM Clinics and Hospitals will develop as anticipated or that the Group will become profitable.

The Group may not achieve its planned expansion objectives

The Group's ability to expand depends on, among other things:

- Its ability to identify, and the availability of, suitable strategic acquisition targets and joint venture partners;
- its ability to attract and reach agreement with these acquisition targets on commercially reasonable terms;
- the availability of financing to complete larger acquisitions or investments;
- its ability to obtain all required governmental and third-party consents, approvals, licenses, certificates and permits; and
- the possibility of its major competitors expanding into cities where it intends to operate.

The Group may not be able to achieve its planned expansion objectives. Although MiLOC Medical has entered into a number of MOUs with various clinics and hospitals in Macau, Hong Kong and China (as further described in paragraph 7 of Part I of the Admission Document), none of these MOUs are legally

binding on the parties and there is no guarantee that any of the proposed joint venture arrangements and/or acquisitions contemplated by the MOUs will complete.

No assurance of profitability

The revenue and profit potential of the Group is unproven, as the businesses within the Group are still at a relatively early growth and development stage. To date, the Group has yet to make a profit and the Directors expect that the Group's net losses will continue for the short to medium term, as the Group continues to incur expenses relating to, among other things:

- research and development into new TCM for the treatment of pandemic diseases;
- the conduct of clinical trials on the Group's candidates for new TCM;
- development of the Group's sales and marketing network; and
- the establishment of joint venture arrangements with clinics and hospitals in Macau, Hong Kong and the PRC to create the Group's TCM Clinic and Hospital network.

Additional capital and dilution

The Group may require additional capital in the future for expansion and/or business development which may significantly dilute the interests of existing Shareholders. If the Group is unable to obtain financing on terms acceptable to it then it may be forced to curtail its planned development. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a *pro rata* basis to existing Shareholders, the percentage ownership of Shareholders may be reduced. There can be no guarantee that any further capital raisings will be successful.

Reliance on strategic relationships

To establish its network of TCM Clinics and Hospitals, the Group will depend on its relationships with certain joint venture partners. The Company's indirect equity interests in any of these proposed joint venture arrangements may not provide the Company with the ability to control actions that require shareholder approval. Also, under the terms of any joint venture contracts for these entities, the consent of directors nominated by the Group's joint venture partners may be required for the passing of resolutions in relation to certain matters concerning the operation of these companies. As a result, although the Group participates in the management, and in many cases has day to day operational control, of such operating companies, it may not be able to secure the consent of its joint venture partners to pursue activities or strategic objectives that are beneficial to or that facilitate the Group's overall business strategies. No assurance can be given that these relationships will not deteriorate with resulting adverse financial consequences to the Group.

The Group's network of clinics and hospitals will rely on the proper performance of its electronic clinic information system and any malfunction of the system for an extended period could adversely affect the Group's ability to operate

The Group will operate a centralised electronic clinic information system under which the Group's TCM physicians will have access to patient records online. This system is critical for the Group's clinic operations. No assurance can be given that the electronic clinic information system will always operate without interruption or malfunction. Any long term breakdown of, or disaster leading to damage to, the hardware system or to our software, or other failure of our electronic clinic system from, among other things, viruses and hacking, may adversely affect the Group's ability to operate and manage its business, its business performance and its profitability.

Regulatory risk associated with operating TCM clinics and hospitals

The Group's intended business of operating TCM Clinics and Hospitals is heavily regulated by national medical supervisory bodies. Any failure by the Group and/or its future joint venture partners to maintain appropriate compliance with the regulatory environment could have a material adverse effect on the business of the Group, including the possibility of one or more of the Group's clinic being temporarily or permanently closed.

There may be a risk of potential litigation arising from professional malpractice

By the nature of the Group's intended business of operating TCM Clinics and Hospitals, the Group will be exposed to potential litigation arising from professional malpractice or incompetence of its TCM practitioners. Any liability arising from such litigation is likely to have a material adverse effect on the Group's reputation, cash flow and financial condition. Where available in the relevant jurisdiction, the Group will have in place insurance to cover potential litigation and each TCM practitioner working in the Group's network of clinics and hospitals will have their own professional indemnity insurance in place.

Dependency on a small number of TCM and effect of decrease in level of sales

Although the Group intends to develop or acquire other TCM, part of the Group's business relating to sales and distribution of TCM is dependent at present on one TCM, Rorrigo. Product sales of Rorrigo and any other TCM developed or acquired by the Group may be affected by adverse market developments. These may include downward pricing from governments and other third parties to limit healthcare costs, the market for Rorrigo or any other particular TCM acquired or developed by the Group not developing in the manner predicted by the Group, withdrawal of a product for regulatory reasons or from increased competition in the market. While the Group intends to expand its sales network, sales of products may not grow as a result of the Group's extended sales network. Failure by the Group to maintain or achieve anticipated sales targets could have a material adverse effect on the Group's financial condition, results of operations and prospects.

The Group's current and future research and development projects for Rorrigo and future TCM may not succeed

Given the unpredictability of research and development results, there can be no assurance that any research and development project undertaken by the Group in relation to new TCM will result in a viable TCM candidate for the Group or that any TCM candidate will have proven efficacy and safety of use to proceed through pharmacological testing and clinical trials.

Although initial tests on Rorrigo indicate that it has antiviral efficacy on the Influenza A (H1N1) virus, as evidenced by in-vitro research conducted by the Wuhan Institute of Medical Virology in the PRC, MIAR has not completed its clinical trials on human subjects. Although Rorrigo does not yet have a proven track record as to its efficacy in the prevention and treatment of Influenza A (H1N1) in humans, in July 2010, MIAR successfully treated a patient who tested positive for Influenza A (H1N1) with a standard seven-day treatment course of Rorrigo.

TCM may fail to reach commercial production for various reasons, including the failure to obtain necessary regulatory approvals for the registration or production of the TCM under production. The research and development cycle for new TCM is generally quite long. The Group's future research and development projects may not succeed or complete within the anticipated budget or timeframe and the results of such projects may not lead to viable commercial production and even if such projects reach commercial production, there is no guarantee that they will be accepted by the market.

The Group may not succeed in marketing its TCM as viable alternatives to Western pharmaceutical products outside China, Hong Kong and Macau as consumers are generally cautious about TCM. There is also no guarantee that the Group will find appropriate partners outside its network of TCM Clinic and Hospitals to assist in the marketing and distribution of its TCM to doctors and other users outside China.

The Group's TCM products may not satisfy regulatory requirements

The pharmaceutical industry is subject to stringent regulation. At the date of this Admission Document the Group's manufacturer, Hong Yee, has registered Rorrigo for production and retail sale in Macau. At present, the Group intends register Rorrigo for manufacture and retail sale in China and Hong Kong. In the meantime, pending registration which may take at least 5 years to obtain in China, it will prescribe Rorrigo through its network of TCM Clinics and Hospitals in China and Hong Kong. For further details in relation to the distribution of Rorrigo by the Group, please refer to paragraph 5 of Part I of this Admission Document. The Group may not be successful in obtaining approvals for its TCM in certain jurisdictions which may prevent the Group from achieving its business objectives. In addition, the regulatory regime in any jurisdiction where the Group operates may change from time to time, which may affect the ability of the Group to satisfy necessary requirements for the sale of its TCM or may require it to remove its TCM from such markets altogether.

The prices of certain of the Group's TCM may be subject to governmental price control

Although the Group is not currently authorised to sell Rorrigo in China, it intends to apply for such authorisation following Admission and similarly with any other TCM it develops. The prices of certain pharmaceutical products sold in China are subject to State or provincial governmental control. Should there be an increase in the cost of the Group's raw materials but an application by the Group for a corresponding increase in the price ceiling of any relevant TCM is not approved or, as the case may be, the price of related controlled by the relevant State or provincial price administration authority is not adjusted, the Group's profit margins may be adversely affected. There can be no certainty that new TCM produced by the Group in the future will not be subject to price controls in China.

Production of TCM relies on the supply of quality medicinal raw materials

The Group's production of its TCM products relies on the supply of raw materials, which are medicinal herbs of a suitable quality whose properties are related to the regions and climatic conditions in which they are grown. The quality, availability and prices of these medicinal herbs are dependent on and are closely affected by weather conditions and other seasonal factors which may have an impact on the yields of such herbs each year. The supply, prices and quality of raw materials may fluctuate according to market conditions and any sudden increases in demand in the case of a widespread illness, such as Influenza A (H1N1) or any drop in quality of the raw materials the Group uses, may impact on the Group's costs of production and may adversely affect the Group's results of operation, financial condition and prospects.

There may be a risk of product liability litigation and adverse publicity

Rorrigo and any other TCM which may be developed by the Group are based on extracts of medicinal herbs which have been used in Chinese medicine for centuries. The Directors therefore believe that the risk of harmful side effects from their use is low. However, in new concentrations or formulae of TCM or in situations where such medicines are combined with other chemical drugs, there may be a risk of harmful side effects which may result in the Group facing civil claims and/or criminal prosecutions.

In addition to civil liability claims, any safety incidents may lead to investigation and possibly prosecution by the regulatory authorities in China or other jurisdictions where the Group's TCM are distributed. Failure to comply with any appropriate remedial action (which may include a product recall) may expose the Group to regulatory or administrative action, a safety incident or any other issues relating to the serious quality of the Group's TCM may result in business disruption and possibly lead to adverse press and other negative public relations consequences, including damage to the reputation of the Group or its brands. Any such incidents could adversely affect the Group's results of operations, financial condition and prospects.

Dependence on patents and other intellectual property rights

The Group's ability to compete with other companies in China will depend to a certain extent on its ability to obtain and maintain patent protection for certain of its TCM in China, enforce its rights against infringement of those intellectual property rights, maintain its trade secrets and operate without infringing the intellectual property rights or proprietary rights of third parties.

However, it is difficult to obtain patent protection for TCM in jurisdictions outside China due the inherent difficulties of proving that TCM possess such characteristics as "novelty" and "innovation" which are required for invention patents. The active ingredients in TCM, which are Chinese medicinal herbs, and the methods of concocting such ingredients have been used in TCM medicine for thousands of years and therefore, new formulae for TCM may be regarded as not novel or innovative.

At the date of this Admission Document, the Group only has the Patent Application in relation to Rorrigo pending. The Group may not be successful in obtaining a patent based on the Patent Application or any other future patent applications.

In view of difficulties in obtaining patent protection for TCM and the public nature of the patent application process, the Directors do not intend to seek patent protection for Rorrigo in jurisdictions outside the PRC or patent protection for future TCM of the Group in other jurisdictions. The Directors believe that the best way of protecting the Group's future TCM products from the risks of counterfeiting is through the reliance on trade secret law and/or contractual arrangements. It will therefore continue to obtain confidentiality

undertakings from its suppliers, manufacturers, joint venture partners, and TCM Clinics and Hospitals to ensure that the formulae and methods of production for its TCM and other proprietary information remain confidential. However, these agreements may not afford adequate protection and may be breached. Any disclosure of its trade secrets and non-patentable know-how to third parties may result in competitors independently developing medicines similar to those of the Group.

There is a high risk of counterfeiting in China and this risk increases with successful marketing and brand awareness building of medicines which do not qualify for specific pharmaceutical protection under PRC law. Enforcement of intellectual property rights in China can sometimes be difficult despite the protection offered by the existing regulatory regime.

Competitors may develop similar medicines or copy any of the Group's TCM, or produce TCM based on any of the patents which the Group may obtain. The Group may have to enforce its intellectual property rights against any person who infringes those rights or challenges any of the Group's patent or trademark applications of its intellectual property rights. Often proceedings of this nature can be protracted with no certainty of success and usually involve significant costs and management time, which may have a material adverse effect on the Group's financial condition.

The Group may be subject to infringement actions if any of its TCM or TCM candidates are claimed by third parties under other existing patents or are otherwise claimed to be the subject of third party proprietary rights. Often proceedings of this nature can be protracted with no certainty of success and the Group may incur significant costs in defending any such actions regardless of whether the Group is successful. If the Group is unsuccessful in defending such infringement actions, it may be subject to significant liabilities to third parties which may force it to reduce or cease its research and development of new products or the sale and distribution of such products.

The Group may experience fluctuations in its results

The Company may experience fluctuations in its operating results due to a number of factors, including the rate at which the Company expands its network of TCM Clinics and Hospitals, the interest rates payable on debt capital, the level of expenses, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which it encounters competition in sourcing suitable TCM clinics and hospitals and general economic conditions. Accordingly, results for any period should not be relied upon as being indicative of performance in future periods.

Reliance on management and key personnel

The success of the Group depends largely upon the expertise of the Directors and its senior management. There is no assurance that the Group can retain the services of these persons. Failure to do so any of any of these persons may have a materially adverse effect on the Group's business and prospects.

The Company's Controlling Shareholder may exert substantial influence over the Company and may not act in the best interests of the Company's independent shareholders

Upon completion of the Placing, the Controlling Shareholder will own 68.29 per cent. of the Company's issued share capital. The Controlling Shareholder will be in a position to exert significant influence over the Group's affairs and will be able to significantly influence the outcome of any shareholders' resolution, irrespective of how other shareholders may vote. The interests of the Controlling Shareholder may not necessarily be aligned with those of our independent shareholders. The Controlling Shareholder may cause the Company to take actions that are not in the interests of the Shareholders. In the event that the interests of the Controlling Shareholder conflict with those of the Shareholders, or if the Controlling Shareholder chooses to cause the Company to pursue objectives that would conflict with the interests of its other Shareholders, such other shareholders could be left in a disadvantageous position by such actions caused by the Controlling Shareholder.

The Controlling Shareholder has entered into the Relationship Deed with the Company which provides that the Company shall at all times be capable of operating its business independently of the Controlling Shareholder and that all transactions and relationships between the Company and the Controlling Shareholder (and its related parties) will be at arm's length and on normal commercial terms. However, due

to its controlling shareholding in the Company, the Controlling Shareholder may, in breach of the terms of the Relationship Deed, influence the business of the Company which may in turn have an adverse effect on the Company's business.

Dividends

The Company does not currently intend to, but may in the foreseeable future, pay dividends to its shareholders. There can be no assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Shareholders or, in the case of interim dividends to the discretion of the Directors, and will depend upon, among other things, the Company's earnings, financial position, cash requirements, availability of profits, as well as provisions for relevant laws or generally accepted accounting principles from time to time.

Planning uncertainty

This Admission Document contains certain forward-looking statements that are subject to certain risks and uncertainties, in particular statements regarding the Group's plans, goals and prospects. These statements and the assumptions that underlie them are based on the current expectations of the Directors and are subject to a number of factors, many of which are beyond their control. As a result, there can be no assurance that actual performance of the Group will not differ materially from the matters described in this Admission Document.

Political and legal factors

Projects in which the Group invests are likely to be in jurisdictions where legal uncertainties, ambiguities, inconsistencies and anomalies might arise which would not necessarily exist in the UK. In particular, difficulties may arise in seeking to obtain redress through the legal courts in the relevant overseas jurisdictions.

Specific political risks include:

- Changes to existing legislation related to tax, import duties, custom procedures, ownership, foreign exchange laws and environmental mitigation, leading to an adverse impact on the project;
- Confiscation, expropriation or nationalisation of the Group and/or its assets;
- Delays in the granting of permits, licenses and other consents from the government;
- Restrictions on repatriation of profits and interest payments;
- Controls or restrictions on the rate of depletion of the Group's reserves;
- War, revolution or political violence; and
- Devaluation in the local currency, leading to a reduced value of the dividends stream.

Financial risk

There are a number of financial risks which are outside the control of the Group and which can affect revenues and/or costs. These include international exchange rates, interest rates, world commodity prices which in turn affect energy supplies and raw materials changes in world prices of biodiesel, inflation and international trends in trade, tariffs and protectionism.

Legal Risk

Legal risks include the inability to enforce security arrangements, an absence of adequate protection for intellectual property, an inability to enforce foreign judgments, absence of a choice of law, and an inability to refer disputes to arbitration or to have a choice with regard to arbitration rules, venue and language.

Mitigation measures for these risks are limited.

Tariffs and tax changes

Governments may impose tariffs on imported products and/or introduce changes to their internal tax subsidies which may affect the Group's competitiveness.

CONSIDERATIONS RELATING TO THE ORDINARY SHARES

Investment in PLUS-quoted securities and liquidity of the Company's Shares

An investment in companies whose shares are traded on PLUS-quoted are perceived to involve a higher degree of risk and be less liquid than an investment in companies whose shares are listed on the Official List. PLUS-quoted is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than the Official List. The future success of PLUS-quoted and liquidity in the market for Ordinary Shares cannot be guaranteed. In particular, the market for Ordinary Shares may become or may be relatively illiquid and therefore, such Ordinary Shares may be or may become difficult to sell.

The market of the Ordinary Shares following Admission may be highly volatile and subject to wide fluctuations in response to a variety of factors which could lead to losses for Shareholders. These potential factors include amongst others: any additions or departures of key personnel, litigation and press, newspaper and/or other media reports, variations in the operating results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions or legislative changes in earnings estimates by stock market analysts, general economic conditions or legislative changes in the group's sector.

Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may, therefore, realise less than or lose all of their investment.

Dilution of shareholders' interest as a result of additional equity fundraising

As mentioned above, the Group may need to raise additional funds in the future to finance, amongst other things, expansion of the business, new developments relating to existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a *pro rata* basis to existing Shareholders, the percentage ownership of the existing Shareholders may be reduced. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

Takeover Code

The Takeover Code will not apply to the company as further described in paragraph 19 of Part I of this Admission Document and therefore any takeover of the Company will be unregulated by UK takeover authorities.

Tax legislation

Any change in the Company's tax status, or in taxation legislation in the BVI, the United Kingdom or elsewhere, could affect the value of its investments and the Company's ability to achieve its investing policy, or alter the post-tax returns to Shareholders. Statements in this Admission Document concerning the taxation of UK Shareholders are based upon current UK tax law and practice, which laws and practice are in principle subject to change that could adversely affect the ability of the Company to meet its investing policy.

Prospective investors are urged to consult their tax advisers with respect to their particular tax situations and the tax effects of an investment in the Company.

RISK FACTORS RELATING TO THE PRC

The Group will be reliant on the Chinese market for the sale of its TCM

The Directors anticipate that sales of the Group's TCM in China will represent a significant proportion of the Group's total revenues in the near future. As a result, the Group's results of operations, prospects and financial condition could adversely be affected if there is any deterioration in or disruption to legal, political, economic or social conditions in China.

Taxation

The attention of potential investors is drawn to paragraph 15 of Part V of this Admission Document headed "Taxation". The tax rules, including stamp duty provisions and their interpretation relating to an investment in the Group may change during the life of the Group.

The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this Admission Document are those that are currently available and their value depends upon the individual circumstances of investors. Any change in the Group's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Group, affect the Group's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this Admission Document concerning the taxation of the Group and its investors are based upon current tax law and practice which is subject to change.

Currency Exchange Rates

State control of currency conversion and future movements in exchange rates may adversely affect the Group's ability to distribute dividends, increase competition from imports, affect the value of the Group's assets or inhibit its ability to import the required machinery.

Environmental Regulation

The Group's operations are subject to environmental and safety regulation in the PRC and other jurisdictions in which it operates. Such regulation covers a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The Group may also be subject, under such regulations, to clean up costs and liability for toxic and hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. In particular, the acceptable level of pollution and the potential clean up costs and obligations and liability for toxic or hazardous substances for which the Group may become liable as a result of its activities may be impossible to assess against the current legal framework and current enforcement practices of the relevant jurisdiction. In addition, environmental legislation and permit regime are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees.

Health and Safety

While health and safety regulations in the PRC are not well developed, the adoption and enforcement of more stringent regulations in the future could adversely affect operational flexibility and costs.

Governmental Regulations and Licences

The Directors believe that the Group currently holds all necessary licenses and permits to carry on the activities which it is currently conducting under applicable laws and regulations. The Group intends to register Rorrigo for manufacture and retail sale in the PRC and Hong Kong. However the Group's ability to obtain, sustain or renew any such licenses and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable PRC governmental authorities. New laws and regulations, amendments to existing laws and regulations, or more stringent enforcement of existing laws and regulations, could have a material adverse impact on the Group's results of operations and financial condition.

Political Risks in PRC

The Chinese system operates within a political framework of Communist control. However PRC has reformed and opened its economy. Although the Directors believe that political conditions in PRC are generally stable, changes may occur in its political, fiscal and legal systems which might affect the ownership or operation of the Group's interests, including, *inter alia*, changes in exchange control regulations, changes in government and in legislative and regulatory regimes. The Chinese Government since 1978 has pursued a policy of economic liberalisation, including the relaxation of private sector involvement in certain business sectors, although in late 2003 it began to limit new infrastructure projects, in an effort to cool off the economy. The degree to which the PRC Government regulates the industry is a key risk to the business in the future. The rate of economic liberalisation could change and laws and policies affecting the environmental protection sector, foreign investment, exchange rates and other matters affecting investment in PRC could change as well. A material change in PRC's economic liberalisation could disrupt the country's economy generally and the Group's business in particular. In addition, PRC has from time to time experienced civil unrest and hostilities with Taiwan and neighbouring countries, including India, Pakistan, Malaysia, Philippines and Vietnam. Events such as clashes between PRC, India and Pakistan over the disputed Kashmir region and terrorist attacks within PRC itself could adversely affect the market price of the Ordinary Shares.

PRC Legal Environment

The Chinese legal system is based on written statutes. Prior legal decisions and judgments have limited precedential value. China is still in the process of developing a comprehensive statutory framework, and its legal system is still considered to be underdeveloped in comparison with legal systems in some western countries. Despite significant improvement in its developing legal system, China does not yet have a comprehensive system of laws. The interpretation of Chinese laws may be subject to changes that have a material adverse effect on the Group. In addition, enforcement of existing laws may be uncertain. The PRC legal system and regional taxation laws have inherent uncertainties and inconsistencies as to interpretation that could limit the legal protections available to members of the Group and might constrain the effectiveness of its intellectual property rights. As the Group's business is substantially conducted in the PRC, its operations are governed principally by the laws of the PRC. The Directors believe that PRC company law and special provisions, in general, and provisions for the protection of shareholders' rights and access to information, in particular, are less developed and afford less protection than those applicable to companies incorporated in the United Kingdom and other developed countries or regions.

Limitations on Foreign Control of Chinese Companies

As part of PRC's accession to the WTO in 2001, PRC undertook to eliminate certain trade-related investment measures and to open up specified sectors that had previously been closed to foreign investment. Major remaining barriers to foreign investment include inconsistently enforced laws and regulations.

The risks noted above do not necessarily comprise all those faced by the Group and/or by the Shareholders, and are not intended to be presented in any assumed order of priority.

The investment described in this Admission Document is speculative and may not be suitable for all recipients of this Admission Document. Potential investors are accordingly advised to consult a person authorised under the FSMA who specialises in advising in investments of this kind before making any investment decisions. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his personal circumstances and the financial resources available to him.

PART IV (A)

ACCOUNTANTS' REPORT ON MILOC GROUP LIMITED

The Directors
MiLOC Group Limited
Research and Development of Traditional Chinese Medicine
Flat A 1/F, 69 Chung on Street
Tsuen Wan, NT
Hong Kong



The Directors
ZAI Corporate Finance Limited
12 Camomile Street
EC3A 7PT

20 December 2010

Dear Sirs

We report on the financial information of MiLOC Group Limited (the 'Company'), which has been prepared for inclusion in the PLUS Admission Document (the 'Document') dated 20 December 2010 of the Company on the basis of the accounting policies set out in note 2 to the financial information. This report is required by Appendix I of the PLUS Rules and is given for the purpose of complying with that appendix and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information as described in the 'Basis of Preparation' set out below and in accordance with applicable International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Document and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives for the purposes of the Document dated 20 December 2010 a true and fair view of the state of affairs of the Company as at the date stated and of the statements of comprehensive income, changes in equity and cash flow for the period then ended in accordance with the basis of preparation set out below and in accordance with applicable International Financial Reporting Standards and has been prepared in a form that is consistent with the accounting policies to be adopted by the Company.

Declaration

For the purposes of Appendix I of the PLUS Rules we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Appendix I of the PLUS Rules.

Yours faithfully

Mazars LLP

STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income of the Company for the period from incorporation on 10 February 2010 to 31 March 2010 is set out below:

	<i>Notes</i>	<i>HK\$</i>
Revenue	3	–
Cost of sales		–
		<hr/>
Gross profit		–
Distribution costs		–
		<hr/>
Result before taxation		–
Taxation	4	–
Result for the period		–
Other comprehensive income		–
		<hr/>
Total comprehensive result		–
Result per share – from continuing operations (HK\$)		–
Basic and diluted	6	–
		<hr/> <hr/>

STATEMENT OF FINANCIAL POSITION

The statement of financial position of the Company as at 31 March 2010 is set out below:

	<i>Notes</i>	<i>HK\$</i>
Current assets		
Other receivables		—
		<hr/>
Total assets		—
		<hr/> <hr/>
Equity and reserves		
Share capital	5	—
		<hr/>
Total equity and liabilities		—
		<hr/> <hr/>

STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity of the Company for the period from incorporation on 10 February 2010 to 31 March 2010 is set out below:

	<i>Share capital</i> HK\$	<i>Retained earnings</i> HK\$	<i>Total</i> HK\$
Increase in share capital	—*	—	—*
At 31 March 2010	—	—	—

* The increase in share capital was US\$0.001 (approximately HK\$0.008), being one share of US\$0.001 each.

No dividends were paid during the period ended 31 March 2010.

STATEMENT OF CASH FLOWS

The statement of cash flows of the Company for the period from incorporation on 10 February 2010 to 31 March 2010 is set out below:

	<i>HK\$</i>
OPERATING ACTIVITIES	
Cash generated from operations	—
Net cash inflow from operating activities	—
Net increase in cash and cash equivalents	—
Cash and cash equivalents at beginning of period	—
Cash and cash equivalents at end of period, represented by bank balances and cash	—

There were no major cash transactions during the period under review.

NOTES TO THE FINANCIAL INFORMATION

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 which will be 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 information contained in this report 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.

Comparative figures

No comparative figures have been presented as the non-statutory financial information covers the period from incorporation to 31 March 2010.

Financial Assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Company 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 Company 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 i.e. the date that the Company 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.

(i) **Financial assets at fair value through profit and loss**

Financial assets classified as held for trading are included in the category financial assets at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the short term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

The Company does not designate any financial assets not held for trading as financial assets at fair value through profit and loss during the period under review.

(ii) **Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold the assets to maturity. Investments intended to be held for an undefined period are not included in this

classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount and minus any reduction for impairment or uncollectibility. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) **Loans and receivables**

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 income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) **Available-for-sale financial assets**

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant stock exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

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 Company 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 Company 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 Company 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 Company'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 Company 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 Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put

option on an asset measured at fair value, the extent of the Company'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 recognised in the income statement.

(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 Company 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 as 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 income statement.

Equity instruments

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

Impairment of financial assets

(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 income statement. 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 Company'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.

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, net of bank overdrafts.

Impairment of non-financial assets

At each balance sheet date, the Company reviews internal and external sources of information to determine whether the carrying amounts of its property, plant and equipment and intangible asset with finite useful lives have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately.

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.

Critical accounting estimates and judgements

The Directors believe that there are no areas of uncertainty of estimation.

3. REVENUE

There was no revenue generated during the period under review.

4. TAXATION

	<i>HK\$</i>
Current taxation	
– Current tax charge for the period	–
Deferred taxation	
– Current year (credit)	–
	<hr/>
Total tax charge	–
	<hr/> <hr/>

5. SHARE CAPITAL

	<i>HK\$</i>
Authorised, 50,000,000 ordinary shares of US\$0.001 each	387,500
	<hr/>
Allotted, called up and fully paid: Increase in share capital during the period – One ordinary share of US\$0.001 each	–*
	<hr/>
At balance sheet date	–
	<hr/> <hr/>

*The increase in share capital was US\$0.001, being one share of US\$0.001 each.

As at the date of this report, the authorised and issued ordinary shares have been increased to 100,000,000 and 10,830,900, respectively, as set out in note 9.

6. RESULT PER SHARE – BASIC AND DILUTED

From continuing operations

	<i>HK\$</i>
Result for the period	
Result for the purpose of basic result per share being net result attributable to equity holders of parent	–
	<hr/>
Number of shares	
Weighted average number of ordinary share for the purpose of basic result per share	1
	<hr/> <hr/>

7. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant transactions between the Company and its related parties during the period were as follow:

	HK\$
Amount owing from the shareholder	—*
Balance at 31 March 2010	—

*The amount owing from the shareholder was US\$0.001, being the increase in share capital during the period.

No remuneration was paid to key management personnel for the period under review.

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main areas of financial risks faced by the Company are foreign exchange risk, credit risk, liquidity risk and fair values. The Company's overall financial risk management objective is to ensure that the Company enhances shareholders' value. The Company establishes and operates within financial risk management policies approved by the Board of Directors to ensure that adequate financial resources are available for the development of the business whilst managing these risks. Financial risk management is carried out through risk reviews, internal control systems and adherence to the Company's financial risk management policies.

(a) Foreign exchange risk

The Directors consider that the Company is not significantly exposed to foreign exchange risk. The Company currently does not have a foreign currency hedging policy.

(b) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that sales are only made to customers with an appropriate credit history.

(c) Liquidity risk

The Company policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(d) Market risk

As the Company has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

(e) Fair values

The carrying amounts of the Company's financial assets and financial liabilities as reflected in the Financial Information approximate their respective fair values.

(f) Capital risk management

The Company is currently financed solely through equity. The Directors will in the future consider to seek finance by a mixture of debt and equity as appropriate to maintain a robust balance sheet to support its business and maximise shareholders value.

9. POST BALANCE SHEET EVENTS

(a) Increase of authorised and issued share capital

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 at HK\$14.96 per share.

On 22 November 2010, the Company allotted 805,900 ordinary shares at a total consideration of HK\$5,000,000 for the acquisition of the entire issued share capital of Smart Falcon Limited by MiLOC Biotechnology Limited, a wholly owned subsidiary of the Company. The consideration was satisfied by the transfer of the entire issued share capital of Smart Falcon Limited to MiLOC Biotechnology Limited.

As at the date of this report, the total number of issued shares of the Company is 10,830,900.

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.

(b) **Investment in subsidiaries**

On 8 April 2010, the Company acquired the entire issued share capital of MiLOC Pharmaceutical Limited, MiLOC Biotechnology Limited and MiLOC Medical Limited for a consideration of US\$1, US\$1,000 and US\$1, respectively. As at the date of this report, the Company has the following subsidiary undertakings:

<i>Name of subsidiary</i>	<i>Date and place of incorporation</i>	<i>%</i>	<i>Principal activities</i>
MiLOC Pharmaceutical Limited	20 November 2009, BVI	100%	Marketing and distribution of TCM
MiLOC Biotechnology Limited	6 November 2009, BVI	100%	Research and development of TCM
MiLOC Medical Limited	16 March 2010, BVI	100%	Operation of TCM Clinics and Hospitals
Smart Falcon Limited	3 December 2009, BVI	100%*	Holding company of the TCM IP Rights

*Held by MiLOC Biotechnology Limited

10. NATURE OF THE FINANCIAL INFORMATION

The financial Information does not constitute statutory accounts for the period under review.

PART IV (B)

ACCOUNTANTS' REPORT ON MILOC BIOTECHNOLOGY LIMITED AND MILOC PHARMACEUTICAL LIMITED

The Directors
MiLOC Biotechnology Limited and
MiLOC Pharmaceutical Limited
Research and Development of Traditional Chinese Medicine
Flat A, 1/F., 69 Chung On Street
Tsuen Wan, N.T.,
Hong Kong



Mazars LLP
Tower Bridge House
St Katharine's Way
London
EW1 1DD

The Directors
ZAI Corporate Finance Limited
12 Camomile Street
EC3A 7PT

20 December 2010

Dear Sirs

We report on the aggregated financial information of MiLOC Biotechnology Limited ('MiLOC Biotechnology') and MiLOC Pharmaceutical Limited ('MiLOC Pharmaceutical') (together the 'MiLOC Trading Group'), which has been prepared for inclusion in the PLUS Admission Document (the 'Document') dated 20 December 2010 of MiLOC Group Limited (the 'Company') on the basis of the accounting policies set out in note 2 to the aggregated financial information. This report is required by Appendix I of the PLUS Rules and is given for the purpose of complying with that schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the aggregated financial information as described in the 'Basis of Preparation' set out below and in accordance with applicable International Financial Reporting Standards.

It is our responsibility to form an opinion on the aggregated financial information as to whether the aggregated financial information gives a true and fair view, for the purposes of the Document and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the aggregated financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the aggregated financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the aggregated financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the aggregated financial information gives for the purposes of the Document dated 20 December 2010 a true and fair view of the state of affairs of the MILOC Trading Group as at the date stated and of the aggregated statements of comprehensive income, aggregated changes in equity and aggregated cash flow for the period then ended in accordance with the basis of preparation set out below and in accordance with applicable International Financial Reporting Standards and has been prepared in a form that is consistent with the accounting policies to be adopted by the MILOC Trading Group.

Declaration

For the purposes of Appendix I of the PLUS Rules we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Appendix I of the PLUS Rules.

Yours faithfully

Mazars LLP

AGGREGATED STATEMENT OF COMPREHENSIVE INCOME

The aggregated statement of comprehensive income of the MiLOC Trading Group for the period from incorporation on 6 November 2009 to 31 December 2009 is set out below:

	<i>Notes</i>	<i>HK\$'000</i>
Revenue	4	90
Cost of sales		<u>(53)</u>
Gross profit		37
Distribution costs	5	<u>(203)</u>
Loss before taxation		(166)
Taxation	6	<u>–</u>
Loss for the period		(166)
Other comprehensive income		<u>–</u>
Total comprehensive loss		<u>(166)</u>
Loss per share – from continuing operations (HK\$)	11	
Basic and diluted		<u>(166)</u>

AGGREGATED STATEMENT OF FINANCIAL POSITION

The aggregated statement of financial position of the MiLOC Trading Group as at 31 March 2010 is set out below:

	<i>Notes</i>	<i>HK\$'000</i>
Current assets		
Inventories		21
Other receivables	7	409
Bank balances and cash		<u>44</u>
Total assets		<u><u>474</u></u>
Equity and reserves		
Share capital	9	8
Accumulated loss		<u>(166)</u>
		(158)
Current liabilities		
Other payables	8	<u>632</u>
Total equity and liabilities		<u><u>474</u></u>

AGGREGATED STATEMENT OF CHANGES IN EQUITY

The aggregated statement of changes in equity of the MiLOC Trading Group for the period from incorporation on 6 November 2009 to 31 March 2010 is set out below:

	<i>Share capital</i> <i>HK\$'000</i>	<i>Accumulated losses</i> <i>HK\$'000</i>	<i>Total</i> <i>HK\$'000</i>
Increase in share capital	8	–	8
Loss for the period	–	(166)	(166)
At 31 March 2010	<u>8</u>	<u>(166)</u>	<u>(158)</u>

Accumulated losses represent the cumulative net gains and losses recognised in the aggregated statement of comprehensive income.

No dividends were paid during the period ended 31 March 2010.

AGGREGATED STATEMENT OF CASH FLOWS

The aggregated statement of cash flows of the MiLOC Trading Group for the period from incorporation on 6 November 2009 to 31 March 2010 is set out below:

	<i>Notes</i>	<i>HK\$'000</i>
OPERATING ACTIVITIES		
Cash generated from operations	10	<u>44</u>
Net cash inflow from operating activities		<u>44</u>
Net increase in cash and cash equivalents		<u>44</u>
Cash and cash equivalents at beginning of period		<u>–</u>
Cash and cash equivalents at end of period, represented by bank balances and cash		<u>44</u>

NOTES TO THE AGGREGATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

MiLOC Biotechnology Limited ('MiLOC Biotechnology')

MiLOC Biotechnology is a limited liability company incorporated in the British Virgin Islands ('BVI') under the British Virgin Islands Business Companies Act 2004 on 6 November 2009. Its registered office is located at P.O. Box 933, 2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands. The principal activities of MiLOC Biotechnology will be the research and development of traditional Chinese medicine ('TCM') for the treatment of pandemic and complicated diseases.

MiLOC Pharmaceutical Limited ('MiLOC Pharmaceutical')

MiLOC Pharmaceutical is a limited liability company incorporated in the BVI under the British Virgin Islands Business Companies Act 2004 on 20 November 2009. Its registered office is located at P.O. Box 933, 2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands. The principal activities of MiLOC Pharmaceutical will be marketing and distribution of TCM.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The aggregated 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.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Basis of aggregation

The aggregated financial information represents the aggregation of the financial statements for each of MiLOC Biotechnology and MiLOC Pharmaceutical for the period ended 31 March 2010 on the assumption that they formed a separate sub-group of companies within MiLOC Group Limited ('the Company') throughout this period.

Comparative figures

No comparative figures have been presented as the non-statutory financial information covers the period from incorporation to 31 March 2010.

Financial Assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the MiLOC Trading 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 MiLOC Trading 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 i.e. the date that the MiLOC 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.

(i) **Financial assets at fair value through profit and loss**

Financial assets classified as held for trading are included in the category financial assets at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the short term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

The MiLOC Trading Group does not designate any financial assets not held for trading as financial assets at fair value through profit and loss.

(ii) **Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the MiLOC Trading Group has the positive intention and ability to hold the assets to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount and minus any reduction for impairment or uncollectibility. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) **Loans and receivables**

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 income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) **Available-for-sale financial assets**

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant stock exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

Financial liabilities

The MiLOC Trading Group's financial liabilities include trade and other payables, bank loans and other borrowings and obligations under finance leases. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

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 MiLOC Trading 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 MiLOC Trading 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 MiLOC Trading 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 MiLOC Trading 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 MiLOC Trading 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 MiLOC Trading Group's continuing involvement is the amount of the transferred asset that the MiLOC Trading Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the MiLOC Trading 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 recognised in the income statement.

(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 MiLOC Trading 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 as 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 income statement.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the MiLOC Trading Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

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

Impairment of Financial Assets

(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 income statement. 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 MiLOC Trading 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.

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, net of bank overdrafts.

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 MiLOC Trading Group and the amount of revenue can be measured reliably.

Revenue from the sales of manufactured goods and trading of raw material are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods 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. This policy is in line with industry practise.

Foreign currency translation

Items included in the MiLOC Trading Group's financial statements are measured using the currency of the primary economic environment in which the MiLOC Trading 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 income statement.

Impairment of non-financial assets

At each balance sheet date, the MiLOC Trading Group reviews internal and external sources of information to determine whether the carrying amounts of its property, plant and equipment and intangible asset with finite useful lives have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the MiLOC Trading Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 Aggregated Financial Information. 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 utilised.

Related parties

A party is related to the MiLOC Trading Group if:

- (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the MiLOC Trading Group; or has an interest in the MiLOC Trading Group that gives it significant influence over the MiLOC Trading Group; or has joint control over the MiLOC Trading Group;
- (b) the party is an associate of the MiLOC Trading Group;
- (c) the party is a joint venture in which the MiLOC Trading Group is a venturer;
- (d) the party is a member of the key management personnel of the MiLOC Trading Group 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 MiLOC Trading Group, or of any entity that is a related party of the MiLOC Trading Group.

Critical Accounting Estimates and Judgements

The Directors believe that there are no areas of uncertainty of estimation.

3. OPERATING SEGMENTS

The MiLOC Trading Group is engaged in research and development of TCM for the treatment of pandemic and complicated diseases, i.e. MiLOC Biotechnology, and the marketing and distribution of TCM, i.e. MiLOC Pharmaceutical.

The reportable segments under IFRS8 are therefore as follows:

	<i>MiLOC Biotechnology HK\$'000</i>	<i>MiLOC Pharmaceutical HK\$'000</i>	<i>Total HK\$'000</i>
Turnover	–	90	90
Loss before taxation	–	(166)	(166)
Taxation	–	–	–
Net loss for the period	–	(166)	(166)
Current assets	407	67	474
Current liabilities	(400)	(232)	(432)
Net assets/(liabilities)	7	(165)	(158)
Depreciation and amortisation	–	–	–
Capital expenditure for property, plant and equipment	–	–	–

4. REVENUE

Revenue was generated from sales of traditional Chinese medicine during the period under review.

5. DISTRIBUTION COST

This is stated after charging:

	<i>HK\$'000</i>
Registration fees	133
Sampling expenses	40
Others	30
	<u>203</u>

6. TAXATION

	<i>HK\$'000</i>
Current taxation	
– Current tax charge for the period	–
Deferred taxation	
– Current year (credit)	–
	<hr/>
Total tax charge	–
	<hr/> <hr/>

The charge for the period can be reconciled to the loss from income statement as follows:

	<i>HK\$'000</i>
Loss before taxation	(166)
	<hr/> <hr/>
Loss multiplied by standard rate of corporation tax in Hong Kong of 16.5%	27
Effect of:	
Creation of tax losses for which no deferred tax asset was recognised	(27)
	<hr/>
Total tax charge	–
	<hr/> <hr/>

At 31 March 2010, the MiLOC Trading Group has unused tax losses amounting to HK\$166,000.

7. OTHER RECEIVABLES

	<i>HK\$'000</i>
Amounts due from shareholders	54
Prepayments	355
	<hr/>
	409
	<hr/> <hr/>

8. OTHER PAYABLES

	<i>HK\$'000</i>
Amounts due to shareholders	232
Other payables	400
	<hr/>
	632
	<hr/> <hr/>

The amounts payable to shareholders of MiLOC Pharmaceutical are in respect of the registration of a TCM in Macau. The amount is unsecured, non-interest bearing and repayable on demand.

9. SHARE CAPITAL

	<i>HK\$'000</i>
Authorised:	
– MiLOC Biotechnology – 50,000 ordinary shares of US\$1 each	388
– MiLOC Pharmaceutical – 50,000 ordinary shares of US\$1 each	388
	<u>776</u>
Allotted, called-up and fully paid:	
Increase in share capital during the period	
– MiLOC Biotechnology – 1,000 ordinary shares of US\$1 each	8
– MiLOC Pharmaceutical – 1 ordinary share of US\$1 each	–
	<u>8</u>
At balance sheet date	<u><u>8</u></u>

10. CASH GENERATED FROM OPERATIONS

	<i>HK\$'000</i>
Loss before taxation	(166)
Changes in working capital:	
Inventories	(21)
Trade and other receivables	(401)
Other payables	632
	<u>44</u>
Cash generated from operations	<u><u>44</u></u>

11. LOSS PER SHARE – BASIC AND DILUTED

From continuing operations

	<i>HK\$'000</i>
Loss for the period	
Loss for the purpose of basic loss per share being net loss attributable to equity holders	<u>(166)</u>
Number of shares ('000)	
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1</u>

Neither of the aggregated entities has potential ordinary shares. The diluted earnings per share is the same as basic earnings per share.

12. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant transactions between the MiLOC Trading Group and its related parties during the period were as follows:

	<i>HK\$'000</i>
Amounts owing by shareholders	
Advances	<u>39</u>
Balance at 31 March 2010	<u>39</u>
	<u><u>39</u></u>
	<i>HK\$'000</i>
Amounts owing to shareholders	
Advances	<u>232</u>
Balance at 31 March 2010	<u>232</u>
	<u><u>232</u></u>

No remuneration was paid to key management personnel for the period under review.

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main areas of financial risks faced by the MiLOC Trading Group are foreign exchange risk, credit risk, liquidity risk and fair values. The MiLOC Trading Group's overall financial risk management objective is to ensure that the MiLOC Trading Group enhances shareholders' value. The MiLOC Trading Group establishes and operates within financial risk management policies approved by the Board of Directors to ensure that adequate financial resources are available for the development of the business whilst managing these risks. Financial risk management is carried out through risk reviews, internal control systems and adherence to the MiLOC Trading Group's financial risk management policies.

(a) **Foreign exchange risk**

The MiLOC Trading Group is exposed to foreign exchange risk as sales are mainly carried out in Hong Kong Dollars ('HK\$'). The MiLOC Trading Group currently does not have a foreign currency hedging policy.

(b) **Credit risk**

The MiLOC Trading Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are only made to customers with an appropriate credit history.

(c) **Liquidity risk**

The MiLOC Trading Group policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(d) **Market risk**

As the MiLOC Trading Group has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

(e) **Fair values**

The carrying amounts of the MiLOC Trading Group's financial assets and financial liabilities as reflected in the aggregated financial information approximate their respective fair values.

(f) **Capital Risk Management**

The MiLOC Trading Group is currently financed solely through equity. The Directors will in the future consider to seek finance by a mixture of debt and equity as appropriate to maintain a robust balance sheet to support its business and maximise shareholders value.

14. POST BALANCE SHEET EVENTS

On 22 November 2010, MiLOC Biotechnology Limited acquired the entire issued share capital of Smart Falcon Limited for a consideration of HK\$5,000,000. As at the date of this report, MiLOC Biotechnology Limited has a 100% equity interest in Smart Falcon Limited.

15. NATURE OF THE AGGREGATED FINANCIAL INFORMATION

The aggregated financial information does not constitute statutory accounts for the period under review.

PART IV (C)

ACCOUNTANTS' REPORT ON MILOC MEDICAL LIMITED

The Directors
MiLOC Medical Limited
Research and Development of Traditional Chinese Medicine
Flat A, 1/F., 69 Chung On Street
Tsuen Wan, N.T.,
Hong Kong



M A Z A R S

Mazars LLP
Tower Bridge House
St Katharine's Way
London
EW1 1DD

The Directors
ZAI Corporate Finance Limited
12 Camomile Street
EC3A 7PT

20 December 2010

Dear Sirs

We report on the financial information of MiLOC Medical Limited ('MiLOC Medical'), which has been prepared for inclusion in the PLUS Admission Document (the 'Document') dated 20 December 2010 of MiLOC Group Limited (the 'Company') on the basis of the accounting policies set out in note 2 to the financial information. This report is required by Appendix I of the PLUS Rules and is given for the purpose of complying with that schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information as described in the 'Basis of Preparation' set out below and in accordance with applicable International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Document and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives for the purposes of the Document dated 20 December 2010 a true and fair view of the state of affairs of MiLOC Medical as at the date stated and of the statements of comprehensive income, changes in equity and cash flow for the period then ended in accordance with the basis of preparation set out below and in accordance with applicable International Financial Reporting Standards and has been prepared in a form that is consistent with the accounting policies to be adopted by the Company.

Declaration

For the purposes of Appendix I of the PLUS Rules we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Appendix I of the PLUS Rules.

Yours faithfully

Mazars LLP

STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income of MiLOC Medical for the period from incorporation on 16 March 2010 to 31 March 2010 is set out below:

	<i>Notes</i>	<i>HK\$</i>
Revenue	3	–
Cost of sales		–
		<hr/>
Gross profit		–
Distribution costs		–
		<hr/>
Result before taxation		–
Taxation	4	–
		<hr/>
Result for the period		–
Other comprehensive income		–
		<hr/>
Total comprehensive result		–
		<hr/> <hr/>
Result per share – from continuing operations (HK\$)		–
Basic and diluted	6	–
		<hr/> <hr/>

STATEMENT OF FINANCIAL POSITION

The statement of financial position of MiLOC Medical as at 31 March 2010 is set out below:

	<i>Notes</i>	<i>HK\$</i>
Current assets		
Other receivables		<u>8</u>
Total assets		<u><u>8</u></u>
Equity and reserves		
Share capital	5	<u>8</u>
Total equity and liabilities		<u><u>8</u></u>

STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity of MiLOC Medical for the period from incorporation on 16 March 2010 to 31 March 2010 is set out below:

	<i>Share capital</i> HK\$	<i>Retained earnings</i> HK\$	<i>Total</i> HK\$
Increase in share capital	8	–	8
At 31 March 2010	8	–	8

No dividends were paid during the period ended 31 March 2010.

STATEMENT OF CASH FLOWS

The statement of cash flows of MiLOC Medical for the period from incorporation on 16 March 2010 to 31 March 2010 is set out below:

	<i>HK\$</i>
OPERATING ACTIVITIES	
Cash generated from operations	–
Net cash inflow from operating activities	–
Net increase in cash and cash equivalents	–
Cash and cash equivalents at beginning of period	–
Cash and cash equivalents at end of period, represented by bank balances and cash	–

There were no major cash transactions during the period under review.

NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

MiLOC Medical was incorporated in the British Virgin Islands ('BVI') on 16 March 2010. It is a BVI business company incorporated under the BVI Business Companies Act, 2004 (No.16 of 2004) with its registered office at P.O. Box 933, 3rd Floor, Omar Hodge Building, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. The intended principal activity of the business is the operation of traditional Chinese medicine clinics and hospitals in Hong Kong, China and Macau. During the period under review, MiLOC Medical has been dormant.

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.

Comparative figures

No comparative figures have been presented as the non-statutory financial information covers the period from incorporation to 31 March 2010.

Financial Assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, MiLOC Medical 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. MiLOC Medical 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 i.e. the date that MiLOC Medical 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.

(i) **Financial assets at fair value through profit and loss**

Financial assets classified as held for trading are included in the category financial assets at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the short term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

MiLOC Medical does not designate any financial assets not held for trading as financial assets as fair value through profit and loss.

(ii) **Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when MiLOC Medical has the positive intention and ability to hold the assets to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. This cost is

computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount and minus any reduction for impairment or uncollectibility. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) **Loans and receivables**

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 income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) **Available-for-sale financial assets**

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant stock exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

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;
- MiLOC Medical 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
- MiLOC Medical 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 MiLOC Medical 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 MiLOC Medical'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 MiLOC Medical 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 MiLOC Medical's continuing involvement is the amount of the transferred asset that MiLOC Medical may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of MiLOC Medical'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 recognised in the income statement.

(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 MiLOC Medical 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 as 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 income statement.

Equity instruments

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

Impairment of financial assets

(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 income statement. 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 MiLOC Medical'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.

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, net of bank overdrafts.

Impairment of non-financial assets

At each balance sheet date, MiLOC Medical reviews internal and external sources of information to determine whether the carrying amounts of its property, plant and equipment and intangible asset with finite useful lives have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, MiLOC Medical estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately.

Related parties

A party is related to MiLOC Medical if:

- (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, MiLOC Medical; or has an interest in MiLOC Medical that gives it significant influence over MiLOC Medical; or has joint control over MiLOC Medical;
- (b) the party is an associate of MiLOC Medical;
- (c) the party is a joint venture in which MiLOC Medical is a venturer;
- (d) the party is a member of the key management personnel of MiLOC Medical 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 MiLOC Medical, or of any entity that is a related party of MiLOC Medical.

Critical accounting estimates and judgements

The Directors believe that there are no areas of uncertainty of estimation.

3. REVENUE

There was no revenue generated during the period under review.

4. TAXATION

	<i>HK\$</i>
Current taxation	
– Current tax charge for the period	–
Deferred taxation	
– Current year (credit)	–
	<hr/>
Total tax charge	–
	<hr/> <hr/>

5. SHARE CAPITAL

	<i>HK\$</i>
Authorised, 50,000 ordinary shares of US\$1 each	 387,500
	<hr/>
Allotted, called up and fully paid: Increase in share capital during the period – One ordinary share of US\$1 each	 8
	<hr/>
At balance sheet date	8
	<hr/> <hr/>

6. RESULT PER SHARE – BASIC AND DILUTED

From continuing operations

	<i>HK\$</i>
Result for the period	–
Result for the purpose of basic result per share being net result attributable to equity holders of parent	 –
	<hr/> <hr/>
Number of shares	
Weighted average number of ordinary share for the purpose of basic result per share	1
	<hr/> <hr/>

7. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant transactions between MiLOC Medical and its related parties during the period were as follow:

	<i>HK\$</i>
Amounts owing from shareholders	8
	<hr/>
Balance at 31 March 2010	8
	<hr/> <hr/>

No remuneration was paid to key management personnel for the period under review.

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main areas of financial risks faced by MiLOC Medical are foreign exchange risk, credit risk, liquidity risk and fair values. MiLOC Medical's overall financial risk management objective is to ensure that MiLOC Medical enhances shareholders' value. MiLOC Medical establishes and operates within financial risk management policies approved by the Board of Directors to ensure that adequate financial resources are available for the development of the business whilst managing these risks. Financial risk management is carried out through risk reviews, internal control systems and adherence to MiLOC Medical's financial risk management policies.

(a) Foreign exchange risk

The Directors consider that MiLOC Medical is not significantly exposed to foreign exchange risk. Smart Falcon currently does not have a foreign currency hedging policy.

(b) Credit risk

MiLOC Medical has no significant concentrations of credit risk. It has policies in place to ensure that sales are only made to customers with an appropriate credit history.

(c) Liquidity risk

MiLOC Medical policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(d) Market risk

As MiLOC Medical has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

(e) Fair values

The carrying amounts of MiLOC Medical's financial assets and financial liabilities as reflected in the Financial Information approximate their respective fair values.

(f) Capital risk management

MiLOC Medical is currently financed solely through equity. The Directors will in the future consider to seek finance by a mixture of debt and equity as appropriate to maintain a robust balance sheet to support its business and maximise shareholders value.

9. POST BALANCE SHEET EVENTS

On 8 April 2010, MiLOC Group Limited entered into an instrument of transfer to acquire the entire issued share capital of the company. As at the date of this report, the company is a wholly-owned subsidiary of MiLOC Group Limited.

10. NATURE OF THE FINANCIAL INFORMATION

The financial information does not constitute statutory accounts for the period under review.

PART IV (D)

ACCOUNTANTS' REPORT ON SMART FALCON LIMITED

The Directors
Smart Falcon Limited
Research and Development of Traditional Chinese Medicine
Flat A, 1/F, 69 Chung On Street
Tsuen Wan, NT
Hong Kong



M A Z A R S

Mazars LLP
Tower Bridge House
St Katharine's Way
London
EW1 1DD

The Directors
ZAI Corporate Finance Limited
12 Camomile Street
EC3A 7PT

20 December 2010

Dear Sirs

We report on the financial information of Smart Falcon Limited ('Smart Falcon'), which has been prepared for inclusion in the PLUS Admission Document (the 'Document') dated 20 December 2010 of MiLOC Group Limited (the 'Company') on the basis of the accounting policies set out in note 2 to the financial information. This report is required by Appendix I of the PLUS Rules and is given for the purpose of complying with that schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information as described in the 'Basis of Preparation' set out below and in accordance with applicable International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Document and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives for the purposes of the Document dated 20 December 2010 a true and fair view of the state of affairs of Smart Falcon as at the date stated and of the statements of comprehensive income, changes in equity and cash flow for the period then ended in accordance with the basis of preparation set out below and in accordance with applicable International Financial Reporting Standards and has been prepared in a form that is consistent with the accounting policies to be adopted by the Company.

Declaration

For the purposes of paragraph (a) of Appendix I of the PLUS Rules we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Appendix I of the PLUS Rules.

Yours faithfully

Mazars LLP

STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income of Smart Falcon for the period from incorporation on 3 December 2009 to 31 March 2010 is set out below:

	<i>Notes</i>	<i>HK\$</i>
Revenue	4	–
Cost of sales		–
		<hr/>
Gross profit		–
Distribution costs		–
		<hr/>
Result before taxation		–
Taxation	5	–
		<hr/>
Result for the period		–
Other comprehensive income		–
		<hr/>
Total comprehensive result		–
		<hr/> <hr/>
Result per share – from continuing operations (HK\$)		–
Basic and diluted	8	–
		<hr/> <hr/>

STATEMENT OF FINANCIAL POSITION

The statement of financial position of Smart Falcon as at 31 March 2010 is set out below:

	<i>Notes</i>	<i>HK\$</i>
Non-current assets		
Intangible assets	6	1
Current assets		
Other receivables		<u>15</u>
Total assets		<u><u>16</u></u>
Equity and reserves		
Share capital	7	<u>16</u>
Total equity and liabilities		<u><u>16</u></u>

STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity of Smart Falcon for the period from incorporation on 3 December 2009 to 31 March 2010 is set out below:

	<i>Share capital</i> HK\$	<i>Retained earnings</i> HK\$	<i>Total</i> HK\$
Increase in share capital	16	–	16
At 31 March 2010	<u>16</u>	<u>–</u>	<u>16</u>

No dividends were paid during the period ended 31 March 2010.

STATEMENT OF CASH FLOWS

The statement of cash flows of Smart Falcon for the period from incorporation on 3 December 2009 to 31 March 2010 is set out below:

	HK\$
Operating activities	
Cash generated from operations	–
Net cash inflow from operating activities	<u>–</u>
Net increase in cash and cash equivalents	<u>–</u>
Cash and cash equivalents at beginning of period	<u>–</u>
Cash and cash equivalents at end of period, represented by bank balances and cash	<u>–</u>

There were no major cash transactions during the period under review.

NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Smart Falcon was incorporated in the British Virgin Islands ('BVI') on 3 December 2009. It is a BVI Business Company incorporated under the BVI Business Companies Act, 2004 (No.16 of 2004) with its registered office at P.O. Box 933, 2nd Floor, Abbott building, Road Town, Tortola, British Virgin Islands. The principal activity of Smart Falcon is the holder of the traditional Chinese medicine intellectual property rights of the Group.

The financial information contained in this report 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.

Comparative figures

No comparative figures have been presented as the non-statutory financial information covers the period from incorporation to 31 March 2010.

Financial Assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, Smart Falcon 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. Smart Falcon 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 i.e. the date that Smart Falcon 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.

(i) **Financial assets at fair value through profit and loss**

Financial assets classified as held for trading are included in the category financial assets at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the short term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

Smart Falcon does not designate any financial assets not held for trading as financial assets at fair value through profit and loss during the period under review.

(ii) **Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when Smart Falcon has the positive intention and ability to hold the assets to maturity. Investments intended to be held for an undefined period are not included in this

classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount and minus any reduction for impairment or uncollectibility. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) **Loans and receivables**

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 income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) **Available-for-sale financial assets**

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant stock exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

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;
- Smart Falcon 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
- Smart Falcon 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 Smart Falcon 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 Smart Falcon'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 Smart Falcon 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 Smart Falcon's continuing involvement is the amount of the transferred asset that Smart Falcon may repurchase, except that in the case of a written put

option on an asset measured at fair value, the extent of Smart Falcon'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 recognised in the income statement.

(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 Smart Falcon 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 as 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 income statement.

Equity instruments

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

Impairment of financial assets

(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 income statement. 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 Smart Falcon'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.

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, net of bank overdrafts.

Impairment of non-financial assets

At each balance sheet date, Smart Falcon reviews internal and external sources of information to determine whether the carrying amounts of its property, plant and equipment and intangible asset with finite useful lives have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, Smart Falcon estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately.

Related parties

A party is related to Smart Falcon if:

- (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, Smart Falcon; or has an interest in Smart Falcon that gives it significant influence over Smart Falcon; or has joint control over Smart Falcon;
- (b) the party is an associate of Smart Falcon;
- (c) the party is a joint venture in which Smart Falcon is a venturer;
- (d) the party is a member of the key management personnel of Smart Falcon 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 Smart Falcon, or of any entity that is a related party of Smart Falcon.

Critical accounting estimates and judgements

The Directors believe that there are no areas of uncertainty of estimation.

3. OPERATING SEGMENTS

Smart Falcon is dormant during the period under review.

4. REVENUE

There was no revenue generated during the period under review.

5. TAXATION

	<i>HK\$</i>
Current taxation	
– Current tax charge for the period	–
Deferred taxation	
– Current year (credit)	–
	<hr/>
Total tax charge	–
	<hr/> <hr/>

6. INTANGIBLE ASSETS

On 5 December 2009, a deed of assignment of intellectual property rights was entered into between He Zhong Sheng and He Yu, the shareholders at the balance sheet date ('the Assignors'), and Smart Falcon, in relation to the assignment by the Assignors to Smart Falcon of the intellectual property rights of the traditional Chinese medicine, Rorricon, for a consideration of HK\$1.

7. SHARE CAPITAL

	<i>HK\$</i>
Authorised, 50,000 ordinary shares of US\$1 each	387,500
	<hr/>
Allotted, called up and fully paid: Increase in share capital during the period – 2 ordinary shares of US\$1 each	16
	<hr/>
At balance sheet date	16
	<hr/> <hr/>

8. RESULT PER SHARE – BASIC AND DILUTED

From continuing operations

	<i>HK\$</i>
Result for the period	–
Result for the purpose of basic result per share being net result attributable to equity holders of parent	–
	<hr/> <hr/>
Number of shares	
Weighted average number of ordinary shares for the purpose of basic result per share	2
	<hr/> <hr/>

9. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant transactions between Smart Falcon and its related parties during the period were as follow:

	<i>HK\$</i>
Amounts owing from shareholders	16
Balance at 31 March 2010	16

No remuneration was paid to key management personnel for the period under review.

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main areas of financial risks faced by Smart Falcon are foreign exchange risk, credit risk, liquidity risk and fair values. Smart Falcon's overall financial risk management objective is to ensure that Smart Falcon enhances shareholders' value. Smart Falcon establishes and operates within financial risk management policies approved by the Board of Directors to ensure that adequate financial resources are available for the development of the business whilst managing these risks. Financial risk management is carried out through risk reviews, internal control systems and adherence to Smart Falcon's financial risk management policies.

(a) Foreign exchange risk

The Directors consider that Smart Falcon is not significantly exposed to foreign exchange risk. Smart Falcon currently does not have a foreign currency hedging policy.

(b) Credit risk

Smart Falcon has no significant concentrations of credit risk. It has policies in place to ensure that sales are only made to customers with an appropriate credit history.

(c) Liquidity risk

Smart Falcon policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(d) Market risk

As Smart Falcon has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

(e) Fair values

The carrying amounts of Smart Falcon's financial assets and financial liabilities as reflected in the Financial Information approximate their respective fair values.

(f) Capital risk management

Smart Falcon is currently financed solely through equity. The Directors will in the future consider to seek finance by a mixture of debt and equity as appropriate to maintain a robust balance sheet to support its business and maximise shareholders value.

11. POST BALANCE SHEET EVENTS

On 22 November 2010, MiLOC Biotechnology Limited acquired the entire issued share capital of Smart Falcon. As at the date of this report, Smart Falcon is a wholly owned subsidiary of MiLOC Biotechnology Limited.

12. NATURE OF THE FINANCIAL INFORMATION

The financial information does not constitute statutory accounts for the period under review.

PART IV (E)

PRO FORMA STATEMENT OF NET ASSETS

Set out below is an unaudited pro forma statement of aggregated net assets of MiLOC Group Limited ('the Company') and its subsidiaries (together 'the Group'), which has been prepared on the basis of the financial information on the Company, MiLOC Pharmaceutical Limited and MiLOC Biotechnology Limited ('the MiLOC Trading Group'), MiLOC Medical Limited and Smart Falcon Limited, as adjusted for the issue of shares since 31 March 2010, including the Placing and the acquisition of Smart Falcon (which holds the intellectual property rights in a traditional Chinese medicine named Rorrigo) by MiLOC Biotechnology, as set out in the notes below. The unaudited pro forma has been prepared for illustrative purposes only and, because of its nature, will not represent the actual consolidated financial position of the Group at the date of Admission.

	<i>The MiLOC</i>						
	<i>The</i>	<i>Trading</i>	<i>MiLOC</i>	<i>Smart</i>	<i>Adjustment</i>	<i>Shares</i>	<i>Pro forma</i>
	<i>Company</i>	<i>Group</i>	<i>Medical</i>	<i>Falcon</i>		<i>issued</i>	<i>net assets</i>
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	<i>Note 4</i>	<i>Note 5</i>	<i>Note 6</i>	<i>HK\$'000</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets							
Intangible assets	–	–	–	–	5,000	–	5,000
	–	–	–	–	5,000	–	5,000
Current assets							
Inventories	–	21	–	–	–	–	21
Other receivables	–	409	–	–	–	–	409
Cash and cash equivalents	–	44	–	–	–	9,219	9,263
	–	474	–	–	–	9,219	9,693
Total assets	–	474	–	–	5,000	9,219	14,693
Current liabilities							
Other payables	–	(632)	–	–	–	–	(632)
	–	(632)	–	–	–	–	(632)
Total liabilities	–	(632)	–	–	–	–	(632)
Net assets/(liabilities)	–	(158)	–	–	5,000	9,219	14,061

Notes:

- The net assets of the Company as at 31 March 2010 has been extracted without adjustment from the financial information on the Company set out in Part IV(A) of the Admission Document. No account has been taken of the activities of the Company subsequent to 31 March 2010.
- The net assets of the MiLOC Trading Group as at 31 March 2010 has been extracted without adjustment from the financial information on the MiLOC Trading Group set out in Part IV(B) of the Admission Document. No account has been taken of the activities of those companies subsequent to 31 March 2010.
- The net assets of MiLOC Medical as at 31 March 2010 has been extracted without adjustment from the financial information on MiLOC Medical set out in Part IV(C) of the Admission Document. No account has been taken of the activities of it subsequent to 31 March 2010.
- The net assets of Smart Falcon Limited as at 31 March 2010 has been extracted without adjustment from the financial information on the Smart Falcon set out in Part IV(D) of the Admission Document. No account has been taken of the activities of the company subsequent to 31 March 2010.
- 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. Although the agreement was entered into on 8 January 2010, completion of the Acquisition occurred on 22 November 2010 before Admission. As shown in Part IV (D) of the Admission Document, as at 31 March 2010, Smart Falcon holds the intellectual property rights of a traditional Chinese medicine named Rorrigo (the 'TCM IP Rights') valued at HK\$1. 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.

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.

6. The adjustment reflects net proceeds from shares issued by the Company as follows:
 - (i) The issue on 3 May 2010 of 9,761,999 new Ordinary Shares of US\$0.001 each at par, raising HK\$76,144;
 - (ii) The issue on 3 May 2010 of 238,000 new Ordinary Shares of US\$0.001 each at HK\$10.00 per share, raising HK\$2,380,000;
 - (iii) The repurchase and cancellation by the Company on 1 June 2010 of 200,000 Ordinary Shares of US\$0.001 at par for a total consideration of HK\$1,560;
 - (iv) The issue on 1 June 2010 of 200,000 new Ordinary Shares of US\$0.001 each at HK\$10.00 per share, raising HK\$2,000,000;
 - (v) The issue on 11 August 2010 of 25,000 new Ordinary Shares of US\$0.001 each at HK\$14.96 per share, raising HK\$374,065;
 - (vi) The estimated Placing proceeds of HK\$[9,866,625], being 2,405,363 new Ordinary shares of US\$0.001 each at £0.33 each; and
 - (vii) estimated costs payable in cash of HK\$5,476,000.
7. For the purposes of this pro forma statement of net assets, amounts have been translated into Hong Kong dollars at the following rates of exchange:
 - US\$1.00: HK\$7.80
 - £1.00: HK\$12.43

The Directors
MiLOC Group Limited
Research and Development of Traditional Chinese Medicine
Flat A 1/F, 69 Chung on Street
Tsuen Wan, NT
Hong Kong



The Directors
ZAI Corporate Finance Limited
12 Camomile Street
London
EC3A 7PT

20 December 2010

Dear Sirs

Introduction

We report on the unaudited pro forma financial information set out in Part V of the PLUS Admission Document (the “Document”) dated 20 December 2010 of MiLOC Group Limited (the “Company”) and its subsidiaries (together ‘the Group’), which has been prepared on the basis of the notes thereto, for illustrative purposes only, to provide information about how the issue of shares by the Company subsequent to 31 March 2010, the proposed Placing and the fair value adjustment of the Traditional Chinese Medicine Intellectual Property Rights in relation to Rorrigo (‘TCM IP Rights’) as result of the acquisition of Smart Falcon Limited by MiLOC Biotechnology Limited might have affected the financial information presented on the basis of the accounting policies adopted by the Company.

Responsibilities

It is the responsibility of the Directors of the Company to prepare the unaudited pro forma financial information. It is our responsibility to form an opinion on the financial information as to the proper compilation of the unaudited pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the unaudited pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors of the Company.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with reasonable assurance that the unaudited pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

We are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

Mazars LLP

PART V

ADDITIONAL INFORMATION

1. Directors' Responsibility

The Company and the Directors, whose names are set out on page 6 of this Admission Document, accept (subject to any qualifications set out herein) individual and collective responsibility for the information contained in this Admission Document, including individual and collective responsibility for compliance with the PLUS Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Admission Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company and its Subsidiaries

2.1 The Company was incorporated in the Cayman Islands under the Companies Law on 10 February 2010 as an exempted company with limited liability. The par value of the Ordinary Shares in issue is US\$0.001 each and the Company is registered under the name "MiLOC Group Limited" under number AT-237076. The Company is governed by its memorandum and articles of association and the principal legislation under which the Company operates is the Companies Law.

2.2 The liability of the members is limited.

2.3 The Company is domiciled in the Cayman Islands. Its registered office and principal place of business is situated at Computershare Investor Services (Cayman) Limited, The R&H Trust Co. Limited, One Capital Place, George Town, P.O. Box 897, Cayman Islands. The principal place of business of its operating Subsidiaries is at Flat A 1/F, 69 Chung On Street, Tsuen Wan, NT, Hong Kong. MiLOC Pharmaceutical is registered as an overseas company under Part XI of the Companies Ordinance Chapter 32 of the Laws of Hong Kong under the address of the Company's principal place of business. The telephone number of the principal place of business is +852 2152 8999. The Group's website address is **www.miloc.com**. Information displayed on the Group's website does not constitute a part of this Admission Document.

2.4 On Admission, the Company will have the following subsidiary undertakings, all of which are directly or indirectly wholly owned:

<i>Name of Subsidiary</i>	<i>Company Number</i>	<i>Date and place of incorporation</i>	<i>Principal activities</i>
MiLOC Biotechnology	1555284	6 November 2009 BVI	Research, development and sale of technical know-how relating to TCM
MiLOC Pharmaceutical	1557449	20 November 2009 BVI	Marketing and distribution of TCM
MiLOC Medical	1575508	16 March 2010 BVI	Operation of TCM Clinics and Hospitals
Smart Falcon	1559148	3 December 2009 BVI	Holding company of the TCM IP Rights

2.5 The Company is the holding company of the Group.

3. The Company and its Share Capital

3.1 At the date of incorporation, the Company had an authorised share capital of US\$50,000 divided into 50,000,000 shares of par value of US\$0.001 each, ranking *pari passu* in all respects and one share was issued, fully paid, to the subscriber to the memorandum.

- 3.2 On 3 May 2010, the Company allotted 9,761,999 Ordinary Shares for cash at par value. 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.
- 3.3 On 1 June 2010, by written resolutions passed by the Shareholders: (i) 160,000 shares being part of the 7,769,599 shares allotted to Megasia International Limited on 3 May 2010 were repurchased by the Company and cancelled; (ii) 20,000 shares being part of the 971,200 shares allotted to Chow King Tung on 3 May 2010 were repurchased by the Company and cancelled; and (iii) 20,000 shares being part of the 971,200 shares allotted to Lim Yi Shenn on 3 May 2010 were repurchased by the Company and cancelled.
- 3.4 On 11 August 2010, the Company allotted 25,000 Ordinary Shares at HK\$14.96 per share.
- 3.5 By written resolutions of the Shareholders passed 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.
- 3.6 The authorised and issued share capital of the Company (all of which is fully paid up unless otherwise stated) (i) at the date of this Admission Document and (ii) on Admission is/will be:

	<i>Authorised share capital</i>		<i>Issued share capital</i>	
	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
At the date of this Admission Document:	100,000,000	US\$100,000	59,425,706	US\$59,425.70
On Admission:	100,000,000	US\$100,000	61,831,069	US\$61,831.06

- 3.7 Under the terms of the Articles, the Directors are required to obtain the consent of Shareholders by ordinary resolution for the allotment of Ordinary Shares, except in the case of Ordinary Shares, securities or rights allotted or granted in relation to an employees' share scheme (including the Share Option Plan) or pursuant to a *pro rata* offer to Shareholders. By written resolutions of the Shareholders passed on 22 November 2010 and 20 December 2010, the Directors were authorised to allot Ordinary Shares in connection with the Acquisition, the Placing, the ZAI Option, the Consultancy Agreements, the capitalisation of the Shareholder Loan and the Capitalisation Issue. In addition, under the Articles and pursuant to written resolutions of the Shareholders passed on 22 November 2010, the Directors are generally authorised to allot and grant rights to subscribe for Ordinary Shares following Admission without rights of pre-emption up to a number equal to 20 per cent. of the Enlarged Issued Share Capital, such authority expiring at the conclusion of the first annual general meeting of the Company.
- 3.8 On 22 November 2010 the Company allotted 805,900 Ordinary Shares on completion of the Acquisition. On 20 December 2010, conditional upon Admission, the Company capitalised the sum of US\$45,587 (approximately HK\$[355,579]) standing to the share premium account of the Company, as at Admission, in paying up in full at par an aggregate of 45,587,001 Ordinary Shares and allotting the same to the Shareholders whose names were on the register of members of the Company as at the close of business on 15 November 2010 in proportion to their then respective shareholdings (the "Capitalisation Issue"). On 20 December 2010, the Company allotted 318,181 Ordinary Shares to Stephenson Harwood as payment for professional fees of £105,000 in relation to the Admission.
- 3.9 The total number of Ordinary Shares in issue prior to (i) the Placing (ii) the issue of Ordinary Shares pursuant to the terms of the Consultancy Agreements (iii) the capitalisation of the Shareholder Loan and (iv) the Capitalisation Issue and (v) the allotment of 318,181 Ordinary Shares to Stephenson Harwood, as at the date of this Admission Document is therefore 10,830,900 Ordinary Shares. 2,405,363 Ordinary Shares will be issued pursuant to the Placing. On 20 December 2010, a further 415,160 Ordinary Shares (the "Revaluation Shares" were issued in connection with the Acquisition due to a reduction in the Placing Price from £0.50 per share to £0.33 per share, 44,807 Ordinary Shares were issued pursuant to the capitalisation of the Shareholder Loan and 45,587,001 Ordinary Shares pursuant to the Capitalisation Issue. On 20 December 2010, 312,592 Ordinary Shares were issued pursuant to the Consultancy Agreement referred to in paragraph 7.8.2 of this Part V and 1,917,064 Ordinary Shares were issued in aggregate pursuant to the Consultancy Agreements referred to in paragraphs 7.8.1 and 7.8.2 to 7.8.9 (inclusive) of this Part V. Upon Admission the total number of Ordinary Shares in issue will be 61,831,069 Ordinary Shares.

- 3.10 No shares in the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.11 The Ordinary Shares are in registered form and in certificated form. Following Admission, Ordinary Shares may be delivered, held and settled in CREST by means of the creation of dematerialised Depositary Interests representing such Ordinary Shares, details of which are set out in paragraphs 16 and 17 below. A register of Ordinary Shares will be maintained by the Registrar and a register of Depositary Interests will be maintained by the Depositary.
- 3.12 The Companies Law does not include statutory pre-emption rights in favour of existing Shareholders relating to the allotment of Ordinary Shares. The Company has therefore voluntarily adopted pre-emption provisions in the Articles. A summary of these provisions can be found at paragraphs 6.2(a) of this Part V.
- 3.13 With effect from Admission, the Placing Shares, the Revaluation Shares (as defined in paragraph 3.9 above), the Consultants' Shares and the Ordinary Shares issued pursuant to the capitalisation of the Shareholder Loan and the Capitalisation Issue and the Ordinary Shares issued to Stephenson Harwood as referred to in paragraph 3.8 above will rank *pari passu* for all dividends and other distributions declared, paid or made on existing Ordinary Shares. All Placing Shares, Revaluation Shares, Consultants' Shares and the Ordinary Shares issued pursuant to the capitalisation of the Shareholder Loan and the Capitalisation Issue and the Ordinary Shares issued to Stephenson Harwood as referred to in paragraph 3.8 above shall form one class with the existing Ordinary Shares and shall rank *pari passu* in respect of payment of dividends, voting rights, entitlement to liquidation proceeds and otherwise.
- 3.14 Save as described in paragraphs 3.15 of this Part V:
- (a) the Company does not have in issue any securities not representing share capital nor are there any outstanding convertible securities, exchangeable securities or securities with warrants in the Company;
 - (b) no share capital of the Company is under option or has been granted conditionally or unconditionally to be put under option.
- 3.15 The Company has granted ZAI an option to subscribe for 47,627 Ordinary Shares (representing three per cent. of the Placing Shares), exercisable at the Placing Price at any time on or before the fifth anniversary of Admission (see paragraph 7.11 of this Part V for further details).
- 3.16 Although the Company has the power under the Articles to issue redeemable or convertible shares there are no such shares in issue at the date of this Admission Document.
- 3.17 The Ordinary Shares are not subject to the provisions of the City Code and accordingly as such the rules regarding mandatory takeover offers set out in the City Code do not apply to the Company.
- 3.18 The Directors have been further advised that the Ordinary Shares are subject to the compulsory acquisition provisions set out in section 88 of the Companies Law. Under the provisions of section 88 of the Companies Law, where an offeror makes a takeover offer and within four months of making the offer it has been approved by the holders of not less than ninety per cent. in value of the shares to which the offer relates, that offeror is entitled to acquire compulsorily from dissenting shareholders those shares which have not been acquired or contracted to be acquired on the same terms as under the offer.
- 3.19 The ISIN number for the Ordinary Shares and Depositary Interests is KYG613521031.

4. Interests of Directors and other major Shareholders

- 4.1 In addition to the holdings of certain Directors, details of which are set out in paragraph 4.2 below, the Company is aware of the following voting rights in respect of Ordinary Shares which at 20 December 2010 (being the latest practicable date prior to the publication of this Admission Document) represented three per cent. or more of the issued ordinary share capital of the Company or which will, immediately following the Placing and the Admission, represent three per cent. or more of the Enlarged Issued Share Capital:

<i>Name</i>	<i>Number of Ordinary Shares held as at 20 December 2010</i>	<i>Percentage of total issued share capital as at 20 December 2010</i>	<i>Number of Ordinary Shares to be held immediately following Placing and Admission</i>	<i>Percentage of total issued share capital immediately following Placing and Admission</i>
Chow, King Tung	951,200	9.49	5,276,622	8.53
Lim, Yi Shenn	951,200	9.49	5,325,864	8.61

4.2 The voting rights of the Directors and persons connected with them (within the meaning of section 252 of the 2006 Act) in the issued share capital of the Company as at 20 December 2010 (being the latest practicable date prior to the date of this Admission Document) and immediately following the Placing and the Admission is and will be as follows:

<i>Name</i>	<i>Number of Ordinary Shares held as at 20 December 2010</i>	<i>Percentage of total issued share capital as at 20 December 2010</i>	<i>Number of Ordinary Shares to be held immediately following Placing and Admission</i>	<i>Percentage of total issued share capital to be held immediately following Placing and Admission</i>
Chow Ching Fung ¹	6,150,612	61.36	34,892,062	56.42
Ong Ban Poh Michael ²	2,509,188	25.03	13,934,150	22.54
Ow Dennis Kian Jing	–	–	732,636	1.18
Ivor Shrago ³	25,000	0.25	138,683	0.22
Total	8,684,800	86.64	46,697,531	80.36

Notes:

- (1) Dr Chow's shareholding is held indirectly through the Controlling Shareholder, Megasia International Limited, in which he holds a 67 per cent shareholding. Prior to Admission as at 20 December 2010 (a) Megasia International Limited holds 7,603,600 Ordinary Shares and therefore Dr Chow has a net beneficial interest in 5,094,412 Ordinary Shares (b) 105,000 Ordinary Shares are held by wife, Chan Yat Kuen and (c) 951,200 Ordinary Shares are held by his father, Chow King Tung. Immediately following Admission (a) Megasia International Limited will hold 42,224,696 Ordinary Shares in which Dr Chow will have a net beneficial interest in 28,290,546 Ordinary Shares (b) 582,470 Ordinary Shares will be held by his wife, Chan Yat Kuen (c) 5,276,622 Ordinary Shares will be held by his father Chow King Tung and (d) 742,424 Ordinary Shares will be held by his mother, Ching King Wong.
- (2) Michael Ong's shareholding is held indirectly through the Controlling Shareholder, Megasia International Limited, in which he holds a 33 per cent shareholding. Prior to Admission as at 20 December 2010, Megasia International Limited holds 7,603,600 Ordinary Shares in which Mr Ong has a net beneficial interest in 2,509,188 Ordinary Shares. Immediately following Admission, Megasia International Limited will hold 42,224,696 Ordinary Shares in which Mr Ong will have a net beneficial interest in 13,934,150 Ordinary Shares.
- (3) Ivor Shrago's shareholding is held indirectly through The Premier SIPP – I. Shrago – A2098

4.3 Except as disclosed in paragraph 4.2 above, none of the Directors, nor any member of their respective immediate families, nor any person connected with them (within the meaning of section 252 of the 2006 Act), is interested in any share capital of the Company.

4.4 The interests described in paragraph 4.2 and, so far as the Directors are aware, the interests described in paragraph 4.1, are all beneficial.

4.5 None of the Directors or persons connected with them within the meaning of section 252 of the 2006 Act has a related financial product referenced to the Ordinary Shares.

5. Directors' Service Agreements and Letters of Appointment

The following are particulars of the Directors' service agreements and letters of appointment with the Company, including details of the Directors' fees and remuneration.

5.1 Executive Directors

5.1.1 Chow Ching Fung

On 15 March 2010, Mr. Chow was appointed as a Director and Chairman of the Company. Pursuant to the appointment, Mr. Chow also entered into a service agreement with MiLOC Pharmaceutical on 20 December 2010. Under the service agreement, Mr. Chow's gross

remuneration is HK\$60,000 (approximately £4,810) per month. His appointment can be terminated by either party by giving six months' written notice. Mr. Chow is required to exercise the powers and functions and to perform the duties assigned to him from time to time by or under the authority of the Board and as are appropriate to this position. As chairman of the Company, Mr. Chow is also responsible for the overall management of the Board, strategic development and development of the Group. Mr. Chow may be paid such discretionary bonus as is determined by the Board from time to time subject to achievement of certain performance criteria. He shall also be entitled to other benefits as are accorded by the Board from time to time. Notwithstanding certain restrictive covenants contained in his service agreement, Dr Chow is entitled to (i) manufacture and sell TCM and healthcare supplements for the treatment of general diseases (but not, for the avoidance of doubt, pandemic diseases, which is the business of the Group) through Green Health Life International Limited and its subsidiaries and (ii) carry on his investment in the TCM developed by Dr He in relation to tuberculosis and H.I.V. subject to offering the Group a right of first refusal to purchase any shares issued to him by any holding company of such TCM in the event any such holding company is sold by Dr He.

5.1.2 *Michael Ong*

On 15 March 2010, Michael Ong was appointed as a Director and CEO of the Company. Pursuant to the appointment, Mr. Ong also entered into a service agreement with MiLOC Pharmaceutical on 20 December 2010. Under the service agreement, Mr. Ong's gross remuneration is HK\$60,000 (approximately £4,810) per month. His appointment can be terminated by either party by giving six months' written notice. Mr. Ong is required to exercise the powers and functions and to perform the duties assigned to him from time to time by or under the authority of the Board and as are appropriate to this position. As CEO of the Company, Mr. Ong is also responsible for the oversight of strategic implementation of business operating plans, and ensuring the implementation of such overall objectives and plans. Mr. Ong may be paid such discretionary bonus as is determined by the Board from time to time subject to achievement of certain performance criteria. He shall also be entitled to other benefits as are accorded by the Board from time to time. Notwithstanding certain restrictive covenants contained in his service agreement, Michael Ong is entitled to carry on his investment in the TCM developed by Dr He in relation to tuberculosis and Human Immunodeficiency Virus ("HIV"), subject to offering the Group a right of first refusal to purchase any shares issued to him by any holding company of such TCM in the event any such holding company is sold by Dr He.

5.1.3 *Dennis Ow*

On 15 March 2010, Dennis Ow was appointed as a Director of the Company. Pursuant to the appointment, Mr. Ow also entered into a service agreement with MiLOC Pharmaceutical on 20 December 2010. Under the service agreement, Mr. Ow's gross remuneration is HK\$40,000 (approximately £3,210) per month. His appointment can be terminated by either party by giving six months' written notice. Mr. Ow is required to exercise the powers and functions and to perform the duties assigned to him from time to time by or under the authority of the Board and as are appropriate to this position. Mr. Ow may be paid such discretionary bonus as is determined by the Board from time to time subject to achievement of certain performance criteria. He shall also be entitled to other benefits as are accorded by the Board from time to time.

5.2 **Non-Executive Directors**

5.2.1 *Ivor Colin Shrago*

Pursuant to a letter of appointment dated 14 December 2010, the Company appointed Ivor Colin Shrago as a non-executive director of the Company with effect from that day. Mr. Ivor Colin Shrago will receive a fee of HK\$20,000 (approximately £1,600) per month. In addition, the Company agreed to reimburse Mr. Shrago for all reasonable travel expenses incurred as a result of his discharge of duties as a Director. His appointment will continue until terminated by either party giving three months' written notice or at any time by a resolution of the Shareholders and subject to reappointment at the first annual general meeting following his appointment.

5.2.2 *Paul Wyman Cheng*

Pursuant to a letter of appointment dated 14 December 2010, the Company appointed Mr. Paul Wyman Cheng as a non-executive director of the Company with effect from that day. Mr. Cheng will receive a fee of HK\$20,000 (approximately £1,600) per month. In addition, the Company agreed to reimburse Mr. Cheng for all reasonable travel expenses incurred as a result of his

discharge of duties as a Director. His appointment will continue until terminated by either party giving three months' written notice or at any time by a resolution of the Shareholders and subject to reappointment at the first annual general meeting following his appointment.

- 5.3 In the year ended 31 December 2009, being prior to the incorporation of the Company, there was no remuneration or benefits in kind granted to these Directors who were at the time employed by the Group. The Directors employed by the Group during this period were Mr. Chow, Mr. Ong, and Mr. Ow. No remuneration or benefits in kind will be paid to the Directors for the year ending 31 December 2010.
- 5.4 Save as set out above, there are no existing or proposed service contracts between any of the Directors and the Company which provide for benefits upon termination of employment.
- 5.5 The Directors hold or have held the following directorships and/or partnerships (in addition, where relevant, to being a director of the Company) within the five years prior to the publication of this Admission Document:

<i>Director</i>	<i>Present Directorships/ Partnerships</i>	<i>Past Directorships/ Partnerships</i>
Chow Ching Fung	<ul style="list-style-type: none"> ● Green Health Life International Limited ● Chimed Charitable Foundation Limited (Hong Kong) ● MiLOC Biotechnology Limited (BVI) ● MiLOC Pharmaceutical Limited (BVI) ● MiLOC Medical Limited (BVI) ● Rorric Capital Limited ● Gallant International Limited (BVI) ● Smart Falcon Limited (BVI) 	
Michael Ong	<ul style="list-style-type: none"> ● Luson Biotechnology Development Limited (Hong Kong) ● Chimed Charitable Foundation Limited (Hong Kong) ● MiLOC Biotechnology Limited (BVI) ● MiLOC Pharmaceutical Limited (BVI) ● MiLOC Medical Limited (BVI) ● Parric Investments Limited (BVI) ● Rorric Capital Limited ● Gallant International Limited (BVI) ● Smart Falcon Limited (BVI) 	<ul style="list-style-type: none"> ● EZ-Wapcity.com Pte Ltd (Singapore) ● China Credit Management Limited ● Hotel Room Xpress Limited (Hong Kong) ● Independent Travel Management Limited (formerly known as Independent Travel Brands Limited) (Hong Kong) ● Xpress Travel Holdings Limited (formerly known as Rainbow Air Limited) (Hong Kong) ● Xpress Realtors Limited (formerly known as Global Safe Medical Limited) (Hong Kong) ● CEO Club Limited (Hong Kong) ● Hong Kong Link Xpress Limited (Hong Kong) ● Xpress Lifestyle Limited (Hong Kong) ● Inter-Asia Equities Inc. – Canadian Public Listed Company (dormant) ● Guangzhou Xpress Travel Management Co., Limited (PRC) ● Corporate Bridge Pte Limited (Singapore) ● CEO Club Pte Ltd (Singapore) ● Diaoyutai AFT Travel Pte Limited (Singapore)

<i>Director</i>	<i>Present Directorships/ Partnerships</i>	<i>Past Directorships/ Partnerships</i>
		<ul style="list-style-type: none"> ● Anglo-French Travel Pte Limited (Singapore) ● Wo Luen Xpress Pte Limited (formerly known as Hong Kong Link Tours Pte Limited) (Singapore) ● SingXpress Pte Limited – (Singapore) ● Hotel Room Xpress Pte Ltd (Singapore) ● 185 Lifestyle Pte Limited (Singapore)
Dennis Ow	<ul style="list-style-type: none"> ● Old Park Lane Capital Asia Limited ● CJO International Holdings Limited ● Oospace Media (Group) Company Limited ● CSF Group plc ● ChiMed Charitable Foundation Limited ● River Rise Limited ● MiLOC Biotechnology Limited 	<ul style="list-style-type: none"> ● LED International Holdings Limited ● Hichens Harrison & Co (Asia) ● PAQ International Limited
Ivor Colin Shrago	<ul style="list-style-type: none"> ● Edwin Coe LLP 	<ul style="list-style-type: none"> ● LED International Holdings PLC ● Druces LLP (formerly Druces & Attlee) ● Vigers Asset Management Limited ● PAQ International Limited
Paul Wyman Cheng	<ul style="list-style-type: none"> ● Ajia Partners Special Situations G.P. Limited ● Ajia Partners SSG Inc. ● Ajia Partners SSG (Hong Kong) Limited ● Sun Boom Limited ● East Hero Trading Limited ● Clearwater Capital Management Inc. ● Honour Way Limited ● Redleaf International Limited ● Harvest Growth Limited ● East Hero Trading Limited ● Green Plus Investments Limited 	<ul style="list-style-type: none"> ● North Asia Strategic Advisors ● Ajia Partners Aviation Fund Management Limited ● Sun Boom Limited ● Bright Sun Development Limited ● Rich Ocean Hong Kong Group Limited ● Yield On International Limited ● Debao Property Development Pte. Ltd ● Fulbond Holdings Limited ● Fulbond Corporate Management Limited ● Max Plan Investment Limited ● Ajia Partners Real Estate Asia G.P. Limited ● Ostara Investments 1 (Singapore) Pte. Limited ● XD-Mail Singapore Pte Limited ● North Asia Strategic Acquisition Corp ● North Asia Strategic Acquisition Corp 2 ● North Asia Strategic Acquisition Corp 3

- 5.6 Save as disclosed in this Admission Document, none of the Directors has:
- 5.6.1 any unspent convictions relating to indictable offences;
 - 5.6.2 had a bankruptcy order made against him or entered into any individual voluntary arrangements;
 - 5.6.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or entered into a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company at the time of, or within the twelve months preceding, such events;
 - 5.6.4 been a partner of a firm which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he was a partner of that firm at the time of, or within twelve months preceding, such events;
 - 5.6.5 had any asset belonging to him placed in receivership or been a partner of a partnership whose assets have been placed in receivership whilst he was a partner at the time of, or within twelve months preceding, such receivership; or
 - 5.6.6 been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or
 - 5.6.7 ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 5.7 No Director has been interested in any transaction with the Company, which was unusual in its nature or conditions or significant to the business of the Company during the current or previous financial year or during any previous financial year that remains outstanding or unperformed.
- 5.8 No loan has been granted to, nor any guarantee provided for the benefit of any Director by the Company.
- 5.9 The Company is not aware of any person or persons who directly or indirectly, jointly or severally, exercise or could exercise control of the Company or any arrangements the operation of which may, at a subsequent date, result in a change in the control of the Company.

6. Summary of Memorandum and Articles of Association of the Company and Cayman Islands Company Law

6.1 Memorandum of Association

The memorandum of association of the Company (the "Memorandum") provides, *inter alia*, that the liability of members of the Company ("Member") is limited to the amount from time to time being unpaid on the shares of the Company ("Shares") respectively held by them, that the objects for which the Company is established are unrestricted, and that the Company shall have and be capable of exercising all of the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law Cap. 22 of the Cayman Islands ("Companies Law"). It also states in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

6.2 Articles of Association

The articles of association of the Company (the "Articles") were adopted pursuant to a written resolution of the Shareholders passed on 20 December 2010. The following is a summary of certain provisions of the Articles:

(a) Allotment and Issue of Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any Shares or class of Shares, any Share may be issued with or have attached thereto such rights or such restrictions, whether in regard to dividend, voting,

return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board of directors of the Company (the "Board") may determine). Subject to the Companies Law, the PLUS Rules for Issuers, as amended from time to time (the "PLUS Rules") and the Memorandum and Articles, and to any special rights conferred on the holders of any Shares or attaching to any class of Shares, Shares may be issued on the terms that they may be, or at the option of the Company or the holder are, liable to redeemed on such terms and in such manner, including out of capital, as the Board may deem fit.

The Board may not exercise any power of the Company to allot Relevant Securities, unless they are, in accordance with the Articles, authorised to do so by the Company in general meeting. "Relevant Securities" means (a) Shares other than Shares allotted in pursuance of an employees' share scheme, and (b) any right to subscribe for, or to convert any security into, Shares (other than Shares so allotted), and a reference to the allotment of Relevant Securities includes the grant of such a right but, not the allotment of Shares pursuant to such a right.

Such authority may be given for a particular exercise of the power or for its exercise generally, and may be unconditional or subject to conditions and must state the maximum amount of Relevant Securities that may be allotted under it and the date on which it will expire, which must be not more than five years from the date on which the resolution is passed by virtue of which the authority is given, but such an authority may be previously revoked or varied by the Company in general meeting. Such authority may be renewed or further renewed by the Company in general meeting for a further period not exceeding five years; but the resolution must state (or restate) the amount of Relevant Securities which may be allotted under the authority or, as the case may be, the amount remaining to be allotted under it, and must specify the date on which the renewed authority will expire.

The Board may allot Relevant Securities, notwithstanding that the relevant has expired, if they are allotted in pursuance of an offer or agreement made by the Company before the authority expired and the authority allowed it to make an offer or agreement which would or might require Relevant Securities to be allotted after the authority expired.

A resolution of the Company to give, vary, revoke or renew such an authority for the purposes of the aforementioned paragraphs may be an ordinary resolution.

There are pre-emptive rights provisions contained in the Articles save that such provisions do not apply to certain allotments of Shares including if they are, or are to be, wholly or partly paid up otherwise than in cash, or a right to subscribe for, or to convert securities into (a) Shares which as respects dividends and capital carry a right to participate only up to a specified amount in a distribution or (b) Shares which are held by a person who acquired them in pursuance of an employees' share scheme or, in the case of Share which have not been allotted, are to be allotted in pursuant of such a scheme.

Subject to the Companies Law, any of the Articles relating to authority, pre-emption rights or otherwise, any direction that may be given by the Company in general meeting and, where applicable, the PLUS Rules and without prejudice to any special rights or restrictions for the time being attached to any Shares or any class of Shares, the unissued Shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as it may in its absolute discretion determine but so that no Share shall be issued at a discount.

(b) *Directors*

Retirement, appointment and removal: At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by a special resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of a Director shall be vacated:

- (i) if he duly resigns his office by notice in writing to the Company;
- (ii) becomes of unsound mind or dies;
- (iii) if, without special leave of absence, he is absent from meetings of the Board (unless an alternate director appointed by him attends) for six consecutive months, and the Board resolves that his office is vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (v) if he is prohibited by law from being a director;
- (vi) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The Board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments.

The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

Power to dispose of the assets of the Company or any subsidiary: There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

Loans and provision of security for loans to Directors: There are provisions in the Articles prohibiting the making of loans to Directors.

Disclosure of interests in contracts with the Company or any of its subsidiaries: A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to any other provision of the Articles. A Director may be a director or other officer of, a member of or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be accountable for any remuneration, profits or other benefits received by him as a director or other officer of, a member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established.

A Director shall not vote in respect of any contract, arrangement, transaction or any other proposal whatsoever in which he has an interest which (together with any interest of any person connected with him) is a material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is prohibited from voting.

A director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution including:

- (a) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of Shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (d) any contract, arrangement, transaction or other proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he is not the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of such company (or of a third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of this provision to be a material interest in all circumstances);
- (e) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme or employees' share scheme under which he may benefit and which either relates to both employees and directors of the Company or has been approved by or is subject to and conditional upon approval by the Board of the Inland Revenue of the United Kingdom for taxation purposes;
- (f) any contract, arrangement, transaction or proposal concerning the adoption modification or operation of any scheme for enabling employees including full time executive directors of the Company and/or any subsidiary to acquire Shares or any arrangement for the benefit of employees of the Company or any of its subsidiaries under which the director benefits in a similar manner to employees and which does not accord to any director as such any privilege not accorded to the employees to whom the scheme relates; and
- (g) any arrangement for purchasing or maintaining for any officer or auditor of the Company or any of its subsidiaries insurance against any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, breach of duty or breach of trust for which he may be guilty in relation to the Company or any of its subsidiaries of which he is a director, officer or auditor.

A director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with the Company or any Company in which the Company is interested including fixing or varying the terms of his appointment or the termination thereof.

Remuneration: Directors shall be paid out of the funds of the Company for their services subject to such limit (if any) as the Directors may from time to time determine. The Directors shall also receive by way of additional fees for performing (in the view of the Directors or any committee of them so authorised) any special or extra services for the Company such further sums (if any) as the Directors may from time to time determine. Such fees and additional fees shall be divided among the Directors in such proportion and manner as they may determine and in default of determination equally. Such remuneration shall be deemed to accrue from day to day. The provisions of this Article shall not apply to the remuneration of any Managing Director or executive Director which shall be determined pursuant to the other provisions of these Articles.

Each Director is entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of Shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a director.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a director.

A director appointed to be a managing director or other executive officer shall receive such remuneration (but not by way of a commission on, or percentage of, operating revenue, profits or otherwise unless with the prior approval of the members) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time determine, and either in addition to or in lieu of his remuneration as a director.

The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's moneys to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

Borrowing powers: The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

Proceedings of the Board: The Board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

Register of Directors and Officers: The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days after any change in such directors or officers.

(c) *Alterations to constitutional documents*

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(d) *Alteration of capital*

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(e) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, all or any of the special rights attached to the Shares or any class of Shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons and at any adjourned meeting two holders present in person or by proxy whatever the number of Shares held by them shall be a quorum. Every holder of Shares of the class shall be entitled on a poll to one vote for every such Share held by him, and any holder of Shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any Shares or class of Shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such Shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(f) *Special resolution – majority required*

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 14 clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days after being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(g) *Voting rights (generally and on a poll) and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any Shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid Share of which he is the holder but so that no amount paid up or credited as paid up on a Share in advance of calls or instalments is treated for the foregoing purposes as paid up on the Share. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

(h) *Requirements for annual general meetings*

An annual general meeting of the Company must be held in each year at such time and place as may be determined by the Board.

(i) *Accounts and audit*

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the PLUS Rules, the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted accounting standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(j) *Notices of meetings and business to be conducted thereat*

An annual general meeting must be called by at least 21 clear days' notice in writing, and any other general meeting shall be called by at least 14 clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the Shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the issued Shares giving that right.

All business shall be deemed special that is transacted at a special general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) sanctioning dividends;
- (bb) the reading, considering and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors;
- (dd) the appointment of auditors and other officers in place of those retiring;

- (ee) the fixing of the remuneration of the auditors;
- (ff) the voting of remuneration or extra remuneration to the directors.

It shall be the duty of the Company, subject to the provisions of the Companies Law, on the calling of a meeting on the requisition in writing of such number of Members as is specified by the Articles:

- (i) to give to the Members entitled to receive notice of general meetings and to the Directors notice of any resolution which may properly be moved and which it is intended to move at that meeting; and
- (ii) to circulate to Members entitled to have notice of any general meeting sent to them, any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

(k) *Transfer of Shares*

All transfers of Shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the PLUS Markets plc or in such other form as the Board may approve. An instrument of transfer need not be under seal. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the Share until the name of the transferee is entered in the register of members in respect thereof. The Board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any Share upon the principal register to any branch register or any Share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no Shares on the principal register shall be transferred to any branch register nor may Shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of Shares on a branch register, at the relevant registration office and, in the case of Shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any Share (not being a fully paid up share) to a person of whom it does not approve or any Share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any Share to more than four joint holders or any transfer of any Share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as prescribed in the PLUS Rules may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of Share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The Board may, subject to applicable law and if permitted by the Companies Law, permit Shares of any class to be held in uncertificated form to be transferred without an instrument of transfer by means of a relevant system, including CREST.

Where any class of Shares is a participating security and the Company is entitled under the Companies Law, the Articles or any applicable regulations to sell, transfer, dispose of, forfeit, re-allot, accept the surrender of or otherwise enforce a lien over a Share held in uncertificated form without an instrument of transfer, the Company shall be entitled, subject to the Companies Law, the Articles, any applicable regulations and the facilities and requirements of the relevant system:

- (a) to require the holder of that uncertificated share by notice to change that Share into certificated form within the period specified in the notice and to hold that Share in certificated form so long as required by the Company;
- (b) to require the holder of that uncertificated share by notice to give any instructions necessary to transfer title to that Share by means of the relevant system within the period specified in the notice;
- (c) to require the holder of that uncertificated share by notice to appoint any person to take any step, including without limitation the giving of any instructions by means of the relevant system, necessary to transfer that Share within the period specified in the notice; and
- (d) to take any action that the Board considers appropriate to achieve the sale, transfer, disposal of, forfeiture, re-allotment or surrender of that Share or otherwise to enforce a lien in respect of it.

The registration of transfers may be suspended at such times and for such period as the directors may from time to time determine and either generally or in respect of any class of Shares provided that the register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(l) *Power for the Company to purchase its own shares*

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the PLUS Rules.

(m) *Power for any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(n) *Dividends and other methods of distribution*

Subject to the Companies Law, the Board may from time to time declare dividends in any currency to be paid to the Members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any Share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect whereof the dividend is paid but no amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share and (ii) all dividends shall be apportioned and paid *pro rata* according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other moneys payable to any Member or in respect of any Shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of Shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in

cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of Shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of Shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the Shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such Shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the Shares held by such joint holders.

Whenever the Board has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

No dividend or other moneys payable by the Company on or in respect of any Share shall bear interest against the Company.

(o) *Proxies*

Any Member entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A Member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a Member and shall be entitled to exercise the same powers on behalf of a Member who is an individual and for whom he acts as proxy as such Member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a Member which is a corporation and for which he acts as proxy as such Member could exercise if it were an individual Member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a Member being a corporation, by its duly authorised representative) or by proxy.

(p) *Call on shares and forfeiture of shares*

Subject to the Articles and to the terms of allotment, the Board may from time to time make such calls upon the Members in respect of any moneys unpaid on the Shares held by them respectively (whether on account of the nominal value of the Shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any Member willing to advance the same, either in money or money's worth, all or any part of the moneys uncalled and unpaid or instalments payable upon any Shares held by him, and upon all

or any of the moneys so advanced the Company may pay interest at such rate (if any) as the Board may decide.

If a Member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than 14 clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the Shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any Share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited Share and not actually paid before the forfeiture.

A person whose Shares have been forfeited shall cease to be a Member in respect of the forfeited Shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the Shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding 20 per cent. per annum as the Board determines.

(q) *Inspection of register of members*

Pursuant to the Articles the register and branch register of members shall be open to inspection every business day, subject to such reasonable restrictions as the Board may impose, so that not less than two hours in each business day be allowed for inspection. The register of members may, subject to compliance with the PLUS Rules be closed for any time or times not exceeding in the whole 30 days in each year.

(r) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two Members present in person (or, in the case of a Member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy.

A corporation being a Member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of Member.

(s) *Rights of the minorities in relation to fraud or oppression*

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraphs 6.1.3 to 6.1.5 (inclusive) of this Part V.

(t) *Procedures on liquidation*

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares (i) if the

Company shall be wound up and the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such Members in proportion to the amount paid up on the Shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the Members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the Shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the Members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any Shares or other property in respect of which there is a liability.

(u) *Untraceable members*

Pursuant to the Articles, the Company may sell any of the Shares of a Member who is untraceable if (i) all cheques or warrants in respect of dividends of the Shares in question (being not less than three in total number) for any sum payable in cash to the holder of such Shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the Member; and (iii) the Company has given notice to, and caused advertisement of its intention to sell such Shares and a period of three (3) months has elapsed since the date of such advertisement and the PLUS Markets plc has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former Member for an amount equal to such net proceeds.

(v) *Failure to disclose interests in shares*

The Company may by notice in writing (an "Information Notice") require any Member to disclose the identity of any person other than the Member who has an interest in the shares held by the Member and the nature of such interest. If any Member, or any other person appearing to be interested in shares held by such Member, has been duly served with an Information Notice and is in default for 14 days from the date of service thereof in supplying to the Company the information thereby required, then the Directors may in their absolute discretion at any time thereafter serve a notice (a "Disenfranchisement Notice") upon such Member as follows:

- (a) the Member shall not be entitled in respect of the default Shares (the "Default Shares") to be present or to vote at any general meeting at a separate meeting of the holders of a class of Shares or on a poll or to exercise other rights conferred by membership in relation to the meeting or poll; and
- (b) where the Default Shares represent at least 0.25 per cent. in nominal value of the issued Shares of their class:
 - (i) a dividend or other amount payable in respect of the Default Shares shall be withheld by the Company, which has no obligation to pay interest on it; and
 - (ii) no transfer of any of the Default Shares shall be registered unless in certain circumstances as described in the Articles including where the Member is not himself in default in supplying the information required and the Member proves to the satisfaction of the Board that no person in default in supplying the information required is interested in any of the Shares the subject of the transfer.

- (c) If at any time the Company shall have a class of shares admitted to trading on PLUS-quoted, the provisions of Chapter 5 of the Disclosure and Transparency Rules (as amended from time to time) (“DTR 5”) of the UK Financial Services Authority Handbook shall be deemed to be incorporated and accordingly the vote holder and issuer notification rules set out in DTR 5 shall apply to the Company and each Member.
- (d) Where any holder of any financial instrument(s) falling within DTR 5.3.1 of DTR 5 does not make a disclosure to the Company on the terms of DTR 5.1.2 of DTR 5 as if the Company was incorporated in the UK (whether required to by the above Article 87(1) or otherwise), the Member that issues any such financial instrument(s) (or the Member that holds shares on behalf of any person that issues such financial instrument(s)) shall make the disclosure to the Company on the terms of DTR 5.1.2 of DTR 5 on behalf of the holder of the financial instrument(s) and, for the avoidance of doubt, the disclosure shall include the name of the person who holds such financial instrument(s).
- (e) If the Company determines that a Member has not complied with the provisions of DTR 5 with respect to some or all of the shares held by such Member (the “Defaulting Member”), the Company may, by serving a notice in writing on the Defaulting Member in such form as the Directors may from time to time approve (the “Default Notice”), have the right to impose the sanctions set out in Article 86 on the Defaulting Member, such sanctions to take effect from the date such Default Notice is served by the Company. Any reference in the articles to an Information Notice shall also be construed to include reference to a Default Notice. The Company may at any time, by subsequent written notice on the defaulting holder, cancel or suspend the operation of a Default Notice.

6.3 **Cayman Islands Company Law**

Set out below is a summary of certain provisions of Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in other jurisdictions with which interested parties may be more familiar. The Directors do not accept any responsibility for this information which is intended as a guide only and you should rely upon your own legal advisers to advise you in connection with these matters.

Operations

6.3.1 As an exempted company, the Company’s operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

Share capital

6.3.2 The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.
- 6.3.3 No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.
- 6.3.4 The Companies Law provides that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.
- 6.3.5 The Articles include certain protections for holders of special classes of shares, which require their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

Financial assistance to purchase shares of a company or its holding company

- 6.3.6 Subject to all applicable laws, a company may give financial assistance to directors and employees of the company, its subsidiaries, its holding company or any subsidiary of such holding company.
- 6.3.7 Further, subject to all applicable laws, a company may give financial assistance to a trustee for the acquisition of shares in the company or shares in any such subsidiary or holding company to be held for the benefit of employees of the company, its subsidiaries, any holding company of the company or any subsidiary of any such holding company (including salaried directors).
- 6.3.8 There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

Purchase of shares and warrants by a company and its subsidiaries

- 6.3.9 Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares.
- 6.3.10 However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.
- 6.3.11 A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds. Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

Dividends and distributions

6.3.12 With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see the "Dividends" section above for further details).

Protection of minorities

6.3.13 The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

6.3.14 In the case of a company (not being a bank) having a share capital divided into shares, the courts may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and to report thereon in such manner as the courts shall direct.

6.3.15 Any shareholder of a company may petition the courts which may make a winding up order if the courts are of the opinion that it is just and equitable that the company should be wound up. Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

Management

6.3.16 The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Accounting and auditing requirements

6.3.17 A company shall cause proper books of account to be kept with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

6.3.18 Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

Exchange control

6.3.19 There are no exchange control regulations or currency restrictions in the Cayman Islands.

Loans to directors

6.3.20 There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

Inspection of corporate records

- 6.3.21 Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles.
- 6.3.22 An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

Winding up

- 6.3.23 A company may be wound up by either an order of the courts or by a special resolution of its members. The courts have authority to order winding up in a number of specified circumstances including where it is, in the opinion of the courts, just and equitable to do so.
- 6.3.24 A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, **or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires**, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.
- 6.3.25 For the purpose of conducting the proceedings in winding up a company and assisting the courts, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the courts may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the courts shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The courts may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the courts.
- 6.3.26 In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.
- 6.3.27 Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.
- 6.3.28 As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

Reconstructions

- 6.3.29 There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75 per cent. in value of shareholders or class of

shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting shareholder would have the right to express to the courts his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

Compulsory acquisition

6.3.30 Where an offer is made by a company for the shares of another company and, within four calendar months of the offer, the holders of not less than 90 per cent. of the shares which are the subject of the offer accept, the offeror may at any time within 2 months after the expiration of the said four calendar months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the courts of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer in order to unfairly force out minority shareholders.

Indemnification

6.3.31 Cayman Islands law does not limit the extent to which a Company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

7. Material Contracts

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Company in the two years immediately prior to the date of this Admission Document, and are, or may be, material:

7.1 PLUS Corporate Adviser and Broker Agreements

7.1.1 PLUS Corporate Adviser engagement letter

An engagement letter dated 14 December 2010 between the Company and ZAI pursuant to which ZAI agreed to act as the PLUS Corporate Adviser to the Company following Admission. The engagement letter contains certain undertakings and indemnities given by the Company to ZAI. The Company has agreed to pay ZAI a fee of £50,000 per annum for providing the services of PLUS Corporate Adviser under the engagement letter. The appointment of ZAI as corporate adviser can be terminated by either party giving 3 months' written notice and on shorter notice in certain limited circumstances.

7.1.2 Broker engagement letter

An engagement letter dated 14 December 2010 between the Company and ZAI pursuant to which ZAI agreed to act as broker to the Company following Admission. The engagement letter contains certain undertakings and indemnities given by the Company to ZAI. The Company has agreed to pay ZAI a retainer fee of £25,000 per annum for providing the services of nominated broker under the engagement letter. The appointment of ZAI as broker can be terminated by either party giving 3 months' written notice and on shorter notice in certain limited circumstances.

7.2 Placing Agreement

A conditional Placing Agreement dated 20 December 2010 between the Company, the Directors and ZAI under which ZAI has agreed to use its reasonable endeavours as agent for the Company to seek subscribers at the Placing Price from among potential placees introduced by the Company, its

shareholders or directors or persons connected with any of them. In consideration for its services, ZAI will be paid by the Company a commission of 1 per cent. of the aggregate Placing Price of the Placing Shares issued pursuant to the Placing to placees introduced by the Company. ZAI will also be paid by Company a corporate finance fee of £150,000.

The Placing Agreement contains certain warranties and indemnities given by the Company (which are of a customary nature) in favour of ZAI. The Placing Agreement is conditional *inter alia* upon Admission and may be terminated in certain circumstances prior to Admission including by reason of force majeure.

The Placing Agreement also contains certain lock-in arrangements, pursuant to which each of Chow Ching Fung, Dennis Ow and Michael Ong have agreed, subject to certain exemptions, not to dispose of any interests in securities of the Company held by each of them for a period of 12 months from the date of Admission and for a further 6 months thereafter to dispose of any such securities only through ZAI (provided that ZAI remains the broker of the Company) for the purpose of preserving an orderly market in the Ordinary Shares. If any of the Ordinary Shares which are subject to such lock-in and orderly market arrangements are registered in the name of another person, the beneficial owner will procure that such person complies with the terms of such lock-in and orderly market arrangements.

7.3 Lock-in and Orderly Market Agreement

A lock in agreement dated 20 December 2010 between the Company, ZAI, Michael Ong, Chow Ching Fung, Chow King Tung, Chan Yat Kuen, Ching King Wong, Megasia International Limited, Bill Chow and Brighton Consulting Company Limited pursuant to which each such person has agreed, subject to certain exceptions, not to dispose of any interests in securities of the Company held by it/him/her or any related party, (as defined in the PLUS Rules), for a period of 12 months from the date of Admission and for a further 6 months thereafter to dispose of any such securities only through ZAI (provided that ZAI remains the broker of the Company) for the purpose of preserving an orderly market in the Ordinary Shares.

7.4 Sale and Purchase Agreement

A sale and purchase agreement dated 8 January, 2010 entered into between He Zhong Sheng and He Yu ("Vendors") and Smart Falcon and MiLOC Biotechnology Limited ("Purchaser") and Ong Ban Poh Michael and Chow Ching Fung regarding the sale and purchase of the entire issued share capital in Smart Falcon (the "Sale Shares"). The aggregate consideration for the Sale Shares is the allotment to the Vendors of such number of Ordinary Shares as is equal to HK\$5,000,000 (at its £ equivalent based on the exchange rate quoted by HSBC Hong Kong branch on completion immediately before the issue of such consideration shares) divided by the Placing Price or (if no placing is undertaken in conjunction with Admission, such price as agreed between the Company and the PLUS Corporate Adviser as being the opening price of the Ordinary Shares on the first day of trading on PLUS-quoted).

The agreement is conditional on (i) the due execution and delivery to the Purchaser of the TCM IP Rights Assignment and (ii) the occurrence of Admission. Subject to fulfilment of the conditions, completion will take place immediately before Admission or such other time as the parties shall agree. Further details of the TCM IP Rights Assignment are set out in paragraph 7.5 below. The agreement contains the warranties, undertakings and indemnities which are customary for an agreement of this nature. The agreement also contains certain restrictive covenants provided by the Vendors in favour of the Purchaser, including a restrictive covenant by the Vendors not to solicit at any time for the period of 18 months following completion, any employee, client, customer or supplier of any Group Company with a view to competing with the Group. The agreement also contains confidentiality undertakings by each party to maintain strict confidence in respect of all information received by it directly or indirectly during the negotiations for and the preparation of this Agreement, save for any disclosure required by PLUS-quoted and/or any other regulatory bodies. The confidentiality undertakings survive completion of the Acquisition and termination of the agreement.

7.5 **TCM IP Rights Assignment**

A deed of assignment of intellectual property rights dated 5 December 2009 between the Assignors and Smart Falcon, in relation to the assignment by the Assignors to Smart Falcon of the TCM IP Rights (including the beneficial interest in the Patent Application) for the consideration of HK\$1. The TCM IP Rights Assignment contains warranties, representations and undertakings which are customary for an assignment of this nature. The legal interest in the Patent Application will pass to Smart Falcon on registration of the TCM IP Rights Assignment with SIPO, such registration is subject to the Assignors and Smart Falcon first obtaining certain government approvals to the transfer of the Patent Application to Smart Falcon. For further details on the registration of the TCM IP Rights Assignment with SIPO, please see sub-heading “Protection under patent law” under heading “Regulatory Regime in China” of Part II of this Admission Document.

7.6 **Co-operation Agreement**

A cooperation agreement dated 2 December 2009 between MiLOC Pharmaceutical and Hong Yee in relation to the manufacture by Hong Yee of the TCM Rorrigo (alternatively known as “Lok Dik”). Pursuant to the terms of the agreement, MiLOC Pharmaceutical is responsible for providing the formula, brand and rights attaching to the formula of Rorrigo, marketing the products and providing all relevant documents and samples required to import products to Macau. Hong Yee is responsible for manufacturing and designing the medicine and applying to the Government of the Macau SAR Health Bureau Pharmaceutical Unit for the local sale permit. The local sale permit for Rorrigo was granted to Hong Yee on 18 January 2010 for a batch of Rorrigo with the expiry date of December 2012. The agreement also provides that each party is required to keep the other party’s trade secrets confidential.

7.7 **Production Agreement**

A processing manufacturing agreement dated 30 December 2009 between MiLOC Pharmaceutical and Hong Yee to process and manufacture a certain quantity of two medicines, namely Rorrigo (alternatively known as Lok Dik) and the Lok Dik Placebo, for a consideration of HK\$33,700 and HK\$26,350 respectively with a project sample manufacturing discount of HK\$20,000. Hong Yee has completed its order and delivered the sample medicines to MiLOC Pharmaceutical pursuant to this agreement.

7.8 **Consultancy Agreements**

7.8.1 A consultancy agreement dated 27 July 2010 (as amended on 10 December 2010) between Teresa Siu (“TS”) and the Company confirming that TS was appointed as the Company’s consultant between 1 April 2010 and 30 June 2010 with respect to advising the Company on certain media matters. In consideration for providing these services, the Company shall allot and issue to TS such number of Ordinary Shares as is equal to the sum of HK\$250,000 which shall be calculated with reference to the Placing Price, to be issued by the Company to TS immediately before Admission.

7.8.2 A consultancy agreement dated 27 July 2010 (as amended on 13 December 2010) between Brighton Consulting Company Limited (“BCCL”) and the Company confirming that BCCL was appointed as the Company’s consultant between 1 April 2009 and 30 June 2010 with respect to advising the Company on certain financial matters. In consideration for providing these services and subject to Admission taking place, the Company shall allot and issue to BCCL such number of Ordinary Shares as is equal to the sum of HK\$1,280,000 which shall be calculated with reference to the Placing Price, to be issued by the Company to BCCL immediately before Admission.

7.8.3 A consultancy agreement dated 27 July 2010 (as amended on 11 December 2010) between Patrick Tay (“PT”) and the Company confirming that PT was appointed as the Company’s consultant between 1 April 2009 and 30 June 2010 with respect to advising the Company on certain clinic design matters. In consideration for providing these services, the Company shall allot and issue to PT such number of Ordinary Shares as is equal to the sum of HK\$400,000 which shall be calculated with reference to the Placing Price, to be issued by the Company to PT immediately before Admission.

- 7.8.4 A consultancy agreement dated 27 July 2010 (as amended on 11 December 2010) between Luo Hong (“LH”) and the Company confirming that LH was appointed as the Company’s consultant between 1 April 2009 and 30 June 2010 with respect to advising the Company on certain business development matters. In consideration for providing these services, the Company shall allot and issue to LH such number of Ordinary Shares as is equal to the sum of HK\$1,000,000 which shall be calculated with reference to the Placing Price, to be issued by the Company to LH immediately before Admission.
- 7.8.5 A consultancy agreement dated 27 July 2010 (as amended on 11 December 2010) between Joanne Kwong (“JK”) and the Company confirming that JK was appointed as the Company’s consultant between 1 April 2009 and 30 June 2010 with respect to advising the Company on certain business development matters. In consideration for providing these services, the Company shall allot and issue to JK such number of Ordinary Shares as is equal to the sum of HK\$1,500,000 which shall be calculated with reference to the Placing Price, to be issued by the Company to JK immediately before Admission.
- 7.8.6 A consultancy agreement dated 27 July 2010 (as amended on 11 December 2010) between Albert Chui (“AC”) and the Company confirming that AC was appointed as the Company’s consultant between 1 April 2009 and 30 June 2010 with respect to advising the Company on certain business development matters. In consideration for providing these services, the Company shall allot and issue to AC such number of Ordinary Shares as is equal to the sum of HK\$600,000 which shall be calculated with reference to the Placing Price, to be issued by the Company to AC immediately before Admission.
- 7.8.7 A consultancy agreement dated 27 July 2010 (as amended on 13 December 2010) between Bill Chow (“BC”) and the Company confirming that BC was appointed as the Company’s consultant between 1 April 2009 and 30 June 2010 with respect to advising the Company on certain IT matters. In consideration for providing these services, the Company shall allot and issue to BC such number of Ordinary Shares as is equal to the sum of HK\$1,000,000 which shall be calculated with reference to the Placing Price, to be issued by the Company to BC immediately before Admission. The agreement terminated on 30 June 2010. BC is the brother of Chow Ching Fung, the Chairman of the Company.
- 7.8.8 A consultancy agreement dated 29 July 2010 (as amended on 11 December 2010) between Dennis Ow (“DO”) and the Company confirming that DO was appointed as the Company’s financial advisor between 3 January 2010 and 3 August 2010 with respect to advising the Company on a variety of specific transaction proposals. In consideration for providing these services, the Company shall allot and issue to DO such number of Ordinary Shares as is equal to the sum of HK\$3,000,000 which shall be calculated with reference to the Placing Price, to be issued by the Company to DO immediately before Admission.
- 7.8.9 In relation to the consultancy agreements described in paragraphs 7.8.1 and 7.8.3 to 7.8.8 (inclusive) above, the relevant consultants of the Company shall receive no remuneration from the Company, cash, shares or otherwise, if Admission does not place or if the market capitalisation on Admission is less than HK\$200 million. All of the Consultancy Agreements contain certain confidentiality undertakings by the respective consultant in favour of the Company whereby such consultant agrees to keep confidential all information provided by the Company to such consultant. All of the Consultancy Agreements were entered into on normal commercial terms and on an arm’s length basis. The consideration to be provided to each consultant is for past services provided by the relevant consultant to the Company.
- 7.8.10 A consultancy agreement dated 22 November 2010 between He Zhong Sheng (“Professor He”) and MiLOC Biotechnology pursuant to which Professor He will provide consultancy services to MiLOC Biotechnology on all matters concerning the production of Rorrico. In consideration for providing these services, MiLOC Biotechnology shall pay to Professor He a consultancy fee of HK\$1.00 per month. The agreement will continue for a period of one year unless and until terminated by either party giving to the other not less than 30 days’ prior written notice. The agreement contains confidentiality undertakings by Professor He in favour of the MiLOC Biotechnology pursuant to which he undertakes to keep confidential, any confidential, sensitive or proprietary information of the Group, including, among other things, information concerning the formula and manufacturing process in relation to Rorrico.

7.9 **Service Agreement**

On 20 December 2010, Mr. Choi entered into a service agreement with MiLOC Pharmaceutical Limited, whereby Mr. Choi was appointed as chief financial officer and qualified accountant of MiLOC Pharmaceutical Limited. Under the service agreement, Mr. Choi's gross remuneration is HK\$60,000 (approximately £4,810) per month. His appointment can be terminated by either party giving three months' written notice. Mr. Choi is required to serve MiLOC Pharmaceutical Limited in the capacity of chief financial officer and qualified accountant, with particular responsibility for overall financial matters of the Group. Mr. Choi may be paid such discretionary bonus as is determined by the Board from time to time subject to achievement of certain performance criteria. He shall also be entitled to other benefits as are accorded by the Board from time to time.

7.10 **Clinical Services Memorandum of Understanding**

A memorandum of understanding ("MoU") dated 9 April 2010 between MiLOC Medical and MIAR whereby MIAR agrees to provide ongoing safety analysis service, quality control/assurance analysis services, clinical human trial study, research and development studies on TCM of MiLOC Medical. The terms of the MoU, which are legally binding on the parties, are valid for two years and MiLOC Medical agrees to cover the expenses incurred from the analysis and studies on its products conducted by MIAR. The MoU contains perpetual confidentiality obligations on each party to keep strictly confidential all information about the other party or relating to its services which come to their knowledge during the operation of the agreement. The parties may only disclose confidential information when required by law or court order.

7.11 **ZAI Option Agreement**

A conditional option agreement dated 20 December 2010 between the Company and ZAI pursuant to which the Company has granted an option to ZAI over 72,161 of Ordinary Shares as represent three per cent. of the Placing 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.

7.12 **Relationship Deed**

A relationship deed dated 20 December 2010 between the Company, the Controlling Shareholder, ZAI and Michael Ong and Chow Ching Fung, which sets out provisions to regulate the use of the Controlling Shareholder's shareholding (being 75.85 per cent. of the Ordinary Shares as at the date of the deed, or from Admission being 68.29 per cent. and resulting in a controlling shareholding). The deed contains general assurances as to the independence of the Group, whereby the Controlling Shareholder undertakes to use its reasonable endeavours to ensure the independence of the management of the Company in the day to day management, affairs and governance of the Company and the parties agree that all transactions and relationships between the Controlling Shareholder and members of the Group will be at arm's length and on normal commercial terms and no agreement between the Controlling Shareholder or its associates of the Group can be varied, amended, waived or terminated unless approved in advance by the independent Directors of the Company. The provisions of the deed remain in full force and effect for so long as the Controlling Shareholders retains more than 30 per cent. of voting rights in the Company and the share capital of the Company remains admitted to trading on PLUS-quoted.

7.13 **Registrar's Agreement**

A registrar agreement dated 22 November 2010 between the Company and Computershare Investor Services (Cayman) Limited (the "Registrar") which sets out the terms under which the Company appoints the Registrar for the provision of services as its registrar. Unless terminated in accordance with early termination provisions, the agreement shall continue for a fixed term of one year and thereafter until terminated by either party giving to the other party not less than six months' notice.

7.14 **Shareholder Loan Assignment and Capitalisation Agreement**

A shareholders loan assignment and capitalisation agreement dated 22 November 2010 between Chow Ching Fung (the "Assignor"), MiLOC Pharmaceutical and the Company under which the Assignor and MiLOC Pharmaceutical agreed to deduct an amount equal to HK\$62,628 due from the Assignor to MiLOC Pharmaceutical as at 30 September 2010 (the "Assignor Debt") from the outstanding interest-free loan advanced by the Assignor to MiLOC Pharmaceutical (being HK\$246,102 as at 30 September 2010) (the "Shareholder's Loan) in full and final settlement of the Assignor Debt. The Assignor has agreed to assign the remainder of the Shareholder's Loan to the Company and the Company has agreed to allot and issue to Megasia International Limited such number of Ordinary Shares as is equal to the sum of HK\$183,474 (being the remainder of the Shareholder's Loan) which shall be calculated with reference to the Placing Price, credited as fully paid for and in full and final settlement of the remainder of the Shareholder's Loan. This Agreement is conditional upon Admission taking place.

8. **Related Party Transactions**

8.1 Except as described below, between 6 November 2009 and 22 November 2010 (being the latest date practicable date prior to the publication of this Admission Document), the Group has not entered into any related party transactions.

8.1.1 The transaction described in paragraph 7.8.8 of this Part V is a related party transaction as Dennis Ow is a Director and holds 0.78 of the issued share capital of the Company immediately following Admission.

8.1.2 The transactions described in Note 12 of Part IV(B) and Note 7 of Part IV(C) of this Admission Document.

8.1.3 Chow Ching Fung has provided certain advances to the Group for working capital purposes. As at 30 September 2010, the amount owed by MiLOC Pharmaceutical was HK\$246,102. The sum of HK\$62,628 is due from Chow Chung Fung to MiLOC Pharmaceutical as at 31 May 2010. These are related party transactions because Chow Ching Fung holds 68.29 per cent. of the issued share capital of the Company immediately following Admission and is a Director of the Company.

8.1.4 The transaction described in paragraph 7.14 of this Part V is a related party transaction as Chow Ching Fung is a Director and holds 68.29 per cent. of the issued share capital of the Company immediately following Admission.

9. **Options**

A summary of the Share Option Plan is as follows:

9.1 **Eligibility**

All employees, executive directors and consultants of the Company, and such of its subsidiaries as are designated participating companies by the Board, are eligible to participate in the Share Option Plan. Participation in the Share Option Plan is at the discretion of the Board.

9.2 **Individual and Share Capital Limits**

9.2.1 No individual limits apply to the grant of options under the Share Option Plan.

9.2.2 No option which is to be satisfied on exercise by the issue of new shares can be granted on any date if the number of shares to which it relates, when aggregated with the number of shares issued or remaining issuable by virtue of options or other rights granted in the previous 10 years under the plan and any other employee share scheme operated by the Company, would exceed 10 per cent. of the issued share capital of the Company at that time.

9.3 **Grant of Options**

9.3.1 The grant of options is permitted within 42 days of the announcement of the Company's interim or final results, any day on which the Board resolves that exceptional circumstances exist which

justify the grant of options, and the date of employment or appointment of the participant or the date on which the participant takes on new duties.

9.3.2 Options will be personal to the participant and except on death will not be transferable.

9.4 **Exercise Price**

The price at which participants will be able to acquire shares on exercise shall not be less than the higher of (i) the market value of an Ordinary Share on the date of grant of the option and; (ii) its nominal value but subject to any adjustment; and (iii) the price at which the Ordinary Shares were placed to places pursuant to the Placing, provided that this paragraph (iii) shall only apply to Options granted within twelve months of the date of Admission.

9.5 **Exercise and Lapse**

9.5.1 An option will normally become exercisable three years after the date of grant and on satisfaction of any performance conditions specified at the date of grant. However, in exceptional circumstances options may be granted which vest annually over a minimum of three years. Options can usually only be exercised while the option holder is an employee of the Company or a subsidiary.

9.5.2 Options become exercisable for one year following an option holder's cessation of employment for certain good leaver reasons. Where employment ceases due to reason which are not good leaver reasons the option will lapse in full on the date of cessation of employment.

9.5.3 Where tax withholding obligations arise, the participant may be required to make a payment to the Company or the participant's employer in respect of these liabilities before the option can be exercised.

9.6 **Alteration of Capital of the Company**

The number of shares comprised in an option and the exercise price may be adjusted at the discretion of the Board following a capitalisation issue, rights issue, sub division or consolidation of shares or reduction of capital or any other variation of capital. An adjustment may reduce the exercise price of an option to less than the nominal value of a share only where the board is authorised to capitalise an amount from the Company's reserves equal to the amount by which the nominal value exceeds the exercise price.

9.7 **Change of Control/Demerger**

9.7.1 In the event of a change of control, reconstruction or the winding up of the Company the early exercise of unvested options is permitted within a specified period of six months, or two months in the case of a winding up, whereupon, to the extent unexercised, options will lapse.

9.7.2 On a change of control or reconstruction of the Company the Share Option Plan permits the exchange of options for options in the acquirer as an alternative to exercise. The ability to exchange options will be subject to the consent of the acquiring company.

9.8 **Rights attaching to shares**

While the Company's shares are traded on any stock exchange, the Company shall apply for a listing in respect of shares issued pursuant to the exercise of an option. Such shares will rank *pari passu* with all other issued shares of the Company except for any rights determined by reference to a date preceding the date on which the option is exercised. Shares will be transferred free of liens, charges and encumbrances.

9.9 **Amendments**

The Share Option Plan may be amended by the Board, provided that, without the prior approval of the Company's shareholders in general meeting no amendments to the advantage of participants may be made if they relate to provisions concerning eligibility, limitations on the grant of options, the exercise price, the basis of a participants entitlement to or terms of participation, and for adjustment

on a capital variation. No amendments can be made to the plan which would have an adverse effect on the subsisting rights of a participant unless the consent of a 75 per cent. majority of the participants is obtained.

9.10 Administration and General

9.10.1 The Company in general meeting or the Board may terminate the Share Option Plan at any time. In any case, the plan will terminate upon the tenth anniversary of its adoption by Shareholders.

9.10.2 The Share Option Plan shall not affect the employment rights of any participant. Participants waive all rights to compensation or damages in relation to the Share Option Plan in consequence of the termination of office or employment for whatever reason.

10. Directors' Dealings

The Directors intend to comply with Rule 72 of the PLUS Rules relating to Directors' dealings as applicable to PLUS-quoted companies and will also take all reasonable steps to ensure compliance by the Company's relevant employees (as defined in the PLUS Rules).

11. Working Capital

The Directors are of the opinion that, having made due and careful enquiry and taking into account existing cash resources and the facilities available to the Group, the working capital available to the Group will be sufficient for its present requirements that is for at least the next 12 months from the date of Admission.

12. Litigation

Other than as disclosed in this Admission Document, neither the Company nor any other Group Company is or has during the 12 months preceding the date of this Admission Document engaged in any governmental, legal or arbitration proceedings nor, as far as the Directors are aware, are there any governmental, legal or arbitration proceedings pending or threatened against the Company or any other Group company, which may have or have had during the 12 months preceding the date of this Admission Document, a significant effect on the Group's financial position or profitability.

13. Employees

As at the date of this Admission Document, the Group as a whole has 6 employees, namely the executive Directors and the Chief Financial Officer and two administrative assistants.

14. Intellectual Property Rights

Save for those disclosed below, the Group does not have any other intellectual property rights:

14.1 the Patent Application; and

14.2 the domain name of the Company (being www.miloc.com and milocgroup.com).

15. Taxation

The following summary, which is intended as a general guide only and which is based upon advice received by the Directors, outlines certain aspects of current law and practice in the Cayman Islands, UK, Hong Kong, Singapore and the PRC, and is not tax advice to any Shareholder, any investor who is in any doubt as to his or her tax position, or who may be subject to tax in any other jurisdiction, should consult his or her professional adviser in connection with the tax consequences of the ownership and disposal of shares.

15.1 Cayman Islands' tax considerations

The Government of the Cayman Islands, will not, under existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Company or the Shareholders. The Cayman Islands are not party to any double taxation treaties.

The Company has applied for and the Directors expect to receive an undertaking from the Governor-in-Cabinet of the Cayman Islands that, in accordance with section 6 of the Tax Concessions law (1999 Revision) of the Cayman Islands, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on the shares, debentures or other obligations of the Company or (ii) by way of the withholding in whole or in the part of a payment of dividend or other distribution of income or capital by the Company to its members or a payment of principal or interest or other sums due under a debenture or other obligation of the Company.

15.2 **Taxation implication for UK residents**

The Company

It is the intention of the Directors to conduct the affairs of the company such that the central management and control of the company is not in the UK and so that the Company does not carry out any business in the UK.

On the assumption that this intention is realised, the company should not be tax resident in or establish any taxable presence in the UK. On this basis the Company should not be liable to UK tax on its income or gains other than income deriving from a UK source.

Taxation of dividends

- a) Any UK resident, ordinary resident and domiciled shareholder who receives a dividend paid by the Company will be liable to UK income tax on the gross amount of any such dividend. Dividend income from the Company will be treated as forming the highest part of a shareholder's income. The income tax rates are 10 per cent., 32.5 per cent. or 42.5 per cent. depending on the taxable income of the individual, but a deemed tax credit of 10 per cent. of the dividend is deemed to arise, the effect of which is to reduce the effective tax rates to 0 per cent., 25 per cent. and approximately 36.1 per cent. respectively. Individual shareholders will be able to claim relief for withholding tax suffered on dividends paid to them. However at present no withholding tax is levied by the Cayman Islands on any dividend payments.
- b) UK resident and ordinary resident individuals who are not domiciled in the UK and pay tax on a remittance basis, will be taxed on dividends paid by the company, but only if they are remitted to the UK. If remitted to the UK, the tax treatment will follow that outlined in paragraph a above
- c) A UK-tax resident corporate shareholder of non-redeemable ordinary shares in the company that receives a dividend paid by the company will not be subject to tax in respect of that dividend subject to certain exceptions.
- d) Trustees of discretionary trusts receiving dividends from shares are also liable to account for income tax at the dividend trust rate, currently up to 42.5 per cent., subject to any available tax credits.
- e) UK pension funds and charities are generally exempt from tax on dividends that they receive.

Anti-avoidance

A UK resident corporate shareholder who, together with connected or associated persons, is entitled to at least 25 per cent. of the Ordinary Share capital of the Company should note the provisions of the Controlled Foreign Companies legislation contained in Sections 747-756 of the Income and Corporation Taxes Act 1988.

Taxation of chargeable gains

- a) A UK resident, ordinarily resident and domiciled individual shareholder who disposes (or is deemed to dispose) of all or any of the Shares acquired they may be liable to capital gains tax in relation thereto at rates up to 28 per cent., subject to any available exemptions or reliefs. In addition, an individual UK shareholder who ceases to be resident or ordinarily resident in the UK for a period of less than five complete tax years and who disposes of the shares held prior to departure during that period of temporary non residence may, under anti-avoidance legislation, be liable to capital gains tax on his or her return to the UK.

- b) UK resident and ordinary resident individuals who are not domiciled in the UK and pay tax on a remittance basis, will be taxed on any capital gains made by them on the disposal of shares in the Company, but only if the proceeds are remitted to the UK. If remitted to the UK, the tax treatment will follow that outlined in paragraph a above.
- c) A UK resident corporate shareholder disposing of its shares in the company may be liable to corporation tax on chargeable gains arising on the disposal at the corporation tax rate applicable to its taxable profits (currently 21 – 28 per cent.).

In computing the chargeable gain liable to corporation tax the corporate shareholder is entitled to deduct from the disposal proceeds the cost to it of the shares together with incidental costs of acquisition, as increased by an indexation allowance to adjust for inflation, and disposal costs.

The UK operates a substantial shareholding exemption regime which may apply to the disposal of shares in the Company subject to certain conditions being met.

Inheritance tax

Individuals and Trustees subject to IHT in relation to a shareholding in the Company may be entitled to business property relief of up to 100 per cent. after a holdings period of two years providing that all the relevant conditions for the relief are satisfied at the appropriate time.

Stamp Duty and Stamp Duty Reserve Tax

No stamp duty will be payable on the issue of ordinary shares. An instrument effecting or evidencing the issue or transfer of ordinary shares which is executed in the UK or, where executed outside of the UK, which relates to any matter or thing done in the UK may not, except in criminal proceedings, be given in evidence or be available for any purpose in the UK unless it is duly stamped. Whether or not an instrument is stamped, however, will not affect the registration of the transfer in the Company's registers of ordinary shares so long as that register is kept outside of the UK. No stamp duty reserve tax ("SDRT") will be chargeable on the issue or transfer of the ordinary shares where the Company's registers of ordinary shares is kept outside of the UK. SDRT will be chargeable (at a rate of 0.5 per cent. of the consideration) on an agreement to transfer Depository Interests representing the ordinary shares within CREST.

15.3 Taxation implications for Hong Kong residents

Taxation of dividends

Hong Kong does not impose tax on dividend income. Dividend income received by a Hong Kong resident corporate shareholder or a Hong Kong individual shareholder from the Company would not be taxable in Hong Kong.

Taxation of capital gains made by Shareholders

There is no capital gains tax in Hong Kong. On the basis that the Company would be listed on PLUS-quoted, share investment in the Company would be regarded as an offshore investment for Hong Kong tax purposes. As Hong Kong has a territorial based tax concept in which only income sourced in Hong Kong would be subject to tax, any gain on the disposal of shares by a Hong Kong resident corporate or individual shareholder would be offshore in nature and not taxable in Hong Kong.

Transaction taxes

Transfer or disposal of Hong Kong stock attracts stamp duty at 0.2 per cent. on the transfer price or market value of the shares at the time of transfer, whichever is higher. For stamp duty purposes, "Hong Kong Stock" means stock the transfer of which is required to be registered in Hong Kong. Providing the Company does not maintain any statutory corporate share register in Hong Kong, the transfer or disposal of the shares of the company by its shareholders will not be registered in Hong Kong. As such, the transfer or disposal of Ordinary Shares by the Shareholders should not be subject to Hong Kong stamp duty. Otherwise, stamp duty at 0.2 per cent. would apply.

15.4 **Taxation implications for PRC residents**

Individuals resident in PRC will be subject to individual income tax at a rate of 20 per cent. on the dividends from the Company and on any gains that such individuals make from the disposal of Ordinary Shares.

PRC domestic enterprises will be subject to Enterprise Income Tax at a rate of 20 per cent. on dividends from the Company and gains made from the disposal of Ordinary Shares.

No PRC stamp duty will be payable on the issue or transfer of Ordinary Shares.

15.5 **Taxation implications for Singapore residents**

General

Singapore adopts a territorial basis for taxing income. Corporate taxpayers are generally subject to income that arises in or is derived from Singapore and any foreign income received or deemed to be received in Singapore; unless specifically exempted.

In general, individuals are subject to Singapore income tax only on Singapore source income. Foreign sourced income received by individuals are not taxed unless received/deemed received through a partnership.

The corporate tax rate in Singapore is currently 17 per cent. with effect from Year of Assessment 2010. In addition, 75 per cent. of up to the first S\$10,000 of a company's normal chargeable income, and 50 per cent. of up to the next S\$290,000 is exempt from corporate tax.

The remaining chargeable income (after the partial tax exemption) will be taxed at 17 per cent.

Singapore tax-resident individuals are subject to tax based on progressive rates, currently ranging from 0 to 20 per cent. from Year of Assessment 2007 onwards.

Other than employment income where special rules apply, non-Singapore resident individuals are generally subject to tax at a rate equivalent to the prevailing corporate tax rate.

Gains on Disposal of Ordinary Shares

Singapore does not impose tax on capital gains and no capital gains tax arises as such on the disposal of Ordinary Shares acquired for long term investment purposes. However, there are no specific laws or regulations which deal with the characterisation of capital gains, and hence, gains from the disposal of Ordinary shares may be construed to be of an income nature and subject to Singapore income tax, where they arise from activities which may be regarded as the carrying on of a trade or business of dealing in shares in Singapore.

Stamp Duty

No Singapore stamp duty will arise on the issue of Ordinary Shares through CREST.

Where existing Ordinary Shares (in Singapore incorporated companies and shares in foreign companies which maintain share registers in Singapore) evidenced in certificated form are acquired in Singapore, stamp duty is payable on the instrument of transfer of the Ordinary Shares at the rate of S\$2.00 for every S\$1,000 or any part thereof of the consideration or market value of the Ordinary Shares, whichever is higher. The stamp duty is borne by the purchaser, unless otherwise agreed. Where an instrument of transfer is executed outside Singapore or no instrument of transfer is executed, no stamp duty is payable on the acquisition of existing Ordinary Shares. Stamp duty may be payable if the instrument of transfer is received in Singapore.

16. Depository Interests – Terms of the Deed Poll

Prospective subscribers for and purchasers of the Ordinary Shares are referred to the Deed Poll dated 4 August 2010 issued by the Depository and available for inspection at the offices of the Depository at the

address set out on page 7 of this Admission Document. In summary, the Deed Poll contains, among other things, provisions to the following effect which are binding on holders of DIs.

The Depositary will hold (itself or through its nominated Custodian), as bare trustee, the underlying securities issued by the Company and all and any rights and other securities, property and cash attributable to the underlying securities pertaining to the DIs for the benefit of the holders of the relevant DIs.

Holders of DIs warrant, among other things, that the securities in the Company transferred or issued to the Custodian on behalf of the Depositary are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's constitutional documents or any contractual obligation, law or regulation.

The Depositary and any custodian must pass on to DI holders and exercise on behalf of DI holders all rights and entitlements received or to which they are entitled in respect of the underlying securities which are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information, to make choices and elections and to call for, attend and vote at meetings shall, subject to the Deed Poll, be passed on in the form which they are received together with any amendments and additional documentation necessary to effect such passing-on, or, as the case may be, be exercised in accordance with the Deed Poll.

The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not be liable to any DI holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Depositary shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent. Furthermore, the Depositary's liability to a holder of DIs will be limited to the lesser of (a) the value of the Ordinary Shares and other deposited property properly attributable to the DIs to which the liability relates and (b) that proportion of £5,000,000 which corresponds to the portion which the amount the Depositary would otherwise be liable to pay to the DI holder bears to the aggregate of the amounts the Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission or event or, if there are no such amounts, £5,000,000.

The Depositary is entitled to charge DI holders fees and expenses for the provision of its services under the Deed Poll.

Each holder of DIs is liable to indemnify the Depositary and any Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the property held for the account of DIs held by that holder, other than those resulting from the wilful default, negligence or fraud of the Depositary, or the Custodian of the same group, unless the Depositary shall have failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent.

The Depositary may terminate the Deed Poll by giving at least 90 days' notice. During such period, DI holders may cancel their DIs and withdraw their deposited property and, if any DIs remain outstanding after termination, the Depositary must, among other things, deliver the deposited property in respect of the DIs to the relevant DI holders or, at its discretion sell all or part of such deposited property. It shall, as soon as reasonable practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the Deed Poll *pro rata* to holders of DIs in respect of their DIs.

The Depositary or the Custodian may require from any holder or former or prospective information as to the capacity in which DIs are owned or held and the identity of any other person with any interest of any kind in such DIs or the underlying Ordinary Shares and the holders are bound to provide such information requested. Furthermore, to the extent that, among other things, the Company's constitutional documents require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever, in the Company's securities, the holders of DIs are to comply with such provisions and with the Company's instructions with respect thereto.

It should also be noted that holders of DIs may not have the opportunity to exercise all of the rights and entitlements available to holders of Ordinary Shares including, for example, the ability to vote on a show of hands. In relation to voting, it will be important for holders of DIs to give prompt instructions to the Depositary or its nominated Custodian, in accordance with any voting arrangements made available to them, to vote the underlying Ordinary Shares on their behalf or, to the extent possible, to take advantage of any arrangements enabling holders of DIs to vote such Ordinary Shares as a proxy of the Depositary or its nominated Custodian.

17. Depositary Interests – Terms of the Depositary Agreement

The terms of the depositary agreement dated 22 November 2010 between the Company and the Depositary (the “Depositary Agreement”) under which the Company has appointed the Depositary to issue the DIs on the terms of the Deed Poll and to provide certain other services in connection with the DIs, are summarised below.

The Depositary agrees to provide certain depositary and custodian services under the Depositary Agreement (the “Depositary and Custodian Services”) with reasonable skill and care and in accordance with the FSMA and the Regulations. The services include complying with the provisions of the Deed Poll, maintaining a depositary interest register and dealing with routine correspondence with holders of DIs.

The Depositary Agreement may be terminated by either party giving 6 months’ notice to the other. The agreement may be terminated in certain other circumstances.

The Company agrees to provide to the Depositary all information, data and documentation reasonably required by the Depositary to carry out the Depositary and Custodian Services.

Each party gives certain undertakings in relation to compliance with relevant data protection legislation.

The Depositary is entitled, by serving prior written notice on the Company, to change the Depositary Agreement if it is reasonably necessary to do so to reflect any change to CREST services or law.

The Depositary is to indemnify the Company (subject to liability cap of twice the amount of annual fees payable by the Company to the Depositary) against any loss arising as a result of the fraud, negligence or wilful default of the Depositary (including agents engaged by the Depositary to carry out the Depositary and Custodian Services) or which arises out any breach of the terms of the Depositary Agreement or the Deed Poll. Similarly, the Company is to indemnify the Depositary for losses resulting from or in connection with the Depositary and Custodian Services (without a cap on liability)

The Company is to pay certain fees and charges including, among other things, an annual fee, a fee based on the number of DIs held in each month and certain CREST related fees. The Depositary is also entitled to recover out of pocket fees and expenses.

18. Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

Neither UK stamp duty nor SDRT should arise on the issue of the Ordinary Shares. If the Ordinary Shares are transferred in the UK by an instrument of transfer, stamp duty at 0.5 per cent. will ordinarily be chargeable on the amount of consideration paid rounded up to the nearest £5.

No SDRT should arise on any agreement to transfer the Ordinary Shares for money or money’s worth so long as the Ordinary Shares fall outside the definition of chargeable securities for the purposes of the SDRT legislation, and which they shall do so long as the Ordinary Shares are not registered in a register kept in the UK by or on behalf of the Company.

SDRT at 0.5 per cent. will be chargeable on any agreement to transfer the Depositary Interests unless the conditions for exemption set out in the Statutory Instrument 1999/2383 (Stamp Duty Reserve Tax (UK Depositary Interests in Foreign Securities) Regulations 1999) are met. SI 1999/2382 requires, *inter alia*, that the Ordinary Securities must be listed on a recognised stock exchange (which currently does not include PLUS-quoted) to fall within the definition of Foreign Securities, and so long as this condition will not be satisfied, SDRT will be chargeable on any agreement to transfer the Depositary Interests.

19. General

- 19.1 The total costs and expenses payable by the Company in connection with or incidental to the Admission including PLUS Market plc's fees, printing and advertising and distribution costs and legal, accounting and corporate finance fees and expenses are estimated to amount to approximately £538,540 (excluding any VAT payable thereon) of which approximately £440,552 will be payable in cash. The net proceeds of the Placing are expected to be £353,218.
- 19.2 Save as disclosed in this Admission Document, no person (other than a trade supplier, a professional adviser or underwriter disclosed in this Admission Document) has:
- 19.2.1 received directly or indirectly from the Company within twelve months preceding the date of this Admission Document; or
- 19.2.2 entered into contractual arrangements for (not otherwise disclosed in this Admission Document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
- fees totalling £10,000 or more; or
 - securities in the Company with a value of £10,000 or more; or
 - any other benefit with a value of £10,000 or more at the date of Admission.
- 19.3 Save as disclosed in this Admission Document, there has been no significant change in the trading or financial position of the Group since 31 March 2010, being the date to which the Accountants' Reports in Part IV is made up.
- 19.4 No exceptional factors have influenced the Company's activities.
- 19.5 Save for the rights the Company has under paragraph 14 of this Part V, the Company has no intellectual property rights, know-how, licences or other intellectual property and/or know-how related contracts that are of a fundamental importance to the Group's business.
- 19.6 The Company's accounting reference date is 31 March.
- 19.7 The financial information for the relevant accounting periods set out in the accountant's reports on the Group in Part IV of this Admission Document does not constitute statutory accounts of the Group within the meaning of sections 434 to 436 of the 2006 Act and no financial information contained in this Admission Document is intended by the Company to represent or constitute a forecast of profits by the Company.
- 19.8 No financial information contained in this Admission Document is intended by the Company to represent or constitute a forecast of profits by the Company nor to constitute publication of accounts by it.
- 19.9 Mazars LLP, the Reporting Accountants of the Company, has given and not withdrawn its written consent to the issue of this Admission Document with its name included in it and with the inclusion therein of its reports contained in Part IV and references thereto in the form and context in which it is included.
- 19.10 The auditors of the Group for the period from incorporation to 31 March 2010 covered by the historical financial information contained in Part IV of this document were Mazars LLP.
- 19.11 ZAI Corporate Finance Limited, the PLUS Corporate Adviser and broker of the Company, has given and not withdrawn its written consent to the inclusion in this Admission Document of references to its name in the form and context in which it appears.
- 19.12 The Company's major Shareholders do not have different voting rights from any of the Company's other Shareholders.
- 19.13 Save as disclosed in this Admission Document, the Company is not aware of any arrangements which may at a subsequent date result in a change of control of the Company.
- 19.14 No shares in the capital of the Company are held by or on behalf of the Company or any of its subsidiaries.
- 19.15 There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.
- 19.16 No public takeover bids have been made by third parties in respect of the Company's issued share capital since its incorporation till the date of this Admission Document.

- 19.17 The Directors are not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 19.18 Save as disclosed in this Admission Document the Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for the current financial year.
- 19.19 Save as disclosed in this Admission Document, there are no principal investments in progress.

20. Third Party Information

Where information has been sourced from a third party, the information has been accurately reproduced and, as far as the Company and the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Reference materials include various historical and recent publications. A comprehensive list of reports and information used in the preparation of this Admission Document is available if required.

21. Documents available for inspection

- 21.1 Copies of this Admission Document will be available to the public free of charge from the date of this Admission Document until the date which is one month after Admission, from the offices of ZAI Corporate Finance Limited, 12 Camomile Street, London, EC3A 7PT during normal business hours (Saturdays and Sundays excepted) and also on the Company's website.
- 21.2 Copies of the following documents will be available for inspection during normal business on any weekday (except public holidays) at the offices of Stephenson Harwood, One St Paul's Churchyard, London, EC4M 8SH, England for a period of fourteen days from the date of this document:
- 21.2.1 the Memorandum and Articles of the Company;
 - 21.2.2 audited non-statutory financial information of the Company, MiLOC Medical Limited and Smart Falcon Limited for the period ended 31 March 2010 and the audited non-statutory aggregated financial information on MiLOC Biotechnology Limited and MiLOC Pharmaceutical Limited for the period ended 31 March 2010;
 - 21.2.3 the Accountant's Reports set out in Part IV, and the letter from the Accountants set out in Part IV of this document;
 - 21.2.4 the letters of consent referred to in paragraphs 19.9 and 19.11 above;
 - 21.2.5 the material contracts referred to in paragraph 7 above;
 - 21.2.6 the Directors' contracts and letters of appointment referred to in paragraph 5.1 above; and
 - 21.2.7 the rules of the Share Option Plan.

20 December 2010

