31 May 2016

MiLOC Group Limited

Final audited results for the year ended 31 December 2015

MiLOC Group Limited (ISDX: ML.P), the ISDX quoted pharmaceutical and healthcare group (the "Company" or the "Group"), is pleased to announce its audited consolidated financial statements for the year ended 31 December 2015.

Key financial highlights:

- Revenue for the year ended 31 December 2015: HK$8,307K (2014: HK$14,734K)
- Loss for the year: HK$17,058K (2014: HK$5,175K)
- The basic and diluted loss per share for the year: HK$0.26 (2014: HK$0.07)
- The Group's net cash position as at 31 December 2015: HK$1,244K (2014: HK$5,032K)

Chairman's Statement

I am very pleased to report the 2015 financial year results for MiLOC Group Limited.

The Group's revenue for the year ended 31 December 2015 amounted to HK$8,307K which represents a 43% decrease as compared with the year ended 31 December 2014. This was due to the relocation of our Jor1 clinic's operations from Jordan to the Yau Ma Tei and Central clinics in Hong Kong while the Jordan clinic was temporarily closed from July 2015 due to tenancy negotiations and then under renovation to February 2016. The Group's distribution costs amounted to HK$3,360K which has increased by 827% compared to 31 December 2014 as a result of one-off expenses on the design and online advertising for TCM PLUS skincare products.

Although the accounts show a loss for the year, this represent the steps taken by the Group to position itself in order to be able to reach its long term objective of expanding its TCM based product portfolio. The Group has significantly invested in its own branded skincare product, TCM PLUS, which is designed and manufactured in Japan. In-line with its objective, the Group has successfully entered into distribution agreements with distributors in Hong Kong and Taiwan which is anticipated to contribute considerably to the Group's revenue in the coming year.

The Group will continue to implement its business strategies including the acquisition and expansion of its product portfolio by developing new products, development and promotion of its intended retail units, and strengthening of the Group's products and value added services to its customers in the coming year.

We also intend to enhance our sales distribution channels for our skincare products and, as mentioned below, the Group has already taken steps to expand into Taiwan. With the objective of capturing a wider customer base in the market, the Board is currently in discussions with a variety of parties in relation to introducing new concepts of distribution channel which includes E-commerce, physical stores, franchise shops and some famous hotel brands in other Asian countries including Mainland China and Japan.

Review of significant activities

The Jor2 clinics in Yau Ma Tei and Central districts in Hong Kong were temporarily closed while the Company reorganised its management. However, the temporary closure of the two Jor2 clinics had an impact on the cashflow of the Group as the revenue derived from the Jor2 clinics then accounted for a significant portion of the Group's revenue.

The Jor1 clinic's operations was relocated to the Yau Ma Tei and Central clinics in Hong Kong while the Jordan clinic was temporarily closed from July 2015 due to tenancy negotiations and underwent renovation work which completed in February 2016. During the renovation period, operations were temporarily relocated to the Group's other clinics in Yau Ma Tei and Central districts resulting in a temporary drop in revenue from both sales of TCM products and from clinics' operations. Following the renovation work, the Jor1 clinic and retail store is now a 'Medical centre', which the management believes will have a positive impact towards the Group's future revenue from the new image.

As announced on 7 January 2016, MiLOC Pharmaceutical (HK) Limited ("MiLOC Pharmaceutical"), a subsidiary of the Group entered into a significant distribution agreement with a Taiwan based Company which specialises in the distribution of traditional Chinese medicine skincare products across Taiwan (the "Distributor"). The Distributor is contracted to acquire TCM PLUS products resulting in revenue to MiLOC Pharmaceutical of not less than HK$20M for the first twelve months period. The Distributor has placed orders however no products have yet been delivered due to ongoing discussions between the Group, the Distributor and the Taiwanese Government. Having concluded these discussions, the Company is confident that the orders will be completed shortly, and will result in a total of not less than HK$20M revenue pursuant to the distribution agreement.

Financial review

(i) Revenue, gross profit and other revenue

The Group's revenue for the year ended 31 December 2015 amounted to HK$8,307K which represented a 43% decrease as compared to the year ended 31 December 2014. This was due in part to the failure of the Jor2 clinic to pick up as quickly as anticipated but primarily to the renovation work, however the revenue from this Medical Centre is anticipated to substantially increase in the coming year. The Group's gross profit and gross profit margin for the year ended 31 December 2015 amounted to HK$4,174K and 50% (2014 HK$9,905K and 67%) respectively and after Impairment of HK$1,070K amounted to HK$3,104K and 37% respectively. The Group's other revenue for the year ended 31 December 2015 amounted to HK$280K, an increase of 5% as compared to the year ended 31 December 2014.

(ii) Operating expenses

The Group's distribution costs for the year ended 31 December 2015 amounted to HK$3,447K, an increase of 851% as compared with the year ended 31 December 2014, was due to one-off expense on the design and online advertising in TCM PLUS skincare products. The Group's administrative expenses for the year ended 31 December 2015 were HK$14,024K compared with HK$13,773K for the year ended 31 December 2014, a slight increase of 2%. The Group has recognised a HK$2,824K impairment loss for intangible asset and goodwill, which have arisen following a detailed review of the Group's intangible assets and goodwill (see note 11 and 12 for further details.)

(iii) Loss and loss per share

The Group's loss for the year amounted to HK$17,058K (2014: HK$5,175K). As a result, the Group's basic and diluted loss per share for the year was HK$0.26 (2014: HK$0.07).

The Directors do not recommend the payment of a dividend.

(iv) Balance sheet items

The Group's tangible fixed assets as at 31 December 2015 amounted to HK$19K which mainly comprised leasehold improvements, furniture and fixtures and office equipment. The Group's tangible fixed assets decreased by HK$148K compared with HK$167K as at 31 December 2014 mainly due to depreciation.

The Group's other intangible assets as at 31 December 2015 amounted to HK$5,000K which represented a decrease of HK$1,400K compared with HK$6,400K as at 31 December 2014, principally due to the full impairment of the License of quality management system introduced to the TCM clinic.

The Group's goodwill as at 31 December 2015 was valued at HK$1,423K representing a decrease of HK$1,424K compared with HK$2,847K as at 31 December 2014. This is due to a recognised impairment of goodwill of one of the subsidiaries.

The Group's inventories as at 31 December 2015 amounted to HK$2,487K, an increase of HK$1,147K over the amount for 31 December 2014. The inventories mainly consist of TCM and healthcare products purchased during the year.

The Group's trade payables as at 31 December 2015 amounted to HK$500K with a decrease of HK$542K over the balance as at 31 December 2014.

The Group's cash and cash equivalents decreased from HK$5,032K as at 31 December 2014 to HK$1,244K as at 31 December 2015. For details of these movements, please refer to the Group's cash flow statement included in the non-statutory group financial statements.

Outlook

Both the Mainland China and Hong Kong Governments are now promoting traditional Chinese medical products and services as being complementary to Western medical treatments. As a consequence there is an increase in confidence in the usage and application of these products and services hence the Board is seeking to leverage off this assurance in the market. The Group will maintain its business strategy in, *inter alia*, developing and expanding its channels of distribution and initiating and developing retail units for the distribution of its skincare products. It will also develop and heavily promote its range of products under its brand name "TCM PLUS".

The Group will continue to explore the possibility of listing on another stock exchange in the UK. The Board believes that this will provide the Group with greater access to capital to achieve its business objectives of providing high quality and reliable TCM healthcare services and products.

Finally, on behalf of the Board of Directors, I would like to extend our utmost appreciation to all our employees, partners, shareholders, customers, business associates and suppliers, for their continued support.

Chow Ching Fung
Chairman

The financial information in this announcement is derived from the Group's audited consolidated financial statements for the year ended 31 December 2015 which are available at the Company's website www.miloc.com. The Directors of the Company accept responsibility for the contents of this announcement.

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MiLOC Group Limited
Consolidated Statement of Comprehensive Income
For the year ended December 2015

	Notes	2015		2014
From continuing operations		*HK$*		*HK$*
Revenue	*3*	8,307,122		14,733,570
Cost of sales		(5,202,713)		(4,829,069)
Gross profit		3,104,409		9,904,501
Other revenue	*3*	280,296		266,629
Distribution costs		(3,447,493)		(362,339)
Administrative expenses		(14,023,696)		(13,773,494)
Foreign exchange loss		(21,988)		(668,843)
Operating loss	*4*	(14,108,472)		(4,633,546)
Impairment loss for intangible asset and goodwill		(2,823,815)		-
Finance costs	*5*	(2)		-
Interest income		38		237
Loss before taxation		(16,932,251)		(4,633,309)
Taxation	*6*	(125,336)		(541,221)
Loss for the for year		**(17,057,587)**		**(5,174,530)**
Other comprehensive income		-		-
Total comprehensive result for the year		**(17,057,587)**		**(5,174,530)**
Attributable to:				
The equity holders of the parent entity		(17,049,328)		(4,596,276)
Non-controlling interests		(8,259)		(578,254)
		(17,057,587)		(5,174,530)
Loss per share – from continuing operations (HK$)				
Basic	*9*	(0.26)		(0.07)
Diluted	*9*	(0.26)		(0.07)

MiLOC Group Limited
Consolidated Statement of Financial Position
As of 31 December 2015

	Notes	As at 31 December 2015	As at 31 December 2014
		HK$	*HK$*
Assets			
Non-current assets			
Fixed assets	10	19,493	166,912
Other intangible assets	11	5,000,000	6,400,000
Goodwill	12	1,423,149	2,846,964
Deferred tax assets	6	-	125,000
		6,442,642	9,538,876
Current assets			
Inventories	14	2,487,414	1,340,581
Trade receivables	15	250,735	202,178
Other receivables and prepayments	16	2,072,974	4,885,840
Cash and cash equivalents	18	1,243,398	5,032,168
		6,054,521	11,460,767
Total assets		**12,497,163**	**20,999,643**
Equity and liabilities			
Equity			
Share capital	19	529,242	507,853
Share premium		44,261,756	34,939,238
Retained earnings		(38,655,019)	(33,871,278)
Equity attributable to the parent entity		6,135,979	1,575,813
Non-controlling interests		-	13,173,845
Total equity		6,135,979	14,749,658
Liabilities			
Current liabilities			
Trade payables		499,615	1,041,739
Other payables and accruals	20	3,750,203	2,411,880
Amounts due to directors	17	2,111,366	2,111,366
Taxation payable		-	685,000
		6,361,184	6,249,985
Total equity and liabilities		**12,497,163**	**20,999,643**

MiLOC Group Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2015

	Notes	**As at 31 December 2015**		**As at 31 December 2014**
		HK$		***HK$***
OPERATING ACTIVITIES				
Cash used in operations	*21*	(11,533,246)		(9,836,160)
INVESTING ACTIVITIES				
Purchase of fixed assets		(14,094)		(41,203)
Acquisition of subsidiaries, net of cash acquired		(900,000)		-
Net cash used in investing activities		(914,094)		(41,203)
FINANCING ACTIVITIES				
Issuance of shares		9,343,907		11,059,824
Profits tax payment		(685,337)		
Net cash generated from financing activities		8,658, 570		11,059,824
Net (decrease)/ increase in cash and cash equivalents		(3,788, 770)		1,182,461
Cash and cash equivalents at beginning of year		**5,032,168**		**3,849,707**
Cash and cash equivalents at end of year		**1,243, 398**		**5,032,168**

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in (i) the provision of TCM healthcare services, including consultations and TCM therapies, through a network of clinics in Hong Kong, and (ii) the sale and distribution of TCM healthcare and skincare products through wholesale outlets and TCM clinics, the Group's retail store in Hong Kong and other non-related TCM retail outlets, as well as directly to customers through the Company's online store. Revenue recognised during the year can be analysed as follows:

	2015		2014
	HK$		*HK$*
Revenue			
Sales of TCM healthcare and skincare products	1,650,494		5,176,825
Provision of TCM healthcare services	6,656,628		9,556,745
	8,307,122		14,733,570
Other revenue			
Consultancy fee	-		-
Management fee	253,726		240,000
Income for holding healthcare conference	-		-
Others	26,570		26,629
	280,296		266,629
Total revenue and other revenue	8,587,418		15,000,199

No single customer was responsible for generating greater than 10% of revenue during the current or preceding year.

The Board of Directors has determined that the business should comprise two business segments, namely, (1) revenues from the sales of TCM healthcare and skincare products and (2) TCM healthcare business.

(a) *Segment results, assets and liabilities*

The business is organised into two segments as above. The financial information for each segment is provided to the executive management where the performance of each segment is reviewed and decisions on the allocation of resources to each segment are made.

The TCM Healthcare Services: this segment comprises the provision of TCM healthcare services, including consultations and TCM therapies. Currently, the Group's activities in this segment are carried out only in Hong Kong.

The Sale and Distribution of TCM Healthcare and Skincare Products: this segment operates wholesale outlets and TCM clinics, the Group's retail store in Hong Kong and other non-related

TCM retail outlets, as well as the Company's online store. Currently, the Group's activities in this segment are carried out only in Hong Kong.

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

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

The table below explains the profit/(loss) from each segment and the contribution each makes towards the overall performance of the Group. In each case, finance costs, interest, taxation, head office and general expenses that are not specifically attributable to one or other of the segments, have been excluded.

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2015 and 2014 is set out below:

	For the year ended 31 December 2015		
	Sale of TCM Healthcare and Skincare Products	**TCM Healthcare Services**	**Total**
	HK$	***HK$***	***HK$***
Revenue - External sales	1,650,495	6,656,627	8,307,122
Cost of sales	(589,263)	(3,543,830)	(4,133,093)
Gross profit	1,061,232	3,112,797	4,174,029
Other revenue	15,045	265,251	280,296
Distribution costs	(3,383,415)	(64,078)	(3,447,493)
Administrative expenses	(4,808,515)	(3,843,673)	(8,652,188)
Segment profit/(loss)	(7,115,653)	(529,703)	(7,645,356)
General group operating costs (including professional fees and directors remuneration)			(5,393,498)
Operating loss			(13,038,854)
Impairment loss for intangible asset and goodwill			(2,823,815)
Impairment loss for inventories			(1,069,620)
Finance costs			-
Interest income			38
Loss before taxation			(16,932,251)
Taxation			(125,336)
Loss for the year			(17,057,587)

	For the year ended 31 December 2015				
	Sale of TCM Healthcare and Skincare Products		**TCM Healthcare Services**		**Total**
	HK$		***HK$***		***HK$***
Additions of					
- Fixed assets	-		14,094		14,094
Depreciation of					
- Fixed assets	26,6655		101,843		128,508
Segment assets	8,552,325		2,941,723		11,494,048
Segment liabilities	4,102,767		475,807		4,578,574

	For the year ended 31 December 2014				
	Sale of TCM Healthcare and Skincare Products		**TCM Healthcare Services**		**Total**
	HK$		***HK$***		***HK$***
Revenue - External sales	5,176,825		9,556,745		14,733,570
Cost of sales	(2,412,288)		(2,416,781)		(4,829,069)
Gross profit	2,764,537		7,139,964		9,904,501
Other revenue	85		266,538		266,623
Distribution costs	(199,220)		-		(199,220)
Administrative expenses	(4,648,774)		(4,615,673)		(9,264,447)
Segment profit/(loss)	(2,083,372)		2,790,829		707,457
General group operating costs (including professional fees and directors remuneration)					(5,341,003)
Operating loss					(4,633,546)
Finance costs					-
Interest income					237
Loss before taxation					(4,633,309)
Taxation					(541,221)
Loss for the year					(5,174,530)

	For the year ended 31 December 2014				
	Sale of TCM Healthcare and Skincare Products		**TCM Healthcare Services**		**Total**
	HK$		***HK$***		***HK$***
Additions of					
- Fixed assets	-		41,203		41,203
Amortisation of - intangible assets	233,334		-		233,334
Depreciation of					
- Fixed assets	133,435		28,067		161,502
Segment assets	9,794,114		9,175,699		18,969,813
Segment liabilities	2,418,443		2,881,662		5,300,105

(b) Reconciliation of reportable segment assets and liabilities

	As at 31 December 2015		**As at 31 December 2014**
	HK$		***HK$***
Assets			
Reportable segment assets	11,494,048		18,969,828
Deferred tax assets	-		125,000
Unallocated head office and corporate assets	1,003,115		1,904,815
Consolidated total assets	12,497,163		20,999,643
Liabilities			
Reportable segment liabilities	4,578,574		5,300,105
Current tax payable	-		685,000
Unallocated head office and corporate liabilities	1,782,610		264,880
Consolidated total liabilities	6,361,184		6,249,985

(c) Geographic information

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

The vast majority of the Group’s operations up to the date of the statement of financial position have been located in Hong Kong, therefore, significantly all of the Groups’ revenue is attributable to Hong Kong.

4. OPERATING LOSS

Operating loss is arrived at after charging the following:

	2015		2014
	HK$		*HK$*
Auditor's remuneration	396,820		401,755
Depreciation of fixed assets	128,507		161,502
Impairment for fixed assets	33,005		-
Impairment for inventories (included within cost of sales)	1,069,620		-
Amortisation of intangible assets	-		233,333
Operating lease charges: minimum lease payments for properties	3,019,317		2,800,886
Exchange loss	21,988		668,843

5. FINANCE COSTS

	2015		2014
	HK$		*HK$*
Others	2		-
	2		-

6. TAXATION

Deferred tax asset in the consolidated statement of financial position represents:

	2015		2014
	HK$		*HK$*
Deferred tax asset b/f	125,000		666,221
Written down of the deferred tax asset	(125,000)		(541,221)
Deferred tax asset c/f	-		125,000

The deferred tax asset relates to the expected future utilistaion of tax losses against future taxable profits amounting to approximately HK$Nil (2014: HK$814,162). The amount of losses that are available but in respect of which no deferred tax asset has been recognised amounted to HK$16,819,484 (2014: HK$8,968,257). No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Taxation in the consolidated statement of comprehensive income represents:

	2015	2014
	HK$	*HK$*
Hong Kong corporate income tax		
- Provision for the current year	-	-
- Under/(Over)-provision in the previous year	336	-
- Deferred tax – relating to tax loss	-	-
- Write down of the deferred tax assets	125,000	541,221
	125,336	**541,221**

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

	2015	2014
	HK$	*HK$*
Loss before taxation	17,057,587	4,596,276
Loss multiplied by standard rate of corporation tax in Hong Kong of 16.5%	(2,814,501)	758,385
Effect of:		
Non-deductable expenses	2,814,501	(758,385)
Under/(Over-provision) in the previous year	336	-
Tax loss derecognised/(recognised) for deferred tax purpose	125,000	541,221
	125,336	**541,221**

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

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

	2015	2014
	HK$	*HK$*
Salaries, wages and other benefits	2,206,339	4,010,914
Contributions to defined contribution plan	102,331	128,753
	2,308,670	**4,139,667**

8. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2015		**2014**
	HK$		***HK$***
Salaries and other short-term benefits:			
-Salaries and allowances	2,680,000		2,280,000
-Retirement scheme contribution	30,000		27,000
	2,710,000		**2,307,000**

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

The service agreements have since been renewed on a yearly basis.

9. EARNING PER SHARE – BASIC

Basic

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

	2015		**2014**
	HK$		***HK$***
Losses attributable to equity holders of parent entity	(17,049,327)		(4,596,276)
Number of shares			
Weighted average number of ordinary shares in issue	66,557,973		63,550,832
Loss per share	0.26		0.07

10. FIXED ASSETS

	Leasehold improvements	Furniture & fixtures	Office equipment	Total
	HK$	*HK$*	*HK$*	*HK$*
Cost				
At 1 January 2014	296,650	198,675	660,452	1,155,777
Additions	-	-	41,203	41,203
At 31 December 2014	296,650	198,675	701,655	1,196,980
Accumulated Depreciation				
At 1 January 2014	147,182	114,233	607,151	868,566
Charge for the year	59,330	39,735	62,437	161,502
At 31 December 2014	206,512	153,968	669,588	1,030,068
Net book value				
At 31 December 2014	90,138	44,707	32,067	166,912
Cost				
At 1 January 2015	296,650	198,675	701,655	1,196,980
Additions	-	-	14,094	14,094
At 31 December 2015	296,650	198,675	715,749	1,211,074
Accumulated Depreciation				
At 1 January 2015	206,512	153,968	669,588	1,030,068
Charge for the year	59,330	39,687	29,491	128,508
Impairment for the year	30,808	2,197	-	33,005
At 31 December 2015	296,650	195,852	699,079	1,191,581
Net book value				
At 31 December 2015	-	2,823	16,670	19,493

11. OTHER INTANGIBLE ASSETS

	Patent of Rorrico	Licence of quality management system for TCM clinic	Total
	HK$	*HK$*	*HK$*
Cost			
At 1 January 2014	5,000,000	3,420,000	8,420,000
At 31 December 2014	5,000,000	3,420,000	8,420,000
Accumulated amortisation			
At 1 January 2014	-	1,786,667	1,786,667
Charge for the year	-	233,333	233,333
At 31 December 2014	-	2,020,000	2,020,000
Net book value			
At 31 December 2014	5,000,000	1,400,000	6,400,000
Cost			
At 1 January 2015	5,000,000	3,420,000	8,420,000
Disposal	-	(3,420,000)	(3,420,000)
At 31 December 2015	5,000,000	-	5,000,000
Accumulated amortisation			
At 1 January 2015	-	2,020,000	2,020,000
Disposal	-	(2,020,000)	(2,020,000)
At 31 December 2015	-	-	-
Net book value			
At 31 December 2015	5,000,000	-	5,000,000

Rorrico Patent

In 2010, the Group acquired the intellectual property rights to Rorrico, a TCM for the treatment of influenza viruses, including the Influenza A virus and its sub-type virus, pandemic Influenza A (H1N1) or Swine flu. On 27 July 2011, the State Intellectual Property Office of the PRC granted the Rorrico Patent (the "Patent").

The Patent was not amortised during the year ended 31 December 2015 as management consider the asset has an indefinite useful life. Initial valuations and valuations for subsequent impairment tests are based on established market multiples or risk-adjusted future cash flows discounted using appropriate interest rates. These future cash flows are based on business forecasts and are therefore inherently judgmental. Future events could cause the assumptions used in these impairment reviews to change with a consequent adverse effect on the future results of the Group.

As yet there has been no outbreak of Influenza A or Swine flu and therefore the asset is not currently generating revenues for the group, although management expect revenues to be generated in the future. The Patent is tested annually for impairment applying a value in use methodology, assuming an outbreak in the following financial year and generally using seven year post-tax cash flow forecasts with a terminal value calculation and a discount rate of 25%, adjusted where appropriate for country-specific risks. The main assumptions include future sales price and volume growth, product contribution and the future expenditure required to maintain the product's marketability. These assumptions are based on past experience and are reviewed as part of management's budgeting and strategic planning cycle for changes in market conditions and sales erosion through competition. The terminal growth rate applied of 3% is management's estimates of future long-term average growth rate of the relevant markets. In each case the valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the Patent. In addition, the management perform market research on patents in the TCM industry to provide an estimated market value of the patent at each year end. This information provides management with a value benchmark and is considered when management perform their impairment review.

Licence of quality management system for TCM clinic:

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

During the year the group acquired Modern TCM's equity interest in MiLOC Clinics and therefore became 100% owner of MiLOC Clinics. As Modern TCM is no longer a co-owner of MiLOC Clinics the right to use the quality management system expired at the date of acquisition. At the 31 December 2014 the carrying amount was HK$1,400,000, this asset has been impaired and has subsequently been disposal of to the profit and loss account in the year.

12. GOODWILL

	2015 HK$	2014 HK$
Balance at the beginning of the year	2,846,964	2,846,964
Additions	-	-
Impairment for the year	(1,423,815)	-
Balance at the end of the year	1,423,149	2,846,964

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

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

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

		2015	*2014*
Gross margin		53-63%	53-63%
Growth rate Discount rate		10% 17%	10% 17%

13. INTEREST IN SUBSIDIARIES

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

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

Interests held indirectly by the Company:				
Cash generating unit:				
MiLOC Pharmaceutical (HK) Ltd	9 March 2011, HK	100%	N/A	Retailing and wholesaling of healthcare and skincare and related products
MiLOC Clinics Limited	15 February 2011, BVI	100%	N/A	Receipt of royalty fee from clinics
MiLOC Medical Limited	24 January 2011, HK	100%	N/A	Provision of medical services
MiLOC Medical Jor1 Limited	25 September 2007, HK	100%	Golden Ace Holdings Limited	Provision of Chinese medical services
MiLOC Clinics Jor2 Limited	19 July 2010, HK	100%	Chan Chi Hang	Provision of Chinese medical services
MiLOC Store Limited	18 October 2010, HK	100%	Golden Ace Holdings Limited	Retailing and wholesaling of healthcare and related products
Non-cash generating unit:				
Smart Falcon Limited	3 December 2009, BVI	100%	He Yu and Professor He Zhong Sheng	Holding company of intellectual property rights, including the Rorrico patent
MiLOC Clinics (HK) Limited	15 March 2011, BVI	100%	N/A	Dormant
Golden Ace Holdings Limited	28 September 2010, BVI	100%	LEE Mun Keat	Investment holding company
MiLOC Pharmaceutical (Macau) Limited	9 June 2011, Macau	100%	N/A	Retailing, wholesaling, import and export of TCM products

During 2015, the Company purchased the remaining portion of MiLOC Clinics Limited and MiLOC Clinics Jor2 Limited that it did not previously own. The Group's shareholding of MiLOC Clinics Limited and MiLOC Clinics Jor2 Limited was changed from 60% to 100% and 36% to 100% respectively.

14. INVENTORIES

The inventories as at 31 December 2015 and 2014 are as follows.

		2015		**2014**
		HK$		***HK$***
Finished goods		3,557,034		1,340,581
Provision for the year		(1,069,620)		-
		2,487,414		1,340,581

The inventories recognised as an expense during the year amounted HK$606,353 (2014: HK$2,412,288).

15. TRADE RECEIVABLES

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

16. OTHER RECEIVABLES AND PREPAYMENT

		2015		**2014**
		HK$		***HK$***
Other receivables		847,798		762,893
Prepayment		1,225,176		4,122,947
		2,072,974		**4,885,840**

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

17. RELATED PARTY TRANSACTIONS

Transactions between the Group and its related parties as at 31 December 2015 and 2014 were as follow:

		2015		**2014**
		HK$		***HK$***
Amount due to directors		2,111,366		2,111,366

Apart from the above amount from/to the related companies, significant transactions between the Group and its related parties for the 31 December 2015 and 2014 were as follows:

	2015		**2014**
	HK$		***HK$***
Purchases from Green Health Supplement International Company	605,723		584,491

At 31 December 2015, the trade payable to Green Health Supplement International Company is HK$228,587 (2014: HK$862,209)

Professor Chow Ching Fung, executive director, is a partner in Green Health Supplement International Company, a partnership company.

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2015 and 2014 comprise:

		2015		2014
		HK$		*HK$*
Cash at bank and in hand		1,243, 398		5,032,168

19. SHARE CAPITAL

		2015		2014
		HK$		HK$
Authorised,				
100,000,000 ordinary shares of US$0.001 each At the beginning and end of the year		775,000		775,000
Allotted and fully paid: No. of shares: At the beginning and end of the year		65,269,042		62,332,672
Issuance of shares		2,742,206		2,936,370
At the end of the year		68,011,248		65,269,042
Amount: At the beginning and end of the year		507,853		484,950
Issuance of shares		21,389		22,903
At the end of the year		529,242		507,853

On 25 March 2015, the Company entered into an agreement to issue 303,818 new US$0.001 ordinary shares at the placing price of 28.5p per share to raise approximately HK$1,000,000. This placing was completed during March 2015.

On 28 April 2015, the Company entered into an agreement to issue 200,000 new US$0.001 ordinary shares at the placing price of 28.5p per share to raise approximately HK$673,512. This placing was completed during May 2015.

On 7 and 26 May 2015, the Company entered into a total of three agreements to issue 726,301 new US$0.001 ordinary shares at the placing price of 28.5p per share to raise approximately HK$2,500,000. The Company also agreed to pay a referral fee of 5% of the fundraising amount to a consultant of the Company by allotting and issuing a total of 34,618 new ordinary shares of US$0.001 each at a price of 30p per share. These placings and allotments were completed during June 2015.

On 29 June 2015, the Company entered into two agreements to issue 190,260 new US$0.001 ordinary shares at the placing price of 28.5p per share to raise approximately HK$664,187. This placing was completed during July 2015.

On 30 July 2015, the Company entered into an agreement to issue 150,000 new US$0.001 ordinary shares at the placing price of 28.5p per share to raise approximately HK$521,208. This placing was completed during August 2015.

On 27 August 2015, the Company entered into an agreement to issue 143,005 new US$0.001 ordinary shares at the placing price of 28.5p per share to raise approximately HK$500,000. This placing was completed during September 2015.

On 21 September 2015, the Company entered into an agreement to issue 69,492 new US$0.001 ordinary shares at the placing price of 28.5p per share to raise approximately HK$240,000. This placing was completed during October 2015.

On 2 and 8 October 2015, the Company entered into a total of three agreements to issue 924,712 new US$0.001 ordinary shares at the placing price of 28.5p per share to raise approximately HK$3,120,000. These placings and allotments were completed during October and November 2015.

20. OTHER PAYABLES AND ACCRUALS

	2015	2014
	HK$	*HK$*
Other payables	-	9
Receipts in advance	1,590,477	351,467
Accruals	2,159,726	2,060,404
	3,750,203	2,411,880

21. CASH USED IN OPERATIONS

Reconciliation of loss before taxation to cash used in operations:

	2015	2014
	HK$	*HK$*
Loss before taxation	(16,932,251)	(4,633,309)
Adjustments:		
Depreciation of fixed assets	128,508	161,502
Amortisation of intangible assets	-	233,333
Fixed asset written off	33,006	
Impairment loss for intangible asset and goodwill	2,823,815	-
Operating loss before changes in working capital	(13,946,922)	(4,238,474)
(Increase)/decrease in inventories	(1,146,832)	14,242
(Increase)/decrease in trade receivables	(48,557)	564,265

Decrease/(increase) in other receivables and prepayments		2,812,866		(4,113,338)
Decrease in amount due from shareholders		-		152,907
Decrease in trade payables		(542,124)		(2,170,863)
Increase in other payables and accruals		1,338,323		27,544
Decrease in amount due to shareholders		-		(72,443)
Cash used in operations		(11,533,246)		(9,836,160)

22. COMMITMENTS UNDER OPERATING LEASES

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

		2015		2014
		HK$		***HK$***
Not later than one year		2,438,400		1,229,133
Later than one year but less than five years		448,900		396,952
		2,887,300		1,626,085

23. FINANCIAL ASSETS AND RISK

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

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

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

The Group has the following categories of financial assets and liabilities at the balance sheet date:

		2015		2014
		HK$		***HK$***
		Loan and receivables		**Loan and receivables**
Financial assets				
Trade receivables		250,735		202,178
Other receivables		74,348		158,793
Cash and cash equivalents		1,243,398		5,032,1687
		1,568,481		5,393,139

	Other financial liabilities	Other financial liabilities
Financial liabilities		
Trade payables	499,615	1,041,739
Other payables	-	9
	499,615	1,041,748

The carrying value of financial instruments included in the above table approximates to their fair value.

Credit risk

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

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

	2015	**2014**
	HK$	***HK$***
Trade receivables	250,735	202,178
Other receivables	74,348	158,793
Cash and cash equivalents	1,243,398	5,032,168
	1,568,481	5,393,139

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

The Group has no significant concentration of credit risk.

Market risk

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

Interest rate risk

The Group is exposed to interest rate risk on cash and cash equivalents. Assuming that all other variables remain constant, an increase of 100 basis points in interest rates would have increased equity and profit and loss by HK$12,434 (2014: HK$50,322). A corresponding decrease would have an equal but opposite effect.

Liquidity risk

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

Currency risk management

The Group is exposed to currency risk on financial assets of HK$976 (2014: HK$1,649,626) that are denominated in currencies other than Hong Kong dollars.

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

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

Under this assumption, with a 10% strengthening or weakening of HK$ against all exchange rates, loss before taxation would have increased or decreased respectively by US$13 (2014: US$21,149).

24. CAPITAL MANAGEMENT

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

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

25. SHARE BASED COMPENSATION

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

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

	2015			2014	
	Number of options	**Average exercise price GBP**		**Number of options**	**Average exercise price GBP**
Outstanding at the beginning of the year					
Granted	72,161	0.33		72,161	0.33
Lapsed	72,161	0.33		-	-
Forfeited by option holder	-	-		-	-
Outstanding at the end of the year	-	-		**72,161**	**0.33**
Exercisable at the end of the year	-	-		72,161	0.33

As the Company was admitted to the ISDX Growth Market (formerly PLUS Markets) in December 2010, it is not expected that the outstanding options will vest within one year.

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

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

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

During the year ended 31 December 2015 and 2014, there were no share options granted.

26. POST BALANCE SHEET EVENT

Private Placings

On 24 December 2015 and 28 January 2016, the Company entered into two agreements to issue 451,930 new US$0.001 ordinary shares at a placing price of 28.5p per share to raise approximately HK$1,500,000. The Company also agreed to pay a referral fee of 5% of the fundraising amount to a consultant of the Company by allotting and issuing a total of 19,031 new ordinary shares of US$0.001 each at a price of 35p per share. The placings and allotment are expected to be complete at the end of June 2016.

On 24 March 2016, the Company entered into an agreement to issue 629,320 new US$0.001 ordinary shares at the placing price of 28.5p per share to raise approximately HK$2,000,000. This placing was completed in March 2016.

On 25 April 2016, the Company entered into two agreements to issue 88,731 new US$0.001 ordinary shares at a placing price of 30p per share to raise approximately HK$300,000. The placing is expected to be complete at the end of June 2016.

On 13 May 2016, the Company entered into an agreement to issue 1,551,593 new US$0.001 ordinary shares at a placing price of 28.5p per share to raise approximately HK$5,000,000. The Company also agreed to pay a referral fee of 5% of the fundraising amount to a consultant of the Company by allotting and issuing a total of 63,436 new ordinary shares of US$0.001 each at a price of 35p per share. The placing and allotment are expected to be complete at the end of June 2016.