

Traditional Therapy Clinics Limited (TTC)

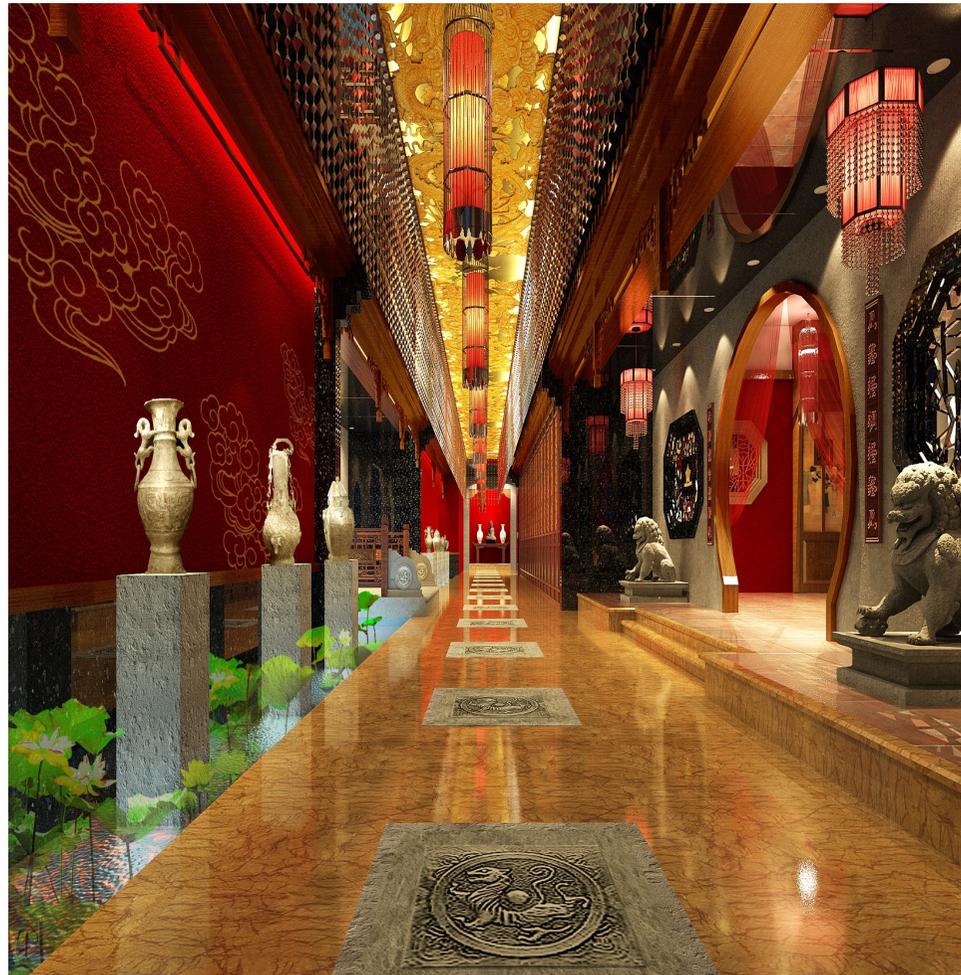
2018 Annual General Meeting



Traditional Therapy Clinics Limited

Agenda | Annual General Meeting

- **Chairman's Address**
 - 2017 Year in Review
 - March Quarter Update
 - Growth Strategy
 - Auditors Comments
 - Shareholder Matters
 - Outlook 2018
- **Formal Business**



Traditional Therapy Clinics Limited

Year in Review - 2017 Operations

- The number of TTC owned Fuqiao branded therapy clinics continues to increase. Fuqiao continues to be the largest traditional therapy provider in China.
- During the 2017 financial year, TTC opened an additional 8 new franchised clinics in China; increasing the franchise clinic network by 2% to 353.
- TTC made a significant step forward in terms of the long-term strategy of owning a larger proportion of our branded clinics by purchasing 12 previously franchised clinics during the year. This resulted in a 46% increase in the number of clinics owned by TTC.
- The Company made significant progress building its first series of greenfield clinics. There were 5 greenfield clinics being developed in last quarter of 2017. Three of the greenfield clinics are located in Guizhou, one in Hainan and one in Inner Mongolia. The construction of the new greenfield clinics is currently underway. The Company expects that all of these new greenfield clinics will commence operations during 2018.
- The Company received the full refund of the deposit of AUD 16.97 million (RMB87.90) million before 30 December 2017, relating to the cancelled the acquisition of a new head office in Chongqing City's main financial district.
- At the end of 2017:
 - Number of franchised clinics was 353 - an increase of 8 clinics
 - Number of company owned clinics was 38 - an increase of 12 clinics
 - Total number of clinics was 391

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Year in Review - 2017 Financial Performance

The financial performance of TTC shows the following:

- Trading revenue reached AUD \$68.6 million in FY2017, 17% higher than the previous year.
- EBITDA decreased by 14% from AUD \$27.7 million to AUD \$23.9 million.
- Net Profit After Tax decreased by 21% from AUD \$17.0 million in FY2016 to AUD \$13.3 million in 2017. This result has been affected by:
 - Gross profit decreased by 4% or AUD \$1.21 million in FY2017, despite increased in revenue. This is primarily due to temporary closure of 23 owned clinics from 1 to 1.5 months due to renovation.
 - A share-based payment expense of AUD \$3.492 million was recorded in FY2017. Excluding the share-based payment expense, the Company's EBITDA decreased by 1% from AUD \$27.7 million in 2016 to AUD \$27.4 million in 2017; Net Profit After Tax decreased by 1% from AUD \$17 million in FY2016 to AUD \$16.8 million in FY2017.
 - Negative impact from currency exchange (AUD: RMB) from 1:4.9448 in FY2016 to 1:5.1813 in FY2017, an unfavourable change of 4.78%.
- The company recorded a cash balance of AUD \$37.8m with no debt at year end
- In addition the company received a number of significant Government and industry awards

Fuqiao (Chongqing)

- Passed ISO9001:2008 Recertification Test
- Best Company Award by IQNeT
- Elected as Vice-President Unit of China Reflexology Association

Fuqiao Brand

- Most favourable Chongqing Brand

Madam Hu Zhirong

- Elected as Council Member of China Association of Acupuncture-Moxibustion
- Elected as Vice-President of Chongqing Tuina Massage Association

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2018 March Quarter Update

The TTC business model comprises both franchised and owned clinics all operating under the Fuqiao brand. Until 2012, TTC focused on franchise clinic growth.

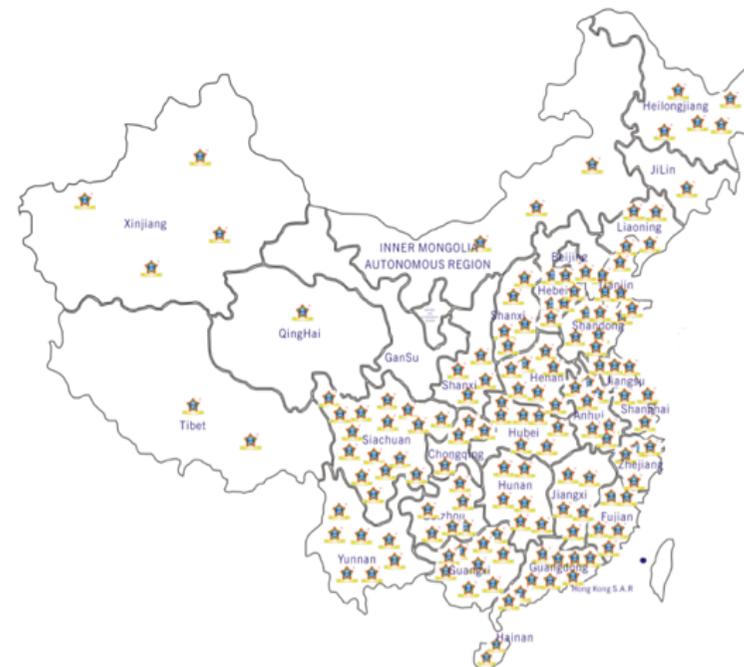
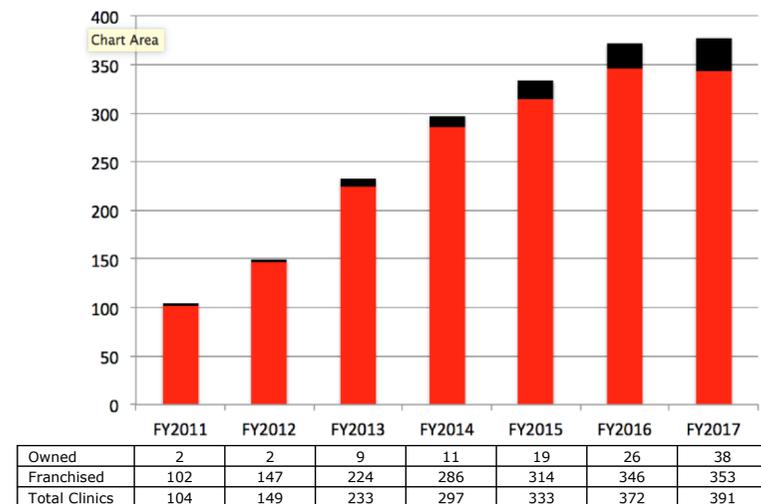
However, given the higher absolute returns generated by owned clinics, TTC embarked on a strategy of clinic acquisition.

Now in 2017, the Group commenced its first series of greenfield clinics in line with TTC growth strategy.

396 Clinics (31 March 2018)

- Owned Clinics – 38 (31 March 2018)
- Greenfield Clinics – 5
5 new greenfield clinics commenced operation in April 2018
- Franchised clinics – 353
1 new franchised clinic opened from 1 January 2018 to 31 March 2018, as well as 1 old franchised clinic closed due to end of contract period

Operating Clinics



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2018 March Quarter Financial Update

Revenue: RMB 85,182,200 (increase of 6.9%) **AUD 17,034,396** (increase of 11.7%)

EBITDA: RMB 31,057,795 (decrease of 3.4%) **AUD 6,210,814** (increase of 0.9%)

Q1 2018 commentary

1. Expenses incurred in Q1 for non operational clinics, including the Flagship Clinic. Flagship Clinic resumed operations on May 18.
2. The 5 greenfield clinics not in operation during Q1, 2018, commenced operation in April 18.
3. 28 clinics closed for half a month during Chinese New Year in February
4. Increased revenue reflects strong performance of the operating network in Q1
5. Increased competition in the sector
6. Unaudited accounts

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Confidence in reports

- TTC undergoes a full annual audit of its financial results and associated accounting controls and the audit is conducted in accordance with Australian Auditing Standards and the Corporations Act 2001
- The annual Audit is performed by BDO and the engagement partner Australian based
- The audit procedures focused on areas that are considered to represent significant risk of material misstatement
 - These areas are identified as part of BDO's risk assessment procedures undertaken during the planning phase
 - Potential areas of risk can include recognition of revenues, recognition of transactions involving cash payments, currency exchange transactions, correct accounting of acquisitions, etc
- BDO has issued an unqualified audit opinion for the 2017 audit as per previous years

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2018 Focus

1. Grow RMB EBITDA by >10%
2. Increase the number of company owned greenfield clinics
3. Commence consolidation of the industry by selectively acquiring, subject to valuations, higher performing clinics from competitors (more than 2,000 available)
4. Add to business model through synergistic business partnerships which will be:
 - Earnings accretive
 - Confirm underlying value and quality of TTC business
 - Sectors under detailed discussions include:
 - Expanded education and training for Chinese health professionals
 - Business partnerships which enable the sale of additional products and services

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2018 Use of capital and general questions

1. Capital will be retained in 2018 and focused on financing company growth in the 3 areas outlined
2. The company will not pay a dividend in 2018 but, subject to progress of the growth initiatives will review this position in 2019
3. Moving money out of China - Management has informed the Board that that the process to transfer funds is underway in Chongqing
4. Capital will be focused on generating growth and a share buyback is not being considered at this time
5. **Head Office;** No planned changes to existing plan for 2018
6. **3 Growth Areas**
 1. Existing franchises acquisitions and M&A
 2. New Greenfield clinics
 3. New activities/ventures/business partnerships

Traditional Therapy Clinics Limited - Growth

M&A - Acquire company owned clinics from the existing franchisees

- TTC has a detailed plan to identify well performing clinics and to investigate the possible acquisition of new clinics
- There are more than 2000 clinics held through other large networks and also some distant family members
- TTC is initiating discussion with other clinic network operations about acquisition opportunities

Traditional Therapy Clinics Limited - Growth

New Greenfield Clinics

Establishing a new greenfield clinic requires research to:

- identify both good locations;
- understand the potential customer base / traffic in the location;
- understand the existing competition;
- Consider local government or related requirements ;
- develop an appropriate promotion program;
- sourcing local staff;
- sourcing trusted management;
- consideration of any local government requirements

TTC has developed a proven methodology for this process

TTC has a specialist team who undertake this activity.

Final sign off for a new greenfield clinic comes from the senior management team headed by Madam Hu

Traditional Therapy Clinics Limited - Growth

New Business Partnerships

Products and Services

- Currently the bulk of the TTC business revenue is derived from fees for therapies provided in clinics
- However this clinic visit is only 1 of the 3 major components of a TTC customer journey.
- The other two components of the customer journey occur before and after the clinic appointment
- There are additional products and services opportunities in these other two components plus additional product opportunities during the actual clinic visit
- TTC is engaged in discussions on developing business partnerships which enable the company's business model to more fully harness the total customer journey. The target is to implement the company's extended business model in 2018

Aged Care Health Education

- TTC maintain a direct interest in the training of its clinicians and therapists
- TTC contributes training staff to the schools that train therapists and generally employ many of the graduates from the schools which it supports
- TTC is thus well positioned to broaden its range of health care courses it supports to include the formal training and the certification of staff for in home aged care
- TTC is in discussion with partners to consider developing this initiative

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Growth Strategy

Our strategy is to continue to grow market share both organically and through acquisition

	Location type	Timeframe
4 Industry acquisitions	Acquire other market participants	Under analysis
2 Expand owned clinics	Acquire from franchise network	Ongoing
3	Greenfield	Ongoing
1 Expand franchise network	Greenfield	Ongoing

The longer term company growth strategy is also to look for cost effective ways to introduce new products and services to better capture the full Fuqiao customer journey in the larger Chinese healthcare sector.

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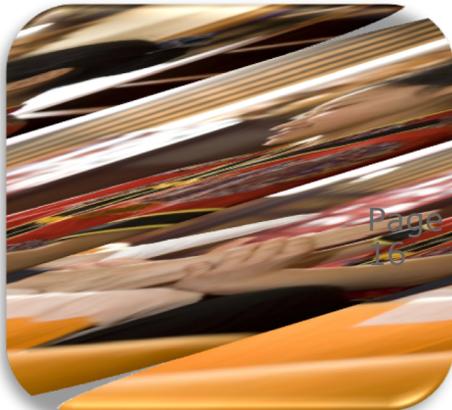
Summary and Outlook

- The senior management team is diligent and committed to TTC
- Reflecting this, the business has, operationally, consistently performed well since its IPO in September 2015
- Excluding the share-based payment expense, in 2017 the business delivered an (RMB) EBITDA growth of 4.4%
- In 2018 the company will pursue a strong growth strategy based on the 3 areas outlined
- A similar EBITDA (RMB) growth of >10% is the target for 2018

Questions

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Formal Business



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Formal Business

Ordinary Business

Resolution 1:

Annual Financial Report, Directors' and Auditor's Report

Resolution 2:

Remuneration Report

Resolution 3:

Re-Election of Directors

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Disclaimer

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